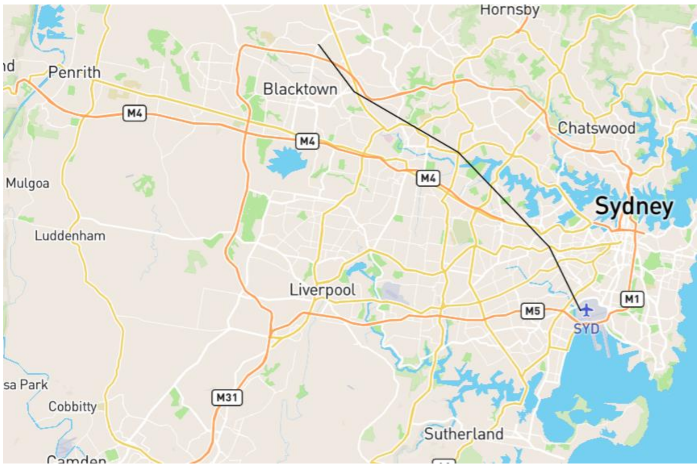
‘Honi Soit’, Sydney University’s student publication has developed an interactive tool that inspired a term that uses locations of a second-tier fast food chain to delineate the greater Sydney market. The ‘Red Rooster line’ has since entered common vernacular as a dividing line which separates Sydney’s west from its more affluent areas. The formula is simple: sketch the points of all the Red Roosters in Sydney and you get a surprisingly neat indication of the border of Western Sydney.

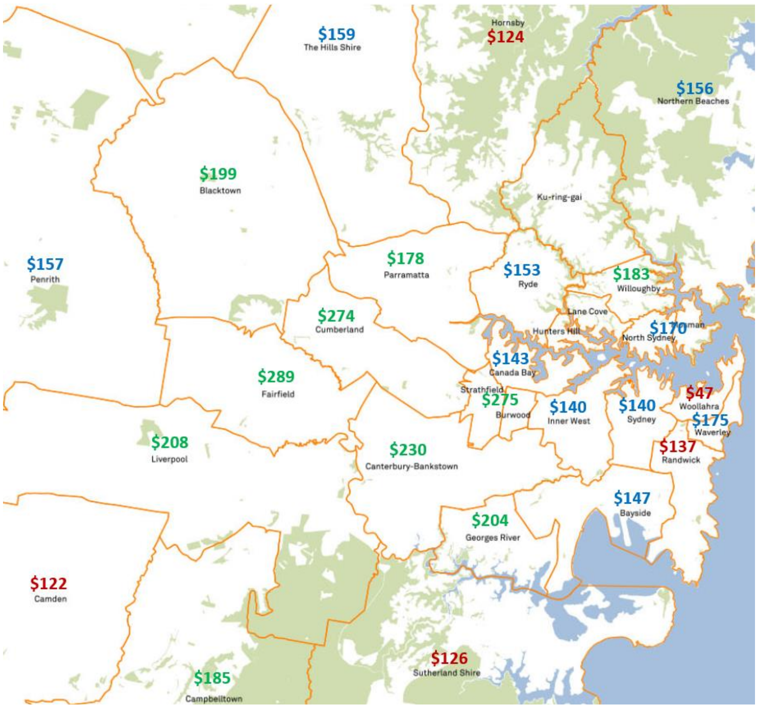


The mapping tool includes a variety of food chain stores and triangulates their locations. The link below allows you to interact with the mapping tool;

http://honisoit.com/2017/09/food-fault-lines-mapping-class-division-through-food-chains/

The image to the left is the result of the work and research undertaken. It got RCA thinking about what a geographical representation of earnings for Pubs and Clubs would look like in Sydney. Do they look the same? Where do Clubs comparatively do better than Pubs and vice versa. Constructing simple maps of Sydney gives us a simple overview of some recent results.

The images below are a representation of daily gaming machine revenue from each Sydney LGA based on H1 2018 data from the Department of Liquor and Gaming (Pubs – Jan’18-Jun’19, Clubs – Dec’17-May’18). The colours reference the top 40% (**green**), the next 40% (**blue**) and the bottom 20% (**red**).



Looking at the visualised version of daily revenue per machine for Clubs, there is a somewhat predictable pattern with the top 40% starting from the east tip of the south west corridor (Georges River), sweeping up to the northern top of the western corridor.

The one ‘outlier’ in all this is the Willoughby LGA, which is surrounded by mid-40% venues. This is skewed somewhat by the presence of Chatswood RSL, a club settled in the heaving density of the Chatswood metropolis.

One interesting observation is that those LGAs on the fringe of Sydney, except for Campbelltown, reside either in the mid-40% band or bottom 20%. As Sydney starts to move outward, will these LGAs be the ones that experience the most growth as populations expand? My guess would be ‘yes’.

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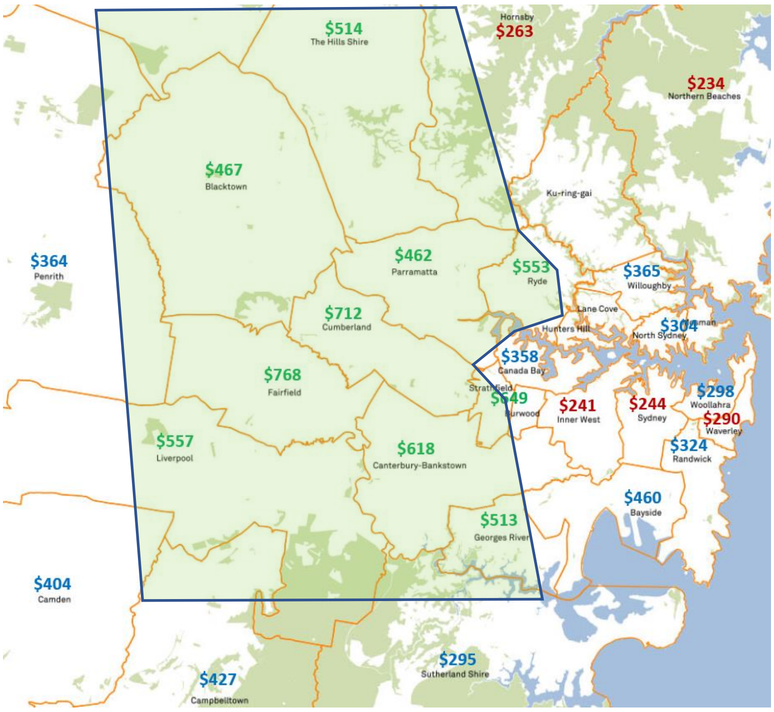

The graphical representation for Pubs shows a very similar situation with some minor variances. The 'green swathe' proceeds through the Blacktown LGA up to the Hills Shire, while the blue and green shading swaps between neighbouring Willoughby and Ryde.

The inner west and east side LGAs also alternate with Woollahra and Randwick going from red (Clubs) to blue and the Inner West, Sydney and Waverly going from blue to red.

So, what does it all mean? There is clear delineation of 'optimum' gaming revenue based on LGA. While there is no real equivalent of the 'Red Rooster line', the 'green zone' area is a very north to south formation that would be largely expected. At this stage, it isn't about what we know – its about how this map will evolve over the years. My guess is that it will be a continue west x southwest migration of the 'green zone'.

INFLECTION POINT – OPINION PIECE

7 REASONS CLUBS ARE FALLING BEHIND PUBS – *By Terry O'Halloran*

As it presently stands in the NSW and Queensland markets, Pubs are getting the better of Clubs on the gaming revenue front. The numbers through September 2018 for NSW show Pubs have grown at an average monthly clip of 7.6% (compared to the same month in 2017), and Clubs at a less than CPI rate of 0.6%. So how has it got to this? For the sake of simplicity, I have listed 7 reasons I believe Pubs are showing strong growth outside of the advantages they have had since they were granted EGM licenses in 1997 (no sign in, dress rules etc).

1. Lighting Dragons happened - like Game of Thrones, Dragons are taking over the world. With such a narrow band of performance, Pubs can offer the product people want in a small installation.
2. The business model travels - Group pub operators have taken their business model to regional centres, up and down the coast and adapted the parts of the Sydney model that work, namely in Gaming service and room design.
3. Smoking areas - most wouldn't pass the requirement air flow formula, but given the absence of any serious policing of this, Pubs have become more emboldened to fly closer to the sun.
4. Single manufacturer performance – Aristocrat have secured roughly 90% of any sales over a rolling 12-month period for the last 18 months. Like point 1, it makes the offering far easier to close the gap with Clubs with respect to demand and offering.
5. Cheap money – similar to the Sydney housing market, cheap money gives people a license to spend more. Pub groups are growing, prices are increases based on higher valuations and cheaper financing costs.
6. Gentrified food, family friendly - the average age line of the customer base is creeping up, especially in the 40+ female demographic, and part of that is limiting the 'tables of knowledge' and having an improved food offering.
7. Clubs lack of advancement – by and large Clubs are still doing the same things they did 20 years ago. Same reports, same structure, same format, same approach. Pubs are ignoring many of the approaches Clubs have developed over the years and forging their own path, so far to great success.

2019 is on track to be much the same, but Clubs are changing. Many are improving their understanding of the wider market, the benefits of cohort analysis and what their offerings is really costing. As consolidation marches forward and Clubs adapt strategies to ensure future sustainability, I believe the 2-dimensional Pub model will struggle to keep up.