

Key Performance Indicators & the Licensed Club Industry



Key Performance Indicators (KPI's) are critical in all lines of business including the Licensed Club Industry. KPI's broadly speaking are critical measures that identify the efficiency of an area of business or the business operation as whole – these KPI's generally have significant influence over the level of efficiency and profit delivered to the bottom-line.

KPI's are particularly relevant to the Licensed Club Industry, as a club operation can be particularly diverse with multiple services and facilities being provided to patrons. The focus may be on core provisions such as food, bar and gaming, with a further flow on expected of community benefits such as sporting facilities, grants, donations and in-kind contributions. All aspects of the club operation and its charter need to be measured regularly.

For the purpose of this overview let us focus on the core licensed club business comprising food, bar and gaming departments and how they affect the whole business outcome.

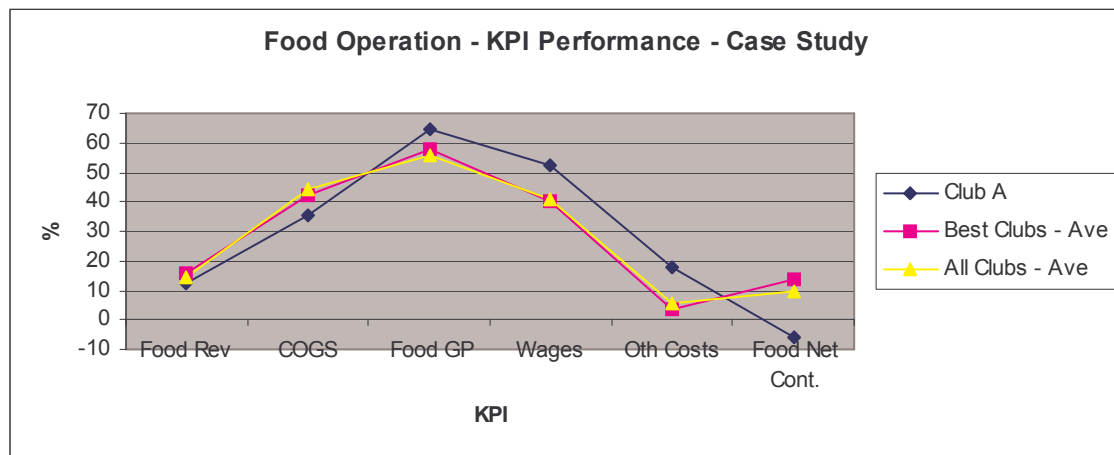
What KPI's should a club pay close attention to in each trading department?

Food	Bar	Gaming
Revenue	Revenue	Revenue
COGS (Cost of Goods Sold)	COGS	Gaming Tax
GP (Gross Profit)	GP	Wage Cost
Wage Costs	Wage Costs	Promotions
Other Direct Costs	Other Direct Costs	Other Direct Costs
Net Contribution	Net Contribution	Net Contribution
		Ave TO per Machine per Day
		Ave Net per Machine per Day

How to effectively implement KPI's in your Club- some fundamental guidelines...

- Set & measure KPI performance against both internal and overall industry expectations.
- Communicate the KPI expectations to all parties of influence i.e. If you consistently wish to exceed a 60% Bar GP then management & service staff need to understand the goal being set and the ingredients to achieving a solid GP such as bar service efficiency, purchasing efficiency and product pricing.
- Respond to market shifts so as to maintain a realistic KPI expectation i.e. an increase in wage rates or freight charges will make it more difficult to achieve the expected GP if product pricing isn't adjusted accordingly.
- KPI expectations must provide challenge to employees but need to be within the realms of possibility to maintain their commitment and motivation. Employees will quickly lose interest in unrealistic expectations.
- Achievement of KPI levels is to be rewarded and acknowledged, while shortfalls in KPI levels are to be reviewed and corrective action implemented immediately.

Case study of KPI monitoring within a club food operation...



Source: Club Data Online

By reviewing each KPI in this chart of information we can make some observations on Club A's food operation. Club A's food revenue represents approximately 13% of total club revenue which is slightly below the industry average of 15%. Club A has an exceptional COGS (35 %) and GP (65 %) which indicates efficient purchasing practices, efficient stock control, an effective pricing structure and an efficient point of sale operation (minimal wastage, well trained staff etc). All this great work, however, has been spoilt by high wage costs and other costs, which consequently reduces the overall food net contribution to a negative result. Management would be wise in reviewing wages levels and wage allocations along with identifying the main areas of expenditure in 'other costs' such as repairs and maintenance whilst continuing to maintain strong COGS and GP practices in line with the club's food revenue levels.