


WHAT THE ECONOMIC OUTLOOK MEANS FOR CLUBS

As a discretionary income dependant business, the wider economy can have a large effect on the Club business. Russell Corporate Advisory recently attended the 'Westpac – Economic Outlook' (September 26, 2018) symposium to get an understanding of how the current climate may affect NSW Clubs. Bill Evans, Westpac's Chief Economist spoke at length about some key areas of the economy. We have identified some key areas Clubs should be updated on when assessing the future. The numbers forecast by Westpac are based on their exceptional experience in the banking market and beyond. We have focused on a few numbers in this piece that is important to the wider hospitality market, but more so for Clubs.

Cash rates

This is an important number that can affect Clubs in several ways. Historically low interest rates are the new normal, and Westpac believe the current RBA cash rate of 1.50% to remain for the next 2 years. However, Banks are expected to introduce their own hikes, perhaps up to 30 points (0.3%) over the next 2 years.

Club importance: with self-funded retirees being a large constituency of most Clubs, this low rate provides a lower return and therefore less discretionary income. Alternatively, low interest rates allow for greater discretionary income for those paying mortgages.



If gaming revenue is slowing down and EBITDA is below 10%, you need to act **NOW!**

Russell Corporate Advisory can assist your Club in looking at options to survive and continue.

Housing Market

The RBA is now less concerned about inflation, and more about the property market overheating. While the Sydney market has seen some recent falls, there are still some markets nationally increasing. Westpac expect further falls in the next 2 years of 5-6%. This pressure will be caused by 5-year Interest only loans being refinanced and converted to Principal and interest. More stringent lending criteria will also affect funding supply.

Club importance: as the largest asset held by Australian families, the mindset of 'paper wealth' can affect spending patterns. If the Banks take a harder line on asset values, and require people to pay more on their loan, this will limit discretionary spend.

Conclusion: A Club's offering must be in line with the expectations and finances of their customer base. Understanding the wider market and the pressures of external economic forces must be considered when planning and forecasting. We believe that taking a wider view can lead to informed strategic discussions between Management and Board and help improve a Club's planning process overall.

Greg Russell, Director

Chartered Accountant

greg.russell@russellcorporate.com.au

NEW! - MARKETING EFFECTIVENESS REVIEW



Marketing includes a wide catchment of activities and costs that have varying levels of effectiveness. Whether you know and how you measure it is the best insight to if you have control of it.

Our review looks at 4 key areas;

- * LGA market share review – vs Clubs/Pubs since 2014
- * Rewards Review – real cost distribution and contribution
- * Membership – penetration and contribution by postcode
- * Promotions review – effectiveness and trending

Contact terry.ohalloran@russellcorporate.com.au for more details on this initiative,



GAMING GOLD

DIRECTOR'S CUT

With an estimated 65% of NSW Club revenue coming from the Gaming floor, how much is your Board connected to the financial engine of your Club? Russell Corporate Advisory has developed a 3-hour interactive session to improve the knowledge of your Board on the wider market and the importance of Gaming.



With a focus on market specific data, benchmarks and experienced insights, 'Gaming Gold - Director's Cut' is an opportunity to get your Board up to date on the greater market.

For more details, email terry.ohalloran@russellcorporate.com.au for more details. Open to all Board members of any registered club.

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

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