

IAAPA Attractions **EXPO**

Reaping Rewards from Redemption

Wednesday, November 15, 2006
4:30 PM to 5:45 PM
Room # B405



IAAPA 2006 ATLANTA

Reaping Rewards!
Redemption 101

2nd Handout

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There are 3 Essential Redemption Percentage Calculations:

Individual Game Payout Percentage – varies by game type

$$\frac{\$ \text{ Value of Tickets Dispensed from any Individual Game}}{\$ \text{ Gross Token Revenue of that Individual Game}}$$

$$\frac{(\text{8700 Tickets Dispensed}) \$87.00}{\$200 \text{ Game Token Revenue}} = 43.5\%$$

Location Ticket Payout Percentage – Goal is 26-30%

$$\frac{\text{Total } \$ \text{ Value of Tickets Dispensed from All Games}}{\text{Total } \$ \text{ Token Revenue of all Redemption Games in that Location}}$$

$$\frac{(\text{678901 Tickets Dispensed}) \$6789.01}{\$23,456 \text{ Location Token Revenue}} = 28.94\%$$

And the Most Important Percentage calculation is:

Total Location Payout Percentage – Goal is 25%

$$\frac{\text{Total } \$ \text{ Value of All Prizes Redeemed in that Location}}{\text{Total } \$ \text{ Revenue from all Redemption Games in that Location}}$$

$$\frac{(\text{567890 Tickets Redeemed}) \$5678.90}{\$23,456 \text{ Redemption Revenue}} = 24.21\%$$

There are several important additional calculations:

Prize Markup- (30-40%)

$$\begin{array}{r} \text{Bought Doll} \qquad \qquad \qquad \$2.00 \\ \$2.00 \times .30\% \text{ Markup} = \quad \underline{.60 \text{ cents}} \\ \qquad \qquad \qquad \qquad \qquad \qquad \$2.60 \text{ cost to be converted} \\ \qquad \qquad \qquad \qquad \qquad \qquad \qquad \qquad \text{to tickets} \end{array}$$

$$\$2.60 = 260 \text{ tickets (at a penny a point)}$$

Hit Frequency – $\frac{\text{The number of times a guest wins}}{\text{The number of times a guest plays}}$

$$\frac{1 \text{ times win}}{10 \text{ times played}} = 10\%$$

Average Token Value –

$$\frac{\text{Total Tokens Sold}}{\text{Total Token Sales Revenue}}$$

$$\frac{88,000}{\$4,000} = 22 \text{ cents each}$$

Token Shortage –

$$\begin{array}{r} \text{Total Tokens in Calculated Inventory} \\ - \text{Total Tokens in Actual Inventory} \\ = \text{Token Shortage} \end{array}$$

512,476 in Calculated Inventory
- 510,343 in Actual Inventory
2,133 MISSING from Inventory (sounds like someone may have miscounted the bags of tokens – at least we hope so....) \$500

Ticket & Token Value

The value of your tickets and tokens is an internal decision. You decide what value your currencies are – it is recommended that you use a simple multiple. Using fractions only makes converting numbers more difficult for your staff.

Token value is the price you sell tokens, while factoring in any discounted tokens and tokens that may be sold for special purposes, such as groups (including Birthday Parties), events and promotions. Most facilities will offer a discounted price for larger purchases; these tokens must be considered when calculating the real value of your tokens in any given accounting period. The basic calculation (really a weighted average) is simple:

$$\frac{(\text{Total Tokens sold in Changers} \times \text{Average cost}) + (\text{Total tokens sold as Party Tokens} \times \text{Average Cost}) + (\text{Total Tokens sold in any other way} \times \text{Average cost})}{\text{Total Token Revenue for the Required Accounting Period}}$$

Tickets valued at a penny (US) a point means that 100 tickets have a value of \$1.00; any additional charges associated with your prizes must be added to that number. 30-40% additional added to the base cost should cover shipping, handling, breakage and shrinkage. So an item that costs \$1.00 would be priced at 130 – 140 tickets using this simple system. All that is needed is a calculator (or a head for numbers!). Do not include the cost of the tickets themselves in these calculations.

You do not have to use 1 penny / 1 point. Your tickets can be valued at 2, 3 or more pennies per point. Merchandise prices must be adjusted accordingly (i.e. for a ticket worth 2 pennies per point - \$1.00 = 50 tickets, etc.).

20 Questions & Answers*

(*Have YOU been paying attention?)

- 1) Top Redemption Operations always Satisfy the guest!
- 2) The three most important redemption calculations are Individual Game Payout, Location Ticket Payout and Total Location Payout.
- 3) A Preventative Maintenance Program is crucial to ensure that all equipment is working properly and rewarding the player correctly.
- 4) Tokens and Tickets (and Keys) must be Locked up securely and access limited at all times.
- 5) This seminar was Fabulous!
- 6) Individual game payouts are Inversely Proportional to the FUN that they provide the guest.
- 7) Never Bait & Switch the guest.
- 8) Always strive to Under Promise & Over Deliver.
- 9) Avoid God & Guns when buying merchandise.
- 10) My goal is to have an average payout in my whole operation of 25%.
- 11) Tokens and tickets become Walk-a-ways when they leave with the guest.
- 12) A good mark-up on my merchandise would be 30 – 40 %.
- 13) I will institute Three significant changes in the next Thirty days.
- 14) Locks are for Honest people.
- 15) More fun equals Less tickets!
- 16) My name is Michael Getlan!
- 17) Redemption games reward the player for Doing Well.
- 18) The function of a Display is to make the Merchandise as attractive and interesting as possible.
- 19) Networking with operators can be done Right Now (or) Anytime.
- 20) The Location Payout Percentage is the most important of all calculations for profitable operation.