

# **IAAPA** Attractions **EXPO**

## *Midway Games Profitability - The impact of technology*

Wednesday, November 15, 2006  
3:00 PM to 4:15 PM  
Room # B406



IAAPA  
2006 Conferences & Education  
Midway Games Profitability –  
The Impact of Technology

---

---

---

---

---

---

---

---

Current state at most parks

- IAAPA 2004 survey reports 10% of revenue is from Games
- Average per capita spend on Games = \$ 2.10
- Largely cash environment
- Limited technologies (video, bill drops)

---

---

---

---

---

---

---

---

Profits Are Eroded Every Day

- Employee theft / fraud (“visible thief”)
- Guest indifference (“invisible thief”)
- Lack of management tools
- Expense of employee turnover

---

---

---

---

---

---

---

---

### How Bad Is the Loss?

From Employee Fraud: *conservative estimate is 10% of reported games revenue*

Using IAAPA survey data:

- 300,000 visitors: (\$ 63,000) per season
- 500,000 visitors: (\$ 105,000) "
- 1,000,000 visitors: (\$ 210,000) "

---

---

---

---

---

---

---

---

### How Bad Is the Loss?

From Guest Indifference: *conservative estimate is 5% of reported games revenue*

Using IAAPA survey data:

- 300,000 visitors: (\$ 31,500) per season
- 500,000 visitors: (\$ 52,500) "
- 1,000,000 visitors: (\$ 105,000) "

---

---

---

---

---

---

---

---

### How Bad Is the Loss?

From Lack of Management Tools: *Difficult to measure; conservative estimate is 2%*

Using IAAPA survey data:

- 300,000 visitors: (\$ 12,600) per season
- 500,000 visitors: (\$ 21,000) "
- 1,000,000 visitors: (\$ 42,000) "

---

---

---

---

---

---

---

---

### How Bad Is the Loss?

Expense of employee turnover:

Estimated at:

\$ 500 per termination/new hire

10 turnovers per season = \$ 5,000

---

---

---

---

---

---

---

---

### The Bad News

*Conservative Estimate –*

Total Games Losses:

- 300,000 visitors: (\$ 112,100) per season
- 500,000 visitors: (\$ 183,500) "
- 1,000,000 visitors: (\$ 362,000) "

---

---

---

---

---

---

---

---

### The Good News

- New cash control technologies are available:
  - Real-time reporting of payment transactions
  - By employee
  - By game
  - By game position
  - By price level played
  - By payment method (cash or card)

---

---

---

---

---

---

---

---

## How Does A Control System Work? At the Games

- Each attendant logged in by manager
- Beginning "till" is logged
- Every game play entered on reader
- Every transaction time-stamped
- Each "skim" reported
- Final apron closeout

---

---

---

---

---

---

---

---

## How Does A Control System Work? The Back Office

- Real-time reporting of all transactions:
  - Subtotaled by hour
  - Sort by Employee
  - Sort by Game
  - Sort by Game Family
  - Downloadable to excel

---

---

---

---

---

---

---

---

## Catching Theft & Fraud

- Frequent skims
  - Reporting on real-time apron amounts
  - Skim at thresholds
  - Random skims unexpected by attendant
  - Enter skimmed amounts
  - Review discrepancies

---

---

---

---

---

---

---

---

### Catching Theft & Fraud

- Random apron audits
  - Attendants cannot predict an audit
  - Compare apron to real-time report
  - Apron “overages” may indicate failure to enter transactions on reader
  - Apron “shortages” may indicate money stolen from apron

---

---

---

---

---

---

---

---

### Catching Theft & Fraud

- Compare time-stamped reports with video surveillance systems
- Review attendant over/shorts over time
- Examine game performance trends vs. specific employees

---

---

---

---

---

---

---

---

### Management Tools

- Review price levels for popularity
- Remotely change game prices on-the-fly
- Analyze labor \$ / revenue / hour
- Analyze labor \$ / game / revenue

---

---

---

---

---

---

---

---

## Tackling Guest Indifference Stored Value Systems

- Allow game play with play cards ("points")
- Purchase cards with cash or credit/debit
- Escalating deals (more spent, better deal)
- Entitlements entice non-players to games area
- Points never expire

---

---

---

---

---

---

---

---

## Guest Lift and Shift

- Play cards encourage per capita *lift*:
  - Better deals = greater spend
  - Ability to use credit/debit card = greater spend
  - "I'll be back" = greater spend
- Unused points promotes *shift*
  - All it takes is one person with points
  - More repeat visits

---

---

---

---

---

---

---

---

## Breakage

- Stored value on cards is considered "breakage" until used
- Breakage is a liability for the park
- Breakage can be deducted from revenue
- Reports indicate exact amount of unused points at any moment

---

---

---

---

---

---

---

---

### Cash Or Card

- Allow cash play – impulse spend
- Promote card play
- Play card can be used in other areas of the park (rides, food/beverage, arcades)

---

---

---

---

---

---

---

---

### Cost and Payback

- Determine system cost
- Estimate annual increase in profits
- Payback is typically less than one season

---

---

---

---

---

---

---

---