



Margin Improvement Programme Monthly Progress Report

5 September 2012



Outline

Status Report and Program Update

Crown Melbourne

- Progress to August 31st 2012 –MIP targets and major projects
- Completed projects July/August

Crown Perth

- Projects update



F13 Crown Melbourne Margin Improvement Targets

Margin Improvement Program initiatives with cost savings of \$40 million are being implemented

	In \$'000	Total MIP		Implemented	
		Annualised Improvement (Total Project) \$'000	F13 Contribution Improvement (\$'000)	F13 YTD Implemented Improvement	F13 YTD Implemented Annualised Improvement
Marketing	Reduced Complimentary and Loyalty Programs	\$18,523	\$15,166	\$1,293	\$7,926
Labour	Back of House Labour	\$3,447	\$2,959	\$713	\$1,644
	Front of House Labour	\$11,726	\$9,932	\$1,249	\$5,954
Other	Other Expenses	\$13,822	\$12,252	\$2,918	\$7,547
	Total Cost Savings	\$47,519	\$40,309	\$6,173	\$23,071
Revenue	Revenue Generating	\$3,395	\$2,898	\$405	\$2,543
	Total MIP	\$50,914	\$43,207	\$6,577	\$25,614

Crown Melbourne Summary Projects as at August 2012



Department	Budgeted ('000)	Phase 1 Targets Unbudgeted ('000)	Phase 2 Targets Unbudgeted ('000)	Grand Total MIP Targets	Total MIP Submitted ('000)	Yet to be identified
Cage & Count	\$48	\$351	\$300	\$699	\$742	\$43
Crown Hotels	\$170	\$1,524	\$1,500	\$3,194	\$2,799	(\$395)
Finance	\$0	\$155	\$200	\$355	\$355	\$0
Food & Beverage	\$606	\$5,200	\$0	\$5,806	\$4,465	(\$1,342)
Gaming Machines	\$4,364	\$2,041	\$4,000	\$10,405	\$10,128	(\$277)
Government & Media	\$0	\$13	\$10	\$23	\$22	(\$2)
Human Resources	\$556	\$193	\$500	\$1,249	\$1,206	(\$43)
International Gaming	\$218	\$2,157	\$2,000	\$4,375	\$4,282	(\$93)
Legal & Compliance	\$9	\$171	\$130	\$310	\$458	\$148
Marketing	\$0	\$524	\$1,000	\$1,524	\$1,408	(\$116)
MIS	\$98	\$263	\$300	\$661	\$735	\$73
Property Services	\$584	\$2,291	\$500	\$3,375	\$3,400	\$25
Security	\$438	\$675	\$1,000	\$2,113	\$1,848	(\$265)
Signature	\$0	\$0	\$0	\$0	\$372	\$372
Supply	\$0	\$138	\$60	\$198	\$222	\$24
Surveillance	\$0	\$103	\$100	\$203	\$201	(\$2)
Table Games (inc Interstate)	\$319	\$5,404	\$4,000	\$9,723	\$9,736	\$13
Parking	\$0	\$205	\$300	\$505	\$489	(\$16)
Tenancies & Retail	\$20	\$270	\$200	\$490	\$1,098	\$608
Total	\$7,429	\$21,678	\$16,100	\$45,207	\$43,964	(\$1,243)

Crown Melbourne Projects Over \$1m Budgeted



TOTAL ANNUALISED **\$ 3,790 (7%)**

TOTAL F13 **\$ 3,790 (9%)**

			As per F13 Business Plan		
Department	Project Name	Project Detail / Objective	Implementation Date (When Benefit is Budgeted From)	Annualised Improvement (Total Project) \$'000	F13 Contribution Improvement \$'000
Gaming Machines	Welcome Back Effect	Amending the Bonusing System to require registration at VIK for each program based bonus offer, this will ensure that members are aware of the benefit not just identify a mystery bonus at a machine on commencement of the play. This initiative will reduce bonusing redemptions thus increase hold rates and in turn revenue. Expected contribution is the additional revenue at \$1.8m less tax.	Jul-2012	\$1,329	\$1,329
Gaming Machines	Jackpot Initiatives	Amending the Gaming Machines Food Program to be controlled by the Linked Jackpot Equipment to reduce costs and increase profit and margin. The estimated cost for F13 is \$8.4m, revenue will reduce by this amount but is expected to have other benefits.	Jul-2012	\$2,461	\$2,461

Crown Melbourne Projects Over \$1m Unbudgeted



TOTAL ANNUALISED \$11,620 (36%)

TOTAL F13 \$10,702 (33%)

Department	Project Name	Project Detail / Objective	Current Information		
			Date When Benefit Begins	Annualised Improvement (Total Project) \$'000	F13 Cont'n Improvem't (\$'000)
Table Games	Complimentary Beverage Review	With escalating complimentary costs and aligning customer service to the appropriate tiers it is proposed that Gold customers & guests in the Teak Room are charged for Alcoholic beverages when requesting a beverage from the bar. If the Alcoholic beverage is requested on a machine/table, the beverage will be complimentary.	Aug-2012	\$2,363	\$2,166
Table Games	Mahogany Labour Efficiency	Reduce disparity between rostered hours in VIP International and significantly lower actual open hours	Aug-2012	\$2,188	\$2,006
Gaming Machines	Complimentary Beverages	Modifications to complimentary beverage issuance process. Beverages at restaurants will be charged under the daily food offers. Patrons will be asked to use points or cash for pay for beverages at bars. Card swipes will also be introduced for 'at device' drinks to measure the cost effectiveness of drinks.	Aug-2012	\$1,261	\$1,156
F&B Admin	Labour Efficiencies	Labour review and development of a revised recruitment strategy for food & beverage to ensure a flexible and efficient workforce is provided. Savings are expected in all F&B areas - this project will be implemented progressively throughout the financial year.	Jul-2012	\$2,000	\$2,000
F&B Admin	Purchasing / Procurement Review	Comprehensive Purchasing review to ensure: <ul style="list-style-type: none"> Existing SKU's / catalogues are rationalised A strategic approach to procurement and tendering is in place i.e. open process, removal of limitations such as controlled contracts, more robust spec'ing Processes are in place (in Purchasing and F&B) for continual review and monitoring of external pricing benchmarks and seasonal trends Key considerations are leveraged in contracts such as early payment discount, pricing for volume 	Sep-2012	\$2,500	\$2,083
F&B Admin	Cost of Sales & Rev/Margin Wine	Implementation and monitoring of wine offer across all F&B outlets to ensure appropriate match with food offer at casual end and distinction of wine lists at premium end. Engagement of new wine manager to implement purchasing efficiencies and alignment of offer along with management of property wine tender and associated rebates for marketing.	Jul-2012	\$1,100	\$1,100

Crown Melbourne Projects between \$0.5m and \$1m Unbudgeted



TOTAL ANNUALISED \$6,286 (12%)

TOTAL F13 \$5,098 (12%)

Department	Project Name	Project Detail / Objective	Implementation Date (When Benefit Begins)	Annualized Improvement (Total Project) \$'000	F13 Contribution Improvement (\$'000)
Table Games	Direct to Table	Deliver cards direct to table - removal of card shuffling room	Jan-2013	\$500	\$250
Table Games	Labour Efficiencies	Identify further labour efficiencies - draw down as projects identified	Jan-2013	\$600	\$300
Hotels	Operating Expenses	Various expense accounts have been identified that will provide savings	Jul-2012	\$798	\$798
Hotels	Revised FTE levels	Run under budgeted FTE levels in several FOH areas. Achieved via periods of recruitment and general rostering.	Jul-2012	\$715	\$715
Security	Operational Labour Review - MSS - First Round	Labour Review - realignment based on operational requirements and business demand.	Aug-2012	\$574	\$526

Crown Melbourne Projects Completed in July over \$100k



Department	Project Description	Original F13 Cont'n (\$'000)	Revised F13 Cont'n (\$'000)
Gaming Machines	Welcome Back The Bonus System has been amended and now requires registration at a VIK for each program based bonus offer. This initiative will reduce bonus redemptions thus increase hold rates and in turn, revenue.	1,329	1,329
Gaming Machines	Jackpot Initiatives The Gaming Machines Food Program is now controlled by the Linked Jackpot Equipment - this will reduce costs and increase profit and margin.	2,461	2,461
Gaming Machines	Beverage Trolley The complimentary beverage trolley provided for Gaming Machine patrons has been removed. The savings resulting are a reduction of 9 FTE's (Beverage Program Assistants) which will no longer be required and the removal of the costs of supplying the beverage.	574	574
Gaming Machines	Hotel Nights Stricter adherence to hotel access through gaming program benefits or point redemption is in place. A reduction in non-gaming comp hotel nights will result.	0	115
Gaming Machines	Cleaning Labour Due to the discontinuation of the Beverage Trolley Program there is reduced rubbish, furthermore gaming attendants are now encouraged to clear glasses between callouts. Both initiatives will reduce cleaning labour.	0	100
Food / Beverage & Entertainment	Cost of Sales - Beverage Wine Tenders Engagement of a new wine manager to implement purchasing efficiencies and alignment of wine offers along with management of a property wine tender and associated rebates for marketing has been completed. Cost of beverage savings combined with Revenue Generation from a review of the complex wide pricing strategy	0	300
Food / Beverage & Entertainment	Crown Events Credit Card Service Fee Implementation of a credit card surcharge for all Banquet/Conference patrons when payments are made utilising this method of settlement commenced on 1st July.	222	222

Crown Melbourne Projects Completed in July



Department	Project Description	Original F13 Cont'n (\$'000)	Revised F13 Cont'n (\$'000)
International Gaming	Limousines Limousine rates arising from the new contract with Unity	0	200
International Gaming	China PR Activities Decision to defer certain China PR activities (branding exercise) as the benefits are unlikely in the current economic climate.	0	300
International Gaming	Golfbox Sponsorship Decision to defer Golfbox sponsorship as the benefits are unlikely in the current economic climate.	0	200
International Gaming	Macau SMS Marketing Decision to defer Macau SMS marketing as the benefits are unlikely in the current economic climate.	0	100
Security	Operational Labour Review Labour Review - realignment based on operational requirements and business demand. \$33k per month savings on FTE's general Crown Labour savings from July 1st - December 31st.	0	198
Hotel Operations	Operating Expenses Various expense accounts have been identified and saving targets have been achieved. Maintenance contracts \$21k; Printing, Stationery & Forms \$41k; Hotel Supplies \$148k; Fees & Commissions \$66k; Travel & Entertainment \$62k; Training \$20k; COGS \$48k; Comps \$129k; Storage \$37k; Gifts \$17k; Cleaning & Maintenance \$23k; Subs \$7k; Linen Laundry \$73k.	0	798

Crown Melbourne Projects Completed in July



Department	Project Description	Original F13 Cont'n (\$'000)	Revised F13 Cont'n (\$'000)
Hotel Operations	Increase Credit Card Service Fee On charging a credit card service fee to Hotel patrons was introduced in January 2011. The current charge is 1.5% including GST, this project is to increase the charge to 1.5% + GST, resulting in the total charge at 1.65%. Currently hotels are recovering approximately \$1m in service fees per annum, a 10% increase adds \$100k to Hotels expenditure recovery.	0	100
Hotel Operations	Guest Amenities Program VIP / Guest Recognition programs being revised to (a) make recognition gifts based on a higher visitation pattern and (b) reduce the unit cost of gifts. Some changes have already been made with further changes during Q1. Savings based on 10% of total account spend. In reality, as there are a number of other items that appear in this account the saving is more like 20% of the VIP/Guest Recognition costs.	0	225
Hotel Operations	Revised FTE Levels Run under budgeted FTE levels in several FOH areas. Achieve with vacancies during periods of recruitment and rostering.	0	715
Tenancies/Retail	Increased Air-conditioning Recovery Review in the rate for on charging tenants for air-conditioning services. Increase of the sq. m rate to be recovered.	0	209
Tenancies/Retail	Improved TAB Commission Increase in TAB commission from 2.5% to average 3.7%	0	180
Tenancies / Retail	Improved TAB Commission Reduce spending on a number of discretionary marketing programs	0	215
Valet Parking	Valet Parking FTE reduction / restructure Reduce FTE's by combining further Bell/Concierge and Valet Parking	0	213
Human Resources	Operational Expenses Various Savings for Operational Expenditure - HR consolidated (Employee communications, Crown college, WFP & Recruitment).	0	114
Human Resources	Labour Various Savings for HR consolidated (Employee communications, Crown college, WFP & Recruitment).	0	230

Crown Melbourne Projects Completed in July



Department	Project Description	Original F13 Cont'n (\$'000)	Revised F13 Cont'n (\$'000)
Crown Services - E&M	Reduce Stone Polishing Services Reduce services for retail St., Ming's, West-end entry, Largerfield, kitchen workshop, various toilets, B1 retail, Level 3 towers. Annual restoration program to be pushed out 2-3 years.	0	280
Crown Services - E&M	Reduce Flooring BOH Expenditure Reduce periodic BOH maintenance and carry out essential works only i.e. trip hazards-food safety issues.	0	100
Crown Services - E&M	Reduction in Casino Painting Reduction in BOH painting and scheduled areas such as administration, essential works only.	0	100
Crown Services - Environmental Services	Bussing Reduction - MGF Bussing activity has been removed from contract cleaners between the hours of 11am and 3am daily, this activity is now completed by Table Games work cover staff now resulting in a full benefit to the business. No negative feedback received from Gaming or patrons around this service change.	0	164
Crown Services - Environmental Services	Removal of Full Time Cleaner - Level 29 - 39 With the changes to the service offering on level 29 to Salon only the need of a fulltime cleaner in this area was reviewed. Previous level 29 and 39 had one full time cleaner each 24hr per day, one cleaner has now been removed leaving one cleaner to manage both level 29 and 39 when Salons are booked. No negative feedback received from Gaming or patrons around this service change.	0	270

Crown Melbourne Projects Completed in August



Department	Project Description	Budgeted F13 Cont'n (\$'000)	Revised F13 Cont'n (\$'000)
Local Table Games	DEQ Hired Equipment Savings DEQ is an application which provides an automated side bet/jackpot system for Table Games. Savings from the hire of DEQ Equipment between Aug-Nov as the free trial will continue for at least this period.	0	84
Gaming Machines	Cleaning Savings Cleaning contractors have provided cost saving ideas with minimal impact on cleaning standards across the ground floor Westend. Unscheduled call out jobs will need to be monitored.	0	115
Parking	Basement Rate Reviewed Increase cash rate to Basement car park. Cash rates changed on the 13th of August.	0	213
SFX	Exterior Solider Tower Neon Rings The blue neon rings above the perimeter soldier towers require a large mobile crane to maintain and replace neon sections as they fail. The materials, labour, and crane rental cost \$71k per year. These neon lights could be turned off after a noticeable number of tubes fail, thereby saving \$71k per year. The risk of this project is that someone may request the missing lighting features be restored, and the cost to recommission them in the future may be more than \$71k.	0	65
Cage & Count	Western Cage Open Hours Close the Western Cage Between 05:00 - 10:00 (Mon - Fri). CFO Justine Henwood approved on 4/7/12. Service impact to customers - Pit 4, Westend & Riverside patrons would have to travel to Main Cage to cash out or utilise ticket redemption terminals. Project implemented on the 1st of August 2012.	0	72
Security	Operational Labour Review - MSS 1st Round and 2nd Round Labour Review - realignment based on operational requirements and business demand. Saving targets achieved by reducing shifts per week.	0	526
	Other in Progress Projects		14,427
Total Projects Completed and in Progress YTD		0	25,614



Outline

Status Report and Program Update

Crown Melbourne

- Progress to August 31st 2012 –MIP targets and major projects
- Completed projects July/August

Crown Perth

- Projects update



F13 Crown Perth Margin Improvement Projects Update

Description	Annualised Contribution (\$'000)	F13 Contribution (\$'000)
<p>Table Games – Reduction in Pit Boss Breaks Breaks have been reduced from 90 minutes (three half hours) per shift to 45 minutes (one half hour and one 15 minute break) per shift enabling more efficient rostering and improving Pit Boss productivity.</p>	\$300	\$300
<p>Table Games – Review and amend supervision levels Review and amend supervision levels on certain game types and groups of games (including FATG's) to improve rostering efficiencies and reduce labour cost. Meetings have been held with key Crown Melbourne personnel to understand the recent Table Games structure changes and to consider a similar initiative at Crown Perth subject to Regulator and Union concerns and issues including the CA renewal in June 2013 (commence negotiation Dec 2012).</p>	\$TBC	\$TBC
<p>Table Games – Productivity initiatives Identification and approval of game variations to improve Table Games performance – Blackjack Plus, Gaming Floor Live. TANGAM – a yield management system for Table Games is currently under review. Crown Perth management met with TANGAM representatives in June 2012. Initial free trial stages are underway with outcomes shared with TANGAM, awaiting response. DEQ – a system to execute Table Games jackpots is currently under review. Crown Perth has submitted an alternative jackpot configuration for review and potential development by DEQ. We are also awaiting a performance review in Crown Melbourne and City of Dreams.</p>	\$1,200k	\$800k



F13 Crown Perth Margin Improvement Projects Update

Description	Annualised Contribution (\$'000)	F13 Contribution (\$'000)
<p>Security – Reduction in Security numbers monitoring casino entrances Submission to the Regulator to amend the requirement to have three Security officers man casino entrances 24/7.</p>	\$250	\$250
<p>Food & Beverage - Procurement Review F&B and procurement (particularly food) practices and opportunities with a view to reducing cost of sales.</p>	\$500	\$500
<p>Food & Beverage – Operational Review Critical review of operating hours in all outlets with initial actions to close Market & Co restaurant for lunch Monday - Thursdays. Concept change in Market & Co to reduce food cost. Menu reviews to consolidate seasonal and purchased items across outlets.</p>	\$100	\$100
<p>Food & Beverage – Labour Review Critical review of rostering and labour efficiencies to reflect current trading conditions and reduced operating hours (FOH, BOH and Stewarding focus).</p>	\$200	\$200



**Next Meeting TBC
October 2012
11.00am Chairman's Office**