

As revenues across the wider Club market plateau, costs increase and a Federal election looms large, one of the key 'costs' that is causing the greatest consternation among venues is falling hold, or 'retention'. While hold has been slowly declining over the last 5 years, this has been partially offset by efficiencies in processing turnover and wins. The (near) elimination of coins and manual tickets has accelerated game play and limited operational money handling by the player. Central to the problem is Clubs are netting less than expected on a repeated basis. Numbers over 3 months of data can make an argument to say this is largely administrative, the simple fact is that repeated scenarios of 'I was supposed to make X and only made Y' heightens the problems in a flat market like we are experiencing now. This month's research narrows the focus to key product groupings to better understand why and where possible issues reside.

Method: machines were selected that ran for the complete month only. Turnover and net revenue were actual, theoretical was derived from the value placed in the system by each venue. The data excludes multi terminal gaming activity and is NSW product only. As there is no unique identifier for each machine, the sample size is the total of 3 months of machine data.

YEAR OF RELEASE			
	Actual Net	Theo Net	Sample
All Games	8.35	8.49	50,400
2017-2019 (Jan)	8.46	8.17	13,900
2013-2016	8.43	8.65	20,600
2004-2012	8.04	8.71	15,200

PRODUCT TYPE			
	Actual Net	Theo Net	Sample
SAP	8.29	8.26	18,900
Link	8.53	8.54	8,800
Standalone	8.67	8.82	3,200
Extra Bet	8.16	9.38	3,400
Multi Game	8.26	8.51	16,000

DENOMINATION			
	Actual Net	Theo Net	Sample
Multi denomination	8.40	8.40	27,000
0.01-2.00	8.25	8.66	23,400

KEY PRODUCTS			
	Actual Net	Theo Net	Sample
Players Choice	8.44	8.62	6,000
Lightning Dragons	8.53	8.34	11,800
MultiStar Champion	6.30	7.87	500

MANUFACTURERS			
	Actual Net	Theo Net	Sample
Aristocrat	8.50	8.56	26,900
SciGames	8.58	8.61	5,100
IGT	7.33	8.23	7,100
Ainsworth	8.25	8.19	8,700

Using 3 months of AstuteBI game performance data (Nov-18, Dec-18, Jan-19 ex.MTGM), we aggregated actual net and theoretical (theo) net hold values to identify the gaps. If 'actual net' is above 'theo net', then it indicates the cohort group is over delivering on net profit. Conversely, if 'actual net' is below 'theo net', the cohort is under delivering on net profit.

On \$3.618b worth of turnover listed in the 3-month data set, the gap between 'theo net' and 'actual net' is a cool **\$5.107m** of unrealised net revenue. Over a large sample, this is significant and indicates a wider problem we have alluded to for some time.

A simple explanation for a good part of this is the multi game category. Manufacturers provide venues with an average RTP value (as required by the regulator) and cannot hypothesise what games are going to be the most popular. As all RTPs are not the same, then a distribution to a higher RTP value will cause the overall number to skew. A similar longer-term problem has arisen with 'Ante bet' games that cannot assume people are going to make that bet.

Taken over the long term, this has the possibility to create consistent gaming revenue shortfalls compared to expectations.

Conclusion: while a good many operators are drawing the conclusion that the 'Lightning Dragons' product ranges are the prime driver of retention issues; the numbers would indicate this is not the case with the category 'over-holding' versus expected net revenue levels. Venue hold has been slowly declining for a number of years and will be expected to continue, but the gap between 'expected' and 'actual' is just as problematic and can be addressed to looking at historical data and making manual adjustments accordingly.

HOW CLUBS SHOULD CONSIDER THE NOTION OF ‘TOTAL ADDRESSABLE MARKET’ – *By Terry O’Halloran*

Based on 2018 numbers, NSW Clubs are an annual \$6Bn revenue business with over 60% of that revenue deriving from gaming machines. With the wider Club market largely stagnant early in 2019, Clubs should be considering how to cater for a wider catchment of players to create the largest possible addressable market. The current success of ‘hold and respin’ product has meant game releases across the board have a certain homogeneity to it. Combine the desire for ‘volatility’ and SAPs to the top tier of players (who disproportionately effect performance reviews of product), and the player offering is a narrow scope indeed. While venues and manufacturers alike are guided by the revenue number (as they should be) how should we value the potential of the ‘total addressable market’?

Hospitality’s nearest business cousin is retail, and for as long as there have been stores, product variety has been the key to creating foot traffic and appealing to the most people as is possible and makes rational business sense. Supermarkets carry many products that don’t appear anywhere near the front of a ‘ranking report’ but know that their presence create foot traffic that can lead to other sales. Given the small percentage of any membership base that plays gaming machines, and the limited hours where occupancy is north of 70%, how are we not looking for ways to engage more people and broaden occupancy across the trading week?

Standalone games (non-SAP, non-link) have long fallen out of favour of the top players, but some manufacturers have released product in recent times as a response to market requests for less volatility. Instead of measuring them against the wider market and abandoning the concept when it doesn’t match up to floor average, there should be a thought process to develop a small area to broaden product appeal on any gaming floor. Yes, the game performance distribution graph will have a longer tail and steeper front, but manufacturers will be incentivised to develop games across the board and avoid the current approach of ‘follow the leader’. Data analysis skillsets can be broadened to look at the ‘who’ rather than sorting from top to bottom with a premium on ensuring volume and a wider player base.

APRIL 2019 PRODUCT DATA OBSERVATIONS (Q1 2017/2018/2019 ex.MTGM) – average bets have declined on every trading day year on year on year. With revenues stagnant, this would correlate to higher occupancy rates.

State	MON	TUE	WED	THU	FRI	SAT	SUN	Grand Total
Q1’19	\$1.60	\$1.53	\$1.53	\$1.49	\$1.50	\$1.46	\$1.42	\$1.50
Q1’18	\$1.67	\$1.61	\$1.56	\$1.54	\$1.54	\$1.50	\$1.46	\$1.55
Q1’17	\$1.72	\$1.64	\$1.62	\$1.57	\$1.59	\$1.55	\$1.52	\$1.59

Upcoming Gaming courses, articles and sessions are now listed on the updated RCA website – Articles and Courses. The back catalogue of ‘Inflection Point’ and other articles can be found at www.russellcorporate.com.au/68

‘Directors Cut’, a 2-hour presentation for Boards on trends in the industry, data and insights around Clubs, and the business of gaming and its importance to revenue. The next session will be held in south west Sydney, details below;



May 9, Ingleburn RSL
4pm – 6:30pm
DIRECTOR'S CUT

For bookings and registration, follow the link <https://www.trybooking.com/BBKVV>