RUSSELL CORPORATE ADVISORY — INFLECTION POINT

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Trends across age groups are an important indicator as to the direction of the industry in general. While there are differences in these trends from region to region, the underlying insights are what is important. Since Lighting Cash came to the NSW market in early 2015, multi denomination product has been a staple from the major manufacturers. While 'turnover' is a standard gaming metric, 'minutes' is a good representation of head count in a venue – and key to the numbers below is the distribution of turnover versus the distribution of minutes played across denominations and age brackets. Why is this important? Limiting analysis metrics to the ones that contain a $ figure is only seeing an increasingly shrinking part of the picture. Understanding why people are playing and what they are playing in a market where occupancy averages less than 40% is going to be important to limit the shrinking gaming participation market.

Method: total market data measures included minutes played and turnover across four age groups and key denominations. The percentage value representations the distribution of each age bracket and each variable (minutes, turnover) relative to that age group. 2 Metro Sydney areas and 2 Coastal Regional areas were selected to cover a representative cross section. The '0.50' and '1' denominations are dominated by MTGM play.

SOUTH WEST SYDNEY (INNER)

TURNOVER

Denomination	Under 35	35 - 49	50 - 69	70 +
0.01	10.3%	12.3%	14.8%	25.1%
0.50	22.6%	27.8%	30.0%	20.7%
1	16.0%	12.6%	10.7%	7.0%
MD	47.8%	43.7%	39.2%	42.0%

MINUTES

Denomination	Under 35	35 - 49	50 - 69	70 +
0.01	15.1%	19.6%	25.3%	36.3%
0.50	13.7%	15.0%	11.9%	6.5%
1	10.7%	6.5%	4.6%	1.8%
MD	57.7%	55.1%	53.3%	51.4%

NEWCASTLE AND HUNTER

TURNOVER

Denomination	Under 35	35 - 49	50 - 69	70 +
0.01	22.6%	27.9%	36.3%	41.5%
0.50	17.3%	2.0%	2.4%	1.3%
1	1.8%	3.1%	1.1%	1.0%
MD	57.1%	64.7%	54.8%	53.2%

MINUTES

Denomination	Under 35	35 - 49	50 - 69	70 +
0.01	30.1%	34.4%	43.2%	47.9%
0.50	4.7%	0.9%	0.5%	0.6%
1	1.2%	0.8%	0.4%	0.4%
MD	63.1%	62.3%	52.6%	49.1%

ILLAWARRA

TURNOVER

Denomination	Under 35	35 - 49	50 - 69	70 +
0.01	15.9%	21.7%	27.6%	36.1%
0.50	0.1%	0.1%	0.1%	0.1%
1	9.8%	2.1%	3.9%	3.5%
MD	70.5%	70.0%	62.3%	57.1%

MINUTES

Denomination	Under 35	35 - 49	50 - 69	70 +
0.01	22.3%	27.5%	35.8%	43.0%
0.50	0.1%	0.1%	0.1%	0.1%
1	5.0%	1.3%	1.1%	1.7%
MD	69.9%	67.2%	59.1%	52.8%

WEST SYDNEY

TURNOVER

Denomination	Under 35	35 - 49	50 - 69	70 +
0.01	19.7%	25.7%	31.4%	39.4%
0.50	4.8%	9.3%	4.5%	4.1%
1	6.6%	4.8%	3.2%	2.0%
MD	59.9%	51.5%	50.2%	47.2%

MINUTES

Denomination	Under 35	35 - 49	50 - 69	70 +
0.01	25.1%	32.8%	40.0%	47.0%
0.50	3.9%	4.9%	1.6%	2.0%
1	3.3%	2.5%	1.4%	1.1%
MD	59.4%	53.5%	50.1%	44.8%

Conclusion: the old adage 'don't throw the baby out with the bath water' applies here. Traditional analysis methods dictates replacing the underperforming 0.01 product with newer, MD product, but what players are being affected as a result? 'Time on device' was a term coined some years ago as a catch-all for low volatility games, generally jackpot free. The term was descriptive, but the subtext was the older player, and those casual dabblers who play 20/25- and 30-line product. As those games disappear from the floor, is the expectation that these players will continue playing now they are pushed up to 50 credits to cover the lines? Roy Morgan research tells us the engaged number of players is declining, and while there are multiple reasons behind this, perhaps taking a new approach to analyse gaming is needed to arrest the decline.

(P) +61 2 9957 6700
(e) info@russellcorporate.com.au
(w) www.russellcorporate.com.au

INFLECTION POINT – OPINION PIECE

HOW VIDEO GAMING IS HAVING THE SAME DEVELOPMENT CHALLENGES – *By Terry O'Halloran*

Like our local gaming machine industry, the video game industry follows trends based on popularity, and ultimately, sales revenue. In early 2017, 'Player unknown's battlegrounds' (PUBG for short) was released. The format was called battle royale and allowed up to 100 players to play in one game. 3 months later, Fortnite landed and rewrote the definition of success (The company made $3Bn in profit in 2018 alone). These games were amalgams of previous ideas in a new format. In yet another example of 'follow the leader', the industry had little choice but to devote resources to the battle royale format with a focus on microtransaction revenue strategies. So why does this sound familiar? Lightning Cash and Lightning Link reset the industry after its Queensland release in late 2014, giving birth to the 'hold and respin' feature dominance with requisite 'copycat' products. So, what are the lessons for the NSW Clubs market?

Apex Legends has recently reached 50 million players. You'd be forgiven for thinking this is a momentous milestone, one that should be celebrated the industry over. It's not. It's instead indicative of an industry that has rested on its laurels for far too long; creativity and innovation has been replaced by a "Smash battle royale in case of emergency" button. Not only could this have a potentially fatal knock-on effect for single-player games, but it could even lead to more layoffs and further disruption in an already fragile entertainment environment. In short, it's bad news — and one that needs to be rectified sooner rather than later.

Source: https://www.gamerevolution.com/features/508289-dont-me-battle-royales-like-apex-legends-are-killing-single-player-games-and-youre-to-blame

Key to this is the change in the video gaming market. Downloadable content overtook hardware sales in late 2016. Many games are now released free with revenue coming from content sales. The traditional model of selling a box then games has changed to a more flexible model that rewards innovation. How should Clubs look at challenging the traditional model of gaming budgets and content acquisition? The global move of other markets may indicate change is needed. Perhaps the notion of having to 'own' the hardware is not reflective of the times, perhaps some change is needed.

Looking at another consumer industry, global consultancy giant 'McKinsey and Company' detailed the pressures on the grocery market, the key ones also applying to the club industry namely; (1) changing consumer habits, (2) competition, and (3) new technologies. They go on to suggest initiatives, some of which are relevant for Clubs – (a) shape your ecosystem, get big or get with someone that is, (b) put technology to work – convenient, frictionless transactions have to be the goal, (c) rethink your real estate – the layout of 10 years ago may not be relevant today, and (d) win back lunch and dinner – this is the busiest time for venues, people in venues make people feel good, making the effort to get people in the venue begets further success.

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gaming gold

RUSSELL CORPORATE ADVISORY

CMA CLUB MANAGERS' ASSOCIATION AUSTRALIA

"An intensive one-day masterclass focused on the business of Gaming. Understand the finance of running a Gaming floor, how to identify the competitive pressure points and the contributing factors that determine success"

SEPTEMBER 12
Moama RSL
9:00am – 4:00pm

Bookings and details
https://www.trybooking.com/508158

A 2-hour overview of the current state of the NSW market, what Clubs need to be aware of and where the industry is heading. Designed for Boards and Senior Management to gain valuable exposure to the wider market

GAMING GOLD DIRECTOR'S CUT

SEPTEMBER 4
Ryde-Eastwood Leagues
4:00pm – 6:30pm

Bookings and details
https://www.trybooking.com/523709