

An RCA research piece released at AGE 2018 quantified the rate at which Club gaming machine patronisation (measured by minutes played) was getting older. The 50-69 age bracket was shifting into the 70+ bracket and not being replaced. Among the 2014 data analysed, the 50-69 age group had 25% more minutes played than the 70+ age group in the same period. Fast forward to 2018 and the 50-69 and 70+ minutes distribution graph converged so that the 2 age groups were equal in their minutes played distribution share (43.2% each). 6 months later and the share of minutes played by the 70+ age group has overtaken the 50-69 age group.

This is significant as the 50-69 age group is the bedrock of Club performance across all business areas. They are 'child raising' independent, generally still working, earning at a high rate and have a high rate of discretionary spend. These numbers are demonstrating that as this age group migrate to 70+, they are not being replaced at the same rate in the age bracket below them (35-49). The Pub market is doing a good job to appeal to an older market, especially the female market, by improving food and becoming more 'gentrified'.

The table below details the minutes distribution movement from Q1 2016 to Q1 2019 across the entire NSW Club market, then analysed further to 'coastal' and 'regional' venues.

Method: total market data measures included minutes played and sessions played across varying age groups. The data was then broken down across all NSW, coastal venues and regional venues. 'Minutes distribution' is the percentage of all minutes played for that age group.

## Q1 2019

## Q1 2016

### RCA Insight:

While the age distribution shift has continued to get older across NSW, the trend has been bucked in coastal clubs (those venues whose LGA connects to the coast).

Why is this the case? We believe a large contributor is the rise in Sydney house pricing from 2012 to 2018 contributed to young families moving out of Sydney in search of more available housing and overall cost of living. This would differ from town to town but would dovetail in with broader demographic trends.

NSW MARKET					
Age Bracket	Minutes Distribution	Minutes per session	Age Bracket	Minutes Distribution	Minutes per session
Under 35	3.1%	10.0	Under 35	3.6%	10.1
35 - 49	9.3%	13.1	35 - 49	11.8%	13.9
50 - 69	42.5%	14.6	50 - 69	45.4%	15.0
70 +	45.2%	14.4	70 +	39.2%	14.7

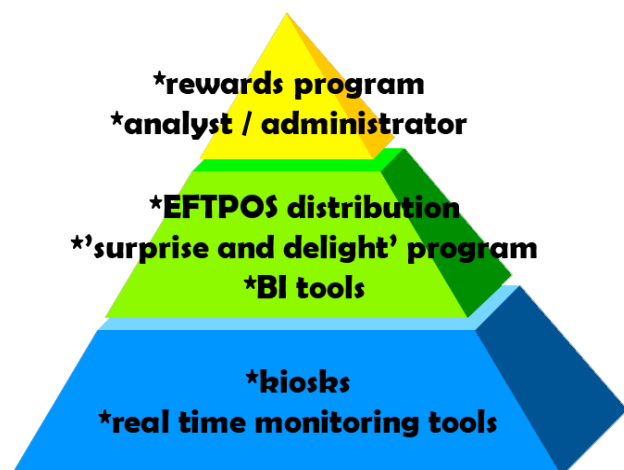
COASTAL					
Age Bracket	Minutes Distribution	Minutes per session	Age Bracket	Minutes Distribution	Minutes per session
Under 35	3.8%	8.6	Under 35	2.7%	9.0
35 - 49	9.6%	12.0	35 - 49	7.5%	11.4
50 - 69	41.6%	13.5	50 - 69	37.3%	13.2
70 +	45.1%	14.0	70 +	52.5%	13.9

REGIONAL					
Age Bracket	Minutes Distribution	Minutes per session	Age Bracket	Minutes Distribution	Minutes per session
Under 35	3.7%	7.9	Under 35	4.4%	7.5
35 - 49	9.3%	11.0	35 - 49	10.9%	11.4
50 - 69	38.3%	13.2	50 - 69	40.9%	13.1
70 +	48.7%	14.8	70 +	43.8%	14.5

**Conclusion:** The demographic shift continues in the NSW Clubs market. Observations made in the AGE 2018 report ring the same as now – people are living longer, but low interest rates and stretched savings means the 70+ age group, while well represented in the venue, are spending less per visit but maintain their rate of visitation. The solution? Understanding that unless occupancy is 80% plus, gaming product must be selected on wider appeal rather than measured on the average daily metrics only. If analysis doesn't consider the 'total addressable market', then venues may be missing out on offering product to many players.

## THE FORMATION OF THE REWARDS PROGRAM PYRAMID – By Terry O’Halloran

AEMP (or PEMA) is the catch-all metric for marketing expenditure in Clubs. In eras gone by, the main costs in this category were traditional marketing activities like advertising (radio, buses, TV), member activities and ‘beneath-the-line’ marketing activities like mailouts. The rise of social media has improved the marketing bottom line due to the more cost-effective nature of the activity (versus traditional media) and allows for far improved analysis on cohorts and financial return. Before the much-underappreciated Club Data Online (CDOL) service closed the benchmarking tool in March of 2018, the listed average rates of AEMP costs versus total revenue were 8% for top 25% venues, 11% for mid-50% venues and 14% for the bottom 25% venues.



Tracking those numbers over the past 5 years, very little has changed. What has occurred is a cost ‘substitute’ as traditional marketing costs have been replaced by increasingly costly tiered rewards programs.

Since these programs have achieved mass market saturation in the last few years, a bevy of other products to ‘drive’ the rewards programs have come to light and formed a rewards hierarchy, or pyramid. These products are the new ‘non-linear’ marketing cost that are a mixture of monthly fixed and variable costs. The graphic to the left is an illustration of these costs that are continuing to grow relative to gaming revenue.

**Conclusion:** Rewards programs have a place in Clubs and, like many things, work best when managed effectively and efficiently. Having completed over 30 reviews of Rewards programs in the last 2 years, the view is that these are becoming increasingly weighed down with fixed costs that may be hard to adjust and moderate in a more testing market. Resetting customer expectations in those instances become the hardest battle, so when contemplating additional products to complement your Rewards program, address the cost implications not only if revenues rise, but if they should also fall.

**MAY 2019 PRODUCT DATA OBSERVATIONS** (Q1 2016 vs Q1 2019) – the migration from 0.01 to Multi Denomination continues. The 2 denomination categories account for ~85% of all minutes played. The migration for both females and males was similar over the period. This trend is expected to continue as stand-alone denominational product is expected to be replaced by multi denomination product.

Q1'16	Female	Male	Q1'19	Female	Male
0.01	58.8%	54.4%	0.01	37.3%	33.6%
MD	27.9%	29.6%	MD	51.6%	53.1%

The share distribution by minutes played has accelerated from 2016 to 2019 where MD now accounts for the most play based on minutes played.

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](http://www.russellcorporate.com.au/68)