

Opportunity Knocks as Indoor Smoking Takes a Second Step Closer to Total Bans

The last transitional phase of the Smoke-Free Environment Amendment Act 2004 began this month and cuts in half the area legally allowed for indoor smoking in licensed venues to a maximum of 25 per cent of the total combined area of bar, gaming and recreation rooms. While registered clubs deal with yet another regulatory restriction, it's a timely reminder of what's to come.
Story by Harry Harris.

In less than a year, from 2 July 2007, the reality of a complete ban on smoking inside New South Wales licensed venues will be in full swing. With the sole exception of Star City Casino's international private gaming area, smoking will only be permitted in outdoor or in "substantially" unenclosed areas. As a result, clubs should already have a strategic plan in place to cope with this change because without one, what you now face is more akin to damage control. Based on experiences with similar legislation in other States, don't underestimate it: New South Wales clubs will be dealt a serious financial blow. It has been widely reported that licensed venue revenues in Victoria dropped by an average of 16 per cent following smoking ban, with leading hotel operators also reporting that sales were down between 20-22 per cent. A detailed forecast prepared by a leading investment bank is now suggesting that, in New South Wales, revenues will fall by a minimum of 10 per cent.

So, what will be the impact in your club? This will, of course, largely depend on the level of preparation and

planning that has been achieved in the lead-up to the full ban. However, from a financial perspective, clubs should have financial projections at least 3 years out and carefully monitor cash flow and performance against budget on a week to week basis when the full smoking bans take effect. However, while careful monitoring is an essential part of managing the impact of the legislative changes, it won't bring revenue through the door. Any business experiencing a revenue decline of 15-20 per cent overnight will find itself rapidly moving from profit to loss if significant changes are not made.

While there may be some scope to tweak rosters and take other cost cutting measures, this is only part of the solution. What capacity is there for revenue growth in your club?

Know Your Customers

Registered clubs should begin by finding out more about their patrons and their needs. Are there opportunities to deliver services that will mitigate the impact of smoking bans? Use valuable information

provided by customer loyalty programs and membership data, complemented by surveys and focus groups. Profile new market segments such as families and gain a comprehensive perspective on your club's competitive advantage compared with the competition in your area.

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However, it's also important that you don't desert your smoking patrons and, more vitally, don't insult their intelligence. Some clubs in Victoria and Tasmania made the mistaken assumption that by creating unpleasant smoking areas, cigarette breaks would be cut short and patrons would resume their entertainment activities faster. The real picture was that smokers simply left the premises and went home. Making assumptions about patrons doesn't work. Proper planning is based on fact.

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Outdoor Areas

Plans for an outdoor smoking area should be well underway and triple checked against the requirements of the *Smoke Free Environment Amendment (Enclosed Places) Regulation 2006*. Where possible you should have an Environmental Health Officer review the proposed area as soon as practicable for compliance. Remember that choosing a location, drawing a plan and getting cost estimates are only the beginning of the process. Be prepared for delays in Council approvals and engaging builders, as many clubs are scrambling for the same services, so as demand starts to outweigh supply, the earlier you act the better. Furthermore, keep in mind that other licensed venues will be ordering outdoor equipment such as heaters and umbrellas, and the demand for these items can and will create further delays too. Ideally, plan to have your outdoor smoking solution

completed several months before the full indoor ban commences, that way you can eliminate any teething problems and ease your patrons into the new adjustments over time instead of forcibly when the time comes.

In the meantime, decisions should be made about the quality of the outdoor

area's fit-out and signage. Interstate experience suggests that the more comfortable patrons feel during a cigarette break the more likely they'll be to move back inside a venue to resume their use of a club's services. Remember that the ban will begin in winter too, and if this year's winter is anything to go by thus far, you'll want patrons to remain warm and dry. Considerable thought should be given to adding amenities such as television screens, music, lighting and heaters. Choose comfortable chairs, tables and other furniture. Experience also suggests that outdoor areas should be as close to the gaming room as possible and, ideally, providing visibility into your gaming area. Where possible, a dedicated outdoor area for gaming patrons can be just as beneficial. If this isn't possible, signage is crucial - patrons must have an easy route back into the gaming room and other services.

Customer Service is Critical

Smoking bans provide a golden opportunity to take a very thorough look at the customer service currently provided by your club and how it can be improved. Make the transition as smooth as possible for your customers and make your customer's overall experience in your venue better than your competition. A good case in point is the process of 'reserving' poker machines. Ensure players can reserve their machine with confidence. Formulate and implement a reservation policy that's in place well before July 2007, and check that all frontline staff are fully conversant with the new procedures.

Now is also the time to invest; and

although it sounds counter intuitive to be spending money at a time when revenue may decline, there's never been a more important time to invest wisely to guarantee your facilities are attractive to both existing and potential members. Reassess your gaming floor configuration to best suit new outdoor smoking areas provided. Consider purchasing new machines and upgrading to the latest games so that patrons continue to have a reason to come back as often as they do now. What's more, be aware that a drop in customers can rob your club of the excitement created by a crowd.

Now is also the time to contemplate developing a new marketing strategy that offers promotions to better meet members' needs and attract new customers. Ask whether the timing, frequency and size of previous promotions make sense in light of the impending legislation? Are there more effective promotional strategies to follow now?

Educate Your Team & Your Customers

Educate patrons and staff as early as possible about the impending legislation and the changes that are being made by your club. It's absolutely fundamental that all members of your team are onside, with a sense of optimism and excitement about the new facilities and services on offer - not an atmosphere of doom and gloom.

As a more global strategy, actively consider revenue diversification. No doubt many venues have begun this process already; nevertheless, the urgency to undertake new approaches to revenue growth has never been greater - so it will pay to research well, gather hard facts, and plan. ■

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