

2006

Strategic management of external change in NSW registered clubs

Helen Breen
Southern Cross University

Kate Innes
Twin Towns Services Club

Publication details

Post-print of Breen, H & Innes, K 2006, 'Strategic management of external change in NSW registered clubs', *International Journal of Hospitality & Tourism Administration*, vol. 7, no. 2 & 3, pp. 155-175.

Published version available from:

http://dx.doi.org/10.1300/J149v07n02_08

ePublications@SCU is an electronic repository administered by Southern Cross University Library. Its goal is to capture and preserve the intellectual output of Southern Cross University authors and researchers, and to increase visibility and impact through open access to researchers around the world. For further information please contact epubs@scu.edu.au.

STRATEGIC MANAGEMENT OF EXTERNAL CHANGE IN NSW

REGISTERED CLUBS

by Helen Breen and Kate Innes

Authors Contact Details:

Helen Breen
School of Tourism and Hospitality Management
Southern Cross University
P.O. Box 157 Lismore NSW 2480
Ph: (02) 66 203 152
Fax: (02) 66 222 208
Email: hbreen@scu.edu.au

Kate Innes
Marketing and Communications Manager
Twin Towns Services Club
Wharf St
Tweed Heads NSW 2485
Email: K.Innes@twintowns.com.au

Helen Breen is Academic Coordinator for the Centre for Professional Development in Club and Gaming Management at Southern Cross University Lismore and has a BA (Deakin University), B. Bus. Tourism (Honours) (UNE-NR) and Masters in Bus. (Tourism) (SCU). She is a lecturer in Tourism and Hospitality Management, Gaming and Club Management at Southern Cross University. Helen and two colleagues wrote the first Australian textbook on club and gaming management in 1998. The second edition was released in 2002. Helen has been involved in gambling research since 1994.

Kate Innes is Public Relations Manager at the largest Services Club in Australia, Twin Towns Services Club, including Club Banora, Twin Towns Juniors and Quality Resort Twin Towns, located at Tweed Heads on the Queensland/New South Wales border. Kate, who has a B.Bus Club and Gaming Management (SCU), has managed marketing and communications at the club for four years and spent five years prior in the role of Advertising Coordinator. Kate also tutors in the Bachelor of Business in Club and Gaming Management at Southern Cross University.

STRATEGIC MANAGEMENT OF EXTERNAL CHANGE IN NSW REGISTERED CLUBS

ABSTRACT

This research examines how clubs strategically manage change resulting from alterations in their external environment. Specifically, this paper aims to investigate the marketing implications of recent legislative change arising from restrictions imposed on advertising and promotion of club gaming in one Australian state, the most populous state of New South Wales (NSW). Managers of three northern NSW clubs situated adjacent to the southern Queensland (QLD) border were interviewed to obtain primary data for this investigation. Results show that legislation restricting gaming advertising, promotion and external signage has caused difficulties in marketing these three clubs whose core product is gaming machines. Short-term results of revised marketing strategies indicate that club member numbers are steady but spending is unpredictable. Visitors are harder to attract, particularly new visitors.

STRATEGIC MANAGEMENT OF EXTERNAL CHANGE IN NSW REGISTERED CLUBS

ABSTRACT

This research examines how clubs strategically manage change resulting from alterations in their external environment. Specifically, this paper aims to investigate the marketing implications of recent legislative change arising from restrictions imposed on advertising and promotion of club gaming in one Australian state, the most populous state of New South Wales (NSW). Managers of three northern NSW clubs situated adjacent to the southern Queensland (QLD) border were interviewed to obtain primary data for this investigation. Results show that legislation restricting gaming advertising, promotion and external signage has caused difficulties in marketing these three clubs whose core product is gaming machines. Short-term results of revised marketing strategies indicate that club member numbers are steady but spending is unpredictable. Visitors are harder to attract, particularly new visitors.

Key words: strategic management, registered clubs, marketing.

INTRODUCTION

Human nature insists on a definition for every concept (Mintzberg, Quinn and Voyer 1995). The word 'strategy' is no exception. This term has been used implicitly in many different ways but originally, the term strategy emerged from the Greek word for an army general, strategos. Formulating strategy for battles was the general's task and history tells how they were won or lost depending on his skill at devising a strategy that capitalised upon his actions, the available resources and people. In ancient wars, 'real' strategists led their armies to victory, sometimes not because their numbers were greater or stronger but because their strategos was smarter. Others followed the advice of the famous Chinese theorist Sun Tzu, who wrote around 500 BC that "the smartest strategy in war avoids a battle" (Ohmae 1988, 149).

Strategists of modern times are described by Hamel (1997, 11) as “Those with a vision who immerse themselves in daily details whilst being able to abstract the strategic message from them. Thus, the big picture is painted with little strokes”. It is interesting to note that in ancient Greek wars, not only was it the role of the strategos to devise a strategy to win the battle, the strategos also played an active combat role. He too attended to daily duties with his troops; otherwise the result would have been a significant diminution in the morale of those “fighting for his tribe” (De Wit and Meyer 1994, 7).

Over the past hundred years, Leiper (2001) suggests that the idea of the general manager or CEO as the chief decision-maker of an organisation was common. Supervisors ensured that their leader’s instructions were put into effect and workers were involved strictly in their designated operational roles. These days, however, Leiper (2001) argues that in many organisations, managers at all levels are involved in developing strategies, many without the word ‘manager’ or ‘supervisor’ in their job titles. Wall and Wall (1995) state that military organisations themselves are changing the way they develop strategies. One general alone no longer plans wars, campaigns or battles; instead many planning functions are delegated. Military strategy creation now resembles the planning sessions of some major corporations. This wider participation has led to the belief that strategy creation is not a hidden gift or talent. Strategy is no longer formulated only by leaders, but more successfully through an integration of thinking and decision-making on all levels of an organisation’s hierarchical structure. So in ancient wars as in business today, all levels of hierarchy are needed to collectively paint the ‘big picture’ of their chosen strategy.

Theories of strategic management can be applied to many aspects of managing clubs. In Australia, registered clubs are voluntary, not-for-profit organisations created by people sharing a common interest (Registered Clubs Association 1999). These common interests include sport, returned

services affiliation, social and community interests, workers' and professional interests, or ethnic or religious affiliations (Hing, Breen and Weeks 2002). Clubs are owned by their members and governed by a board of directors elected by members (Gustafson and Partlow 2002). Each of the club's members pays an annual subscription, contributing to a common fund for the benefit of members (McDonald 1980). Club revenue comes from sales of various types of gambling, for the most part gaming machines, as well as alcohol, meals, entertainment and sporting fees.

There are many issues affecting clubs where theories of strategic management can be usefully applied (Leiper 2001). These include management of gambling, alcohol and food services; facility and risk management; human resources; financial management; legal obligations; advertising and promotions. While this paper does not seek to examine all possible management issues affecting clubs, it does examine how clubs strategically manage change resulting from alterations in their external environment. Specifically this paper aims to investigate the marketing implications of recent legislative change arising from restrictions imposed on advertising of gaming machines and the consequential effects of this legislation on gaming machine related promotions (or competitions) in NSW clubs.

Within a strategic management context, this paper reviews strategies for managing externally imposed change, cross border competition, advertising and promotions. This is followed by a discussion of Australian state and territory legislation affecting advertising and promotion in clubs and focus on a case study of several clubs situated on the northern New South Wales (NSW) and southern Queensland (QLD) border. The objectives, methodology and results of the present study are then discussed, followed by some conclusions.

Strategies for managing change in the external environment

Strategic management can be described as a set of decisions and actions used to plan and implement strategies that provide a competitive fit for the organisation within its environment to achieve the organisation's goals (Sampson and Daft 2003). According to Waterman, Peters and Philips (1991, 311), strategic management means "those actions that a company plans in response to, or in anticipation of, change in its external environment – its customers, its competitors". Legislation is just one element of many that affects an organisation's external and internal environment. Other elements in the external environment, such as economic conditions, progress in technology, resource availability and competition, can also affect the internal and external operations of an organisation (Sampson and Daft 2003).

However, placing too much emphasis on strategic plans can be risky because this can sometimes involve gambling on the future. Kay (2000, 10) claims, "that planning, visioning or forecasting are all remnants of a mistaken belief that the future can be controlled". In fact, Mintzberg claimed in "*The Fall and Rise of Strategic Planning*" (1994) that strategic planning had fallen from its pedestal and spoils strategic thinking. Nevertheless, even though some strategic predictions may never become reality, organisations that have consciously formulated strategies to work competitively in their external environment will have a thoughtful advantage over those giving scant attention to strategically managing their future. While definitions of strategy are debatable, Leiper's (1998, 35) definition of strategy as "a conscious act that coordinates resources to help achieve objectives which seem important for improved performance, defence, or some other purpose" suggests that strategic management is not merely a whim or fantasy, but rather a deliberate action that coordinates people and resources to improve organisational performance or to defend an organisation from potential threats.

While legislation is usually enacted for the general good of the community, it affects the external environment of many organisations and may knowingly or unknowingly have adverse effects on organisations. In the United States, Gustafson and Partlow (2002), in a study of four country clubs in North and South Carolina, found that legislation controlling the sale of alcohol and property taxes had influenced their strategic planning processes. In Australia, legislation prohibiting gaming machine advertising and external signage in NSW clubs has produced a change in the clubs' external environment. This change is forcing NSW clubs to think about and refocus their competitive marketing strategies on providing further value to their members so as to retain and defend their market share (Kotler *et al.* 2001).

Cross border competition

Rivalry amongst competitors is an important competitive force driving business strategies in many organisations (Porter 1980). An organisation separates itself from its competition by differentiating its products and services. When products and services are very similar, an image can be created to separate the competition (Mintzberg, 1991). Based on the lack of differentiation and standardization of their gambling products, competition for gaming dollars within and amongst NSW clubs could be expected to lessen. They are no longer able to create a distinctive public image for their gaming products through advertising and promotion. However, rivalry across NSW borders with other states may increase, given that different legislation controlling the advertising and promotion of gaming machines exists in each of the eight states and territories of Australia. Rivalry would be at its peak, at or near state borders, as clubs on both sides of the border compete for the same customers and the same market share.

Cross border competition for the gambling dollar fuelled the expansion of gambling in many countries and regions. The opportunity to be the first gaming provider in a new gambling jurisdiction carries the high possibility for success in the initial 'honeymoon' period. In the USA,

state governments saw neighbour states legalise gambling and then collect new gambling taxes, create employment and attract more visitors. Lotteries, riverboat casinos and Indian reservation gambling spread on a state-by-state basis (Thompson and Gazel 1997). The resulting “domino effect” (Eadington 1996, 259) meant that many state governments introduced legislation to allow for commercial gambling, based on the initiatives of an adjoining state.

Differences between state gambling legislation assists Australian clubs in one state to the detriment those in the adjoining state. Rivalry between clubs in northern NSW and southeast QLD stems from the introduction of gaming machines in QLD clubs in 1992. Prior to this many QLD residents visited NSW clubs to gamble. When machine gaming was introduced into QLD, clubs on the northern NSW border were badly affected. A study by Hing and Breen (1996) found that visitation from QLD was reported to have declined from 1500 to 500 people per week in one club. Further, McKercher and Vaughn (1996) examining similar impacts on southern NSW border clubs, found that some NSW clubs had their gambling revenues decline by 25% and visitation rates reduce by 60% when gaming machines were introduced into Victorian clubs. In fact two clubs closed down and several more were facing financial difficulties (Hing, Breen and Weeks 2002).

The QLD-NSW border cuts a path between two coastal towns, Coolangatta in southern QLD and Tweed Heads in northern NSW. Many people living in this area perceive it as one “seamless” location. In fact, during in the summer months NSW adopts daylight saving time and turns the clock forward one hour, creating for some people an unwelcome artificial distinction between the two states. The irony of this time division is that the largest Tweed Heads’ club operates on QLD time during summer months to accommodate the great majority of its patrons who are Queenslanders.

For NSW club managers operating within the area, the border is also an unwelcome arbitrary political barrier. Clubs in QLD can openly market their gambling products, subject to *Trade Practices Act 1974 C'th* and their voluntary *Code of Practice*, yet their NSW competitors are severely restricted in their marketing by legislation created to address problem gambling. Additionally, legislation governing NSW clubs restricts promotions or competitions held in conjunction with gaming machine play. Previously, clubs on both sides of the border offered luxury cars, holidays and large amounts of cash as prizes for their gaming machine player loyalty schemes and competitions (commonly called gaming machine promotions in Australia). Since the introduction of the *Gaming Machine Amendment Act 2001 NSW*, NSW clubs are limited to a prize value of \$1,000 for these promotions and no cash prizes are allowed. Clubs in Queensland, however, do not have this restriction, so are able to offer prizes that are substantially better than or superior to their NSW competitors. Furthermore, they are able to advertise their gaming machines, associated promotions and prizes, provided this is carried out in a socially responsible way.

Therefore, an interesting anomaly occurs when NSW gambling reforms are examined from a geographical perspective. NSW clubs in this border area co-exist with QLD clubs that operate within a far less restricted gambling environment. This poses a unique set of challenges for many northern NSW clubs, but none so great as those clubs in the border town of Tweed Heads, who compete with QLD rival clubs, some of which are within walking distance of the border.

When new entrants in a market provide the same facilities as their older competitors, rivalry amongst competitors increases as they jointly attempt to win or retain market share. As well, new clubs face high entry barriers and take some time to provide quality experiences for gamblers compared to that of older, well-established clubs. Thus, changes in the external environment such as the introduction of new state legislation can not only provide competitive advantages for those within its borders, it can also heighten competitive rivalry for organisations outside its borders

(Porter 1980, 36-45; Samson and Daft 2003, 258). While state legislation applies to everyone equally within the state, implications flowing from that legislation may mean that not everyone in that state is affected equally. In some locations, particularly on state borders, those effects may be more or less severe.

Advertising and Promotion

Advertising is any paid form of non-personal promotion of ideas, goods or services by an identified promoter (Kotler *et al.* 2001) while a promotion is any short-term incentive to encourage customers to purchase a product or service (Kotler *et al.* 2001). Gambling advertising and promotion promote gambling products and services in ways that make them attractive to current and potential gamblers. Gambling industries in Australia typically advertise and promote their products and services heavily. For example, from gambling expenditure of \$15,365 million in 2002-03 (Tasmanian Gaming Commission 2004), Australian gambling industries spent around \$600 million on advertising (ABS 1999). This amount has reportedly increased significantly over recent years (Productivity Commission 1999). However, minimal research has been conducted into the advertising of gambling products and services, either in Australia or overseas (Griffiths 2003).

Governments and gambling industries in Australia have taken a variety of policy approaches to the advertising of gambling. The Productivity Commission (1999, 16:34) noted that the advertising of gambling in Australia was 'weakly controlled'. It advocated tighter advertising controls where information reinforces false beliefs about winning and how gambling technologies work. While consumers are protected from false, misleading or deceptive advertising under federal law, namely the *Trade Practices Act 1974 C'th*, state government policies on gambling advertising range from prohibition to leniency. Current restrictions vary by state and by gambling sector. Some gambling industries have introduced voluntary advertising codes of practice. This mix of policy approaches

highlights the confusion amongst gambling providers and governments about the effects of gambling advertising.

An example of a voluntary responsible gambling code of practice for advertising and promotion of gambling can be seen in QLD. Guidelines for the advertising and promotion of gaming are incorporated in the *Queensland Responsible Gambling Code of Practice* (Queensland Treasury 2002a). QLD has a tripartite committee comprising government, the gambling industry and the community having input into their *Code of Practice*. It is a voluntary code, is applicable to clubs, hotels, casinos and commits them to a range of responsible practices in six broad areas, one of which is advertising and promotion. In QLD, clubs are expected to develop and implement strategies to ensure advertising and promotions are delivered in a responsible manner with consideration given to the potential impact on people adversely affected by gambling. Gambling advertising and promotions are not to be false or misleading; misrepresent the probability of winning a prize; give the impression that gambling is a reasonable strategy for financial betterment; mislead people about the odds, prizes or chances of winning; offend prevailing community standards; focus exclusively on gambling; be directed at minors or vulnerable or disadvantaged people; provide external signs advising of winnings paid; involve irresponsible trading practices by the gambling provider; depict or promote the consumption of alcohol while engaged in the activity of gambling; and has consent to publish anything which identifies a person who has won a prize (Queensland Treasury 2002b).

While the Code appears to be quite explicit about gambling advertising and promotion, research by Breen, Buultjens and Hing (2003) into the implementation of the Code found considerable misunderstanding amongst gambling providers about adhering to the Code's requirements and the role of advertising and promotion in the responsible conduct of gaming. Since this research was published, Clubs QLD reported that 68% of clubs had implemented the Code (Registered and

Licensed Clubs Association of QLD and NT 2003). Currently, the QLD Responsible Gambling Advisory Committee has a working party investigating the links between gambling, advertising and promotions.

In contrast, an example of mandatory regulation for advertising gambling can be seen in NSW. The *Gaming Machines Act 2001 NSW* and the *Gaming Machines Regulation 2002 NSW* provide for the regulation, control and management of gaming machines in clubs and hotels. The primary objective of this legislation is minimization of harm associated with the misuse and abuse of gambling. It was designed to foster responsible conduct in relation to the operation of gaming machines, including the prohibition of gaming machine advertising and external signage. Banned gaming machine advertising includes advertisements in newspapers, radio, television, the internet, cinema, brochures and outdoor signs such as those found on buses and billboards. The *Gaming Machines Act 2001 NSW* also severely restricts promotions or competitions for gaming machines in NSW clubs. Whilst NSW clubs can still offer minor promotions in conjunction with gaming machine play, the Act prohibits the advertisement of gaming machines to the general public. Therefore, the timing and technique of gaming machine promotions conducted by NSW clubs cannot be communicated to interstate or occasional visitors. They can only discover a gaming machine promotion by chance when they enter the club, visit the gaming machine area and find it about to commence or in progress. Most members and visitors who are regular gaming machine players are aware of the promotions offered at their NSW club, however, changes to timing or prize schedules for a gaming promotion can present problems for NSW club managers because of their inability to advise patrons of such changes through advertising.

Thus, the NSW Government decided that problem gambling should become the responsibility of registered clubs and hotels in NSW and each should play their role in reducing any harmful effects associated with this issue. An audit of 307 club websites by the NSW Department of Gaming and

Racing (2003, 8) found that 241 clubs (78%) had complied with this law. Mandatory measures appear to achieve high compliance rates.

All Australian states and territories except for the Northern Territory (NT) have voluntary codes of practice affecting advertising in clubs, whilst three, including NT, have passed legislation for the same. Western Australian (WA) prohibits gaming machine gambling in clubs. A summary of mandatory and voluntary codes affecting advertising of gambling in clubs for each state and territory in Australia is presented in Table 1.

Insert Table 1 here.

Context for this case study

Competition from other organisations in the same industry or business is part of the external environment of a club. As an industry, clubs provide various hospitality and gambling services to the general public. In an attempt to ameliorate the issue of problem gambling the *Gaming Machines Act 2001 NSW* and *Gaming Machines Regulation 2002 NSW* has effectively changed the strategic marketing options for how clubs present, advertise and promote their gambling product, principally gaming machines.

One consequence of the introduction of this new legislation is a potential reduction of competition in and between NSW clubs. This legislation has essentially made gaming operations and the advertising of gaming in NSW clubs non-differentiated or commodity-like. NSW clubs no longer have the option of promoting their gaming operations more aggressively than their competitors within the state. NSW clubs cannot infer that their gaming machines are better than any others in the state or that players are more likely to win if they play gaming machines at their premises. They can no longer advertise bigger or better gaming machine related promotions, as all clubs are

restricted by the \$1,000 prize limit. Therefore, they are bound by the same advertising rules of play, despite the size of their advertising budget. Although clubs in NSW compete with each other for individual market share, the basis of their competitive advantage for gaming has been reduced through standardization of their advertising.

In a crowded gaming machine market with products and services barely distinguishable from each other, advertising is one point of differentiation for the gambler. Subsequent to the passing of the *Gaming Machines Act 2001 NSW* and *Gaming Machines Regulation 2002 NSW*, this difference has been eliminated and now a number of important marketing issues are being addressed by most clubs in NSW. The NSW State Government's prohibition on displaying gaming machine related signs and the ban on all gaming-relating newspaper, radio, television and internet advertising requires strategic management, particularly for those NSW clubs located on state borders, such as the QLD state border, where there are no similar legal prohibitions.

RESEARCH AIM AND OBJECTIVES

This exploratory study was undertaken to examine some of the strategic implications resulting from legislative change imposed on advertising and promotions in respect to machine gambling in NSW clubs. Specifically this paper aims to investigate the marketing implications of recent legislative change arising from restrictions imposed on advertising of gaming machines and the consequential effects of this legislation on gaming machine related promotions (or competitions) in NSW clubs.

Specifically, the study objectives were to:

- determine whether and to what extent the competitive conditions facing northern NSW border clubs have altered in terms of their range and strength since the introduction of the *Gaming Machines Act 2001 NSW* and *Gaming Machines Regulation 2002 NSW* prohibiting gaming related advertising and external signage;

- explain some of the strategic marketing implications for managing gaming operations arising from changing competitive conditions for northern NSW clubs.

METHODS

Managers of three northern NSW clubs adjacent to the southern QLD border were interviewed to obtain primary material for this investigation during January 2004. A fourth club was approached but declined the invitation to participate. Additionally, club publications, annual reports, social impact assessments and relevant published newspaper articles provided secondary material to supplement the primary material.

The interviews were undertaken using a semi-structured format, based on the two research objectives outlined above, followed by free time for further comments. Interviews were conducted and, with permission of the interviewee, notes were taken during the interview. Transcripts were made of the interview notes. These were sent to the interviewees for confirmation of accuracy. From the transcripts or qualitative data, open coding was used to break down, examine and compare data to find emerging themes. Emerging themes were then pulled together and grouped into meaningful core categories of results. Data collected from the secondary material were treated in the same way. The results are presented below.

RESULTS

General demographic information about the clubs can be seen in Table 2.

Insert Table 2 here

Table 2 shows that the clubs vary in size and membership. However they share a common geographical location in northern NSW, adjacent to the southern QLD border and thus face common cross border issues and concerns.

Results for Objective 1

In terms of whether competitive conditions have altered for northern NSW border clubs, the answer is yes. In the interviews, every manager said that this recently introduced legislation had removed their ability to market and promote their core product, gaming machines, while venues across the border in QLD had no similar legal restrictions. This has led to an uneven playing field, with QLD clubs having a significant competitive advantage over their NSW neighbours in respect to advertising their gaming machine services.

There was a range of advertising strategies that had to be changed or newly implemented after the legislation was announced. These changes, as reported by the three managers, included:

- Removal of roadside billboards and external signs;
- Alterations to radio advertisements and Yellow Page advertisements in the telephone book;
- Production of new club brochures, creation of flyers and new membership forms removing pictures of gaming machines;
- Changes to club slogans eliminating phrases such as ‘everybody wins’ and ‘it pays to play’;
- Removal of some web based materials and linked web pages with photos of gaming activities;
- Searching for businesses (resorts, motels, hire cars) mentioning club gaming facilities as an added attraction on their home pages;
- Removal of much in-house advertising except for static displays;
- Being alert to the existence of old brochures featuring club gaming activities in regional tourist offices and in smaller resorts or motels;
- Being alert for old advertisements being broadcast on community radio stations as a time filler.

In terms of strength, many of these changes and alterations involved a single immediate effort, such as creating new art work or paying for removal expenses, and thus were not drawn out or intense. However, some changes and alterations have been very intense involving much time and human effort. For example, every month staff have had to physically search many business web sites in the busy tourist destination of northern NSW and surrounds for outdated club related publicity. This has consumed much time, considerable energy and was an intensive effort.

As a consequence of the restrictions of the new legislation in NSW, marketing strategies have had to be differentiated and focused strongly on customer values. These new strategies include:

- Installation of new or improved facilities such as a function room or a 'pub-style' bar to increase member interest and club visitation rates;
- Creation of membership loyalty schemes (rather than gaming machine related promotions), which focus on attracting and retaining members, instead of gaming machine participation;
- Diversification into broader geographical markets by circulating club brochures and publicity into the surrounding region;
- Sponsorship of junior sports teams to encourage younger members and their families into the club;
- Refocusing on traditional club activities such as sport, dining and recreation activities as a drawcard for members and guests;
- Employing additional staff to explain new games and promotions to members;
- Replacement of large gaming prizes such as luxury cars with smaller but more numerous prizes; and,
- Generally becoming much more creative in developing new marketing strategies.

The strength of the new legislation has forced these clubs to completely reassess their marketing strategies to get the responses they want from different markets. They have had to broaden their reach, differentiate their promotional strategies, focus on what their members want and become very clever in promoting all their facilities to encourage frequent visitation to their club, yet remain within the law.

Results for Objective 2

Some of the strategic implications for managing gaming operations arising from changing competitive conditions for northern NSW clubs affect decisions by the board of directors and club managers. These decisions have a flow on effect to club staff, club members and visitors.

Elected club board members in these northern NSW clubs feel that the legislation impinges on their policy-making responsibilities and frustrates their ability to diligently direct the club, the managers said in their interviews. Directors see QLD advertising and promotions in their local newspapers, on television and on flyers in their letterboxes, and therefore believe that they are operating in an unfair and uneven trading environment. In fact, one club manager said their board had been “appalled at the way the government has taken away our ability to market our core product”. Others had wondered why gaming machines were targeted and not other forms of gambling such as horseracing or lottery products.

Distance from the capital city, the seat of government and center of decision-making, further compounds this feeling of frustration. The northern NSW border is only about one hour drive or 100 kms south of Brisbane, the capital of QLD, but is about a one day drive or 900 kms north of Sydney, the capital of NSW. While the club managers report that they have spent a great deal of time discussing the cumulative effects of the advertising restrictions with their boards, there

remains a perception of unfairness and a level of frustration with the lack of understanding by city-centric legislators of the difficulties faced by border clubs.

Club managers said that everyone involved in management, marketing and gaming has been forced to work with the legislation and recreate their advertising in line with the new regulations. Two managers commented that they had to be very careful with the wording of their advertising and promotional material as the regulators monitored their campaigns and sometimes interpreted words differently to that implied by the club. The words 'play' and 'win' can relate to gaming but also to many other recreation activities. In fact, they observed that the government department in charge of gaming sometimes provides ambiguous advice on these matters, depending on the level of knowledge of the advice giver on that day. Government department personnel are not always understanding as "they do not work in the industry", said one manager. These club managers find it difficult to strike a balance between fully understanding and complying with the detail in new laws and effectively marketing their club services.

Historically in the late 1980s and 1990s, the business environment for clubs had been "a cruise" compared to now, said one manager. This new legislation has forced club managers to adapt to harsh changes, to run the clubs more as a business, but one with a community focus. These managers all said that, while gaming was their core product, the impetus now was to reduce reliance on gaming and to diversify into other areas, such as entertainment and food service. However, one manager commented that "even though people visit the club for a different reason they will participate in the core product, gaming". In the short-term, for two clubs gaming expenditure was lower than in past years, but in one club it has remained the same. It is still too early to see long-term outcomes from product diversification in these clubs.

For some staff, a history of longevity of employment is important for building a familiar, comfortable culture for members within the club, two managers reported. Some long-term general staff, having lived through many changes in their clubs, reacted to the new legislation with little understanding. Some were even apathetic, adopting an “it won’t affect us” attitude, remarked one manager. Others, however, have been forced to lift their service standards to match what the club says it offers in its new marketing campaigns. One manager said that this is particularly the case for clubs focusing their advertising and promotions on food and catering services. Thus, the reaction from staff to the legislation restricting advertising of gaming machines has been mixed. Some have become more professional in their service standards to meet member and visitor expectations as communicated in their revised marketing campaigns, while other staff have limited awareness of the legislation.

For club members, some are unaware of the new legislation and others are well aware of it. Two managers said that for members “blissfully unaware” of the change in legislation, the club was blamed for reducing major promotions, particularly luxury car prizes. Member confidence in the clubs suffered as a consequence because these members felt that the clubs were profiting at the expense of members. Prior to the introduction of this legislation, a new club promotion would be tested by running it, then stopping it to get member feedback to see if it was successful, but “if you stop it now, you can’t tell them that you have brought it back because you can’t externally communicate any advice to your patrons about your gaming products or gaming machine related competitions or promotions. You have to rely on intuition,” said one manager.

These clubs have had to work hard to convince members that they have had no choice but to abide by the legislation. They have currently targeted membership loyalty schemes as one way of rewarding members for frequenting the club and re-building confidence in the club. One manager said that “their member and visitor spend was up, visitor numbers were down, but members keep

coming back”, reinforcing the view that member loyalty can be won, but visitors are much harder to attract.

Some members know “what’s going on” in terms of the law, club rules and regulations, reported one manager. These people are motivated to join a club for what another manager called the “three S’s – safety, security and social”. The appeal to customer values for a safe place to visit, one that provides a secure environment in which to socialise with others, is high for these members. The benefits of enjoying social activities in a safe secure place encourages some members to think of their club as their first or usual place for socialising. Yet one manager commented that they had few ways of introducing younger generations to the core product, gaming, and that the older generation would not be replaced by a younger generation. He believed that “the effects would not be felt until the next decade”.

A social impact assessment carried out by one club revealed that growth in the northern NSW border area of Tweed Heads is high with a projected population growth of 54% for 1996 – 2016. This is almost three times higher than the expected growth for the entire state of New South Wales. However, the number of people aged over sixty years living in this area is almost double that compared to the rest of the state. Additionally, this area is perceived as an ideal location for retirees with persons aged 60-79 years representing 23.8% of the total population (Lord 2001). The importance that current members place on benefits provided by their club means that clubs are able to emphasise safety, security and social values in their revised marketing strategies to create a loyal membership base for older people now. However, the future growth of these clubs will depend heavily on attracting younger members to replace the current generation of older members.

DISCUSSION

That the competitive conditions facing these three NSW border clubs has altered dramatically since the introduction of legislation restricting gaming advertising and external signage is supported by the results presented above. Strategically, these three NSW clubs have had to adapt to a changed competitive environment and create diversification opportunities to combat rival marketing pressures from across the border in QLD.

In their efforts to strategically manage change in their external environment (Leiper 1998; Waterman *et al.* 1991), the boards and managers of these three border clubs have consciously formulated plans and actions to defend their clubs from marketing threats across the QLD border. They have created intensive marketing strategies such as those explained by David (1987) and Porter (1980) to attract new markets to their club and to retain current markets. They have also created diversification strategies by adding new and related products and services to differentiate themselves from other clubs. Additionally, these three clubs targeted customer loyalty, convinced that customers would become attracted, then attached, to their innovative products and differentiated services.

Intensive marketing strategies include using market penetration, market development and product strategies (David 1987). To penetrate their markets, these three clubs employed extra sales or promotional staff and offered extensive, yet smaller value, promotions. Using market development strategies these clubs have widened their publicity to reach broader regions and junior members. Using product development strategies these clubs have improved their services by raising their hospitality quality standards. Such intensive marketing effort generally improves a firm's competitive position using their existing products (Kotler *et al.* 2001).

Market diversification strategies include adding new but related products and services, adding unrelated products and services and pursuing joint ventures (David 1987). To differentiate themselves from other clubs with new but related products, these clubs added function rooms and built a pub within their facilities to generate more traffic and extra business demand. Further they produced membership schemes to encourage club allegiance amongst their membership. One large club successfully took over management of a small struggling nearby club to save it from closure, but also to expand the markets of, and minimise risks for, the larger club. So while the three clubs did not drift too far from their areas of expertise, they used diversification to supplement their existing products (David 1987) and to help alleviate intense rivalry from across the border (Porter 1980).

In most organisations, Leiper (2001) suggests staff at all levels should somehow be involved in managing strategic change. The results here indicate that unless staff are encouraged to take responsibility and contribute, people below senior level do not see involvement in strategy making as part of their jobs. One consequence of this is that staff view the board and senior managers as the sole strategy makers, rather than thinking of themselves as contributors to, and implementers of, strategic decisions. Even at the lowest level of an organisation, Wall and Wall (1995) argue that strategy implementation is successful only when staff clearly understand the strategy and are able to carry it out effectively. In this case, not all staff understood the implications of the new legislation and thus did not recognise the focus or 'big picture' of the clubs' revised marketing strategies.

External change such as the introduction of new legislation has affected these clubs significantly. It has forced them to abandon previously successful marketing strategies and create new ones under tight regulatory guidelines.

This research was limited to only three clubs on the northern NSW border and thus generalizations cannot be made. However, this exploratory work does lend itself to further research in similar cross border areas, with people other than managers and with different hospitality organisations such as hotels and casinos.

CONCLUSIONS

Legislation restricting gaming advertising has complicated the marketing and promotion of these three northern NSW border clubs. This legislation has forced the removal and replacement of many traditional club promotions and advertisements. These border clubs have had to focus on differentiating themselves from their QLD competitors to redress the marketing, advertising, promotion and signage advantage that their QLD opposition holds.

Club directors and managers feel frustrated because they are restricted in their ability to market their club in competition with similar clubs across the QLD border. Their attitude towards legislators and the bureaucracy is cautious but pessimistic at a perceived lack of consideration of their border location.

Club staff have shown a varied response to this new legislation, with some raising their professional service standards while others barely recognise its existence. Members of clubs have also shown a varied response. Those ignorant of the new legislation have blamed the club for reducing promotions. Other more knowledgeable members value the benefits that the club provides and are remaining loyal to the club. Short-term results of the clubs' revised marketing strategies indicate that for now club membership numbers are steady, but their spending is unpredictable. Visitors are harder to attract, particularly new visitors.

Thus, impacts from the legislation restricting gaming advertising and external signage have radically altered the competitive environment in which northern NSW border clubs operate, compared to that of their cross border neighbors in QLD.

Long-term implications arising from the new legislation and revised marketing strategies are yet to be seen in new member growth and expenditure in these three clubs. In order to build new member numbers, market research will be needed to identify community-based values and club benefits that appeal to different market segments. Further research may uncover other opportunities for product diversification. The three club managers in this case recognised strategic management as an important tool in future planning for marketing their clubs. They were very much aware of the need to meet changes in their external environment with a coordinated plan of strategies and action.

During the investigation, additional changes in state legislation were found to affect these border clubs more severely than other clubs in NSW. New and potential legislation raising club taxes, eliminating cheque cashing and reducing smoking areas have created what one manager described as a “triple of problems” for border clubs. NSW clubs pay higher gaming taxes, have less opportunity for changing money in the club and now provide more smoke free environments than clubs across the QLD border. Most of these northern NSW border clubs reported that they had lost members, as they are unable to cash their cheques. One manager said that, “Elderly people don’t want to be paid by cheque. They come from a cash culture. They are the same people who struggle with ATM’s. State legislation brings anomalies for border clubs”. David (1987) writes that it is imperative for firms to consider the potential impact of political and legal change on the formulation and implementation of their competitive strategies. State issues such tax, smoking and cash handling must be considered in all current strategic planning and are worthy of further research into the competitive implications of cross border locations.

REFERENCES

Australian Bureau of Statistics (1999). *Gambling Industries Australia 1999*, Catalogue 8684.0, Canberra: Australian Government Printing Service.

Breen, H., Buultjens, J. & Hing, N. (2003). *The Perceived Efficacy of Current Responsible Gambling Strategies in Selected Queensland Hotels, Casinos and Registered and Licensed Clubs*. Brisbane: Queensland Treasury.

David, F. (1987). *Strategic Management*. New Jersey: Prentice Hall International.

De Wit, B. & Meyer, R. (1994). *Strategy: Process, Content, Context – An International Perspective*, Minneapolis: West Publishing Company.

Eadington, W. (1996). Ethical and Policy Considerations in the Spread of Commercial Gambling. In J. McMillen (ed.) *Gambling Cultures Studies in history and interpretation*. London: Routledge.

Griffiths, M. (2003). *Does Advertising of Gambling Increase Gambling Addiction?* paper presented at the World Lottery Association Conference, London, January 24.

Gustafson, C. & Partlow, C. (2002). Environmental Forecasting and Strategic Planning Practice in Country Clubs: An Exploratory Study. *Journal of Hospitality and Tourism Administration*, Vol. 3 (4), 61-73.

Hing, N. & Breen, H. (1996). Day Tripping in the Tweed: An Empirical Investigation of 'Pokie Tours' from Southern Queensland to Northern New South Wales Clubs. *Australian Journal of Hospitality Management*, Vol. 3 (2), 1-14.

Hing, N., Breen, H. & Weeks, P. (2002). *Club Management in Australia: Administration, Operations and Gaming*. Sydney: Pearson Education Australia.

Hing, N. & Dickerson, M. (2001). *Responsible Gambling, Australian Voluntary and Mandatory Approaches*. Melbourne: Australian Gaming Council.

Kay, J. (2000). Strategy and the Delusion of Grand Designs. In T. Dickson (ed.) *Mastering Strategy: The Complete MBA Companion in Strategy*, Harlow: Pearson Education.

Kotler, P., Brown, L., Adam, S. & Armstrong, G. (2001). *Marketing*. 5th. Edition, Sydney: Pearson Education Australia.

Leiper, N. (1998). *Strategic Management for Tourism and Hospitality Enterprises*. Lismore: Southern Cross University.

Leiper, N. (2001). *Management III: Strategic Management for Clubs*. Lismore: Centre for Professional Development, Southern Cross University.

Lord, G. (2000). *Twin Towns Services Club Social Impact Assessment, Millennium Project*. Tweed Heads: Twins Towns Services Club.

McDonald, B.J. (1980). *McDonald's Law of Registered Clubs New South Wales*, 2nd. Edition, Sydney: Butterworths.

McKercher, R. & Vaughn, P. (1996). *The Impact of the Introduction of Gaming in Victoria on the Management of NSW Border Clubs*. Paper presented at the 3rd. National Commercial Gaming Convention, 26-27 November, Melbourne.

Mintzberg, H. (1994). *The Rise and Fall of Strategic Planning*. Hemel Hempstead: Prentice-Hall.

Mintzberg, H., Quinn, J.B. & Voyer, J. (1995). *The Strategy Process*. Collegiate Edition, New Jersey: Prentice-Hall.

Monaghan, S. (2004). Profits Up in Smoke in Australia: Smoking Ban Costly to Casino Industry, *Global Gaming Business*, March.

New South Wales Department of Gaming and Racing (2003). *Liquor and Gaming*. April, Sydney: NSW Department of Gaming and Racing.

Ohmae, K. (1988). Getting Back to Strategy. *Harvard Business Review*, Nov-Dec, 149-156.

Porter, M. E. (1980). *Competitive Strategy*. New York: Free Press.

Productivity Commission (1999). *Australia's Gambling Industries: Final Report*. Canberra: Ausinfo.

Queensland Treasury (2002a). *The Queensland Responsible Gambling Strategy: A Partnership Approach*. Brisbane: Queensland Government.

Queensland Treasury (2002b). *Queensland Responsible Gambling Code of Practice: Trial and Review*. Brisbane: Queensland Government.

Registered and Licensed Clubs Association of QLD and NT (2003). *Club Insight*, December – January. Brisbane: Registered and Licensed Clubs Association of QLD and NT.

Registered Clubs Association of NSW (1999). *Directors' Guide*. Sydney: Registered Clubs Association of NSW.

Samson, D.A., & Daft, R.L. (2003). *Management*, Pacific Rim Edition, Melbourne: Thomson.

Tasmanian Gaming Commission (2004). *Australian Gambling Statistics 1977-78 to 2002-03*, Hobart: Tasmanian Gaming Commission.

Thompson, W. & Gazel, R. (1997). The Last Resort Revisited: The Spread of Gambling as a 'Prisoners Dilemma. In William Eadington and Judy Cornelius (eds.) *Gambling: Public Policies and the Social Sciences*. Reno: University of Nevada.

Wall, S.J. & Wall, S.R. (1995). Strategy: Myths, Misconceptions and Wrong-headed Notions. In *The New Strategists: Creating Leaders at All Levels*. New York: The Free Press.

Waterman R.H. Jnr., Peters, T.J. & Philips, J.R. (1991). "The Seven S Framework". In Henry Mintzberg and James Brian Quinn (eds.) *The Strategy Process: Concepts, Contexts, Cases*, 2nd Edition, New Jersey: Prentice-Hall.

Table 1
Summary of mandatory and voluntary codes affecting advertising of gambling in clubs in Australian states and territories

State or Territory	Mandatory Acts	Voluntary Codes
New South Wales	Yes, measures in place	Yes, measures in place
Queensland	No	Yes
Victoria	Yes	Yes
South Australia	No	Yes
Tasmania	No	Yes
Australian Capital Territory	No	Yes
Northern Territory	Yes	No
Western Australia	N/a	N/a

Source: Based on a report commissioned by the Australian Gaming Council 2001, authors: Hing, N. & Dickerson, M. (2001); the *Gaming Machines Act 2001 NSW*, *Gaming Machines Regulation 2002 NSW* and *Gaming Machine Control Act 1991 Vic* with amendments added July 2003.

Table 2
Club Demographic Profile

	Club A	Club B	Club C
No. of members	8000	16000	45000
No. of visitors per annum	100000	500000	1,800,000
No. of gaming machines	176	450	770
Other gaming services	Keno, Bingo, Raffles	Keno, TAB, Bingo, Raffles	Keno, TAB, Bingo, Raffles