

IAAPA Attractions **EXPO**

Reaping Rewards from Redemption

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4:30 PM to 5:45 PM
Room # B405



IAAPA 2006 ATLANTA

Reaping Rewards! Redemption 101 [®]



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Your Personal Questionnaire

- 1) I am familiar with individual game percentage payouts, calculations and settings.
Y_____ N_____
- 2) I regularly notice emerging trends in merchandise, toys and fashion.
Y_____ N_____
- 3) I regularly meet with staff members to discuss guest issues and operations.
Y_____ N_____
- 4) I use both ticket and merchandise redemption equipment in my operation.
Y_____ N_____
- 5) I regularly play every game before it is purchased.
Y_____ N_____
- 6) I insist on regular meter readings and calculate payout percentages on a periodic basis.
Y_____ N_____
- 7) I calculate my overall redemption payout based on merchandise inventory.
Y_____ N_____
- 8) I make sure that all excess tokens, keys and tickets are securely locked up and accounted for with limited and recorded access.
Y_____ N_____
- 9) I make sure that all displays are rotated regularly and display only merchandise that is available for redemption immediately.
Y_____ N_____
- 10) I rotate merchandise on a regular basis.
Y_____ N_____

By the way: if it's not you personally, does it get done?

Redemption 101

Purpose

To Provide an Overview of Redemption Concepts and the 3 Essential Elements of Redemption Operation –Merchandise, Equipment, and Correct Procedures.....



Process

A Fun and Fast Seminar with Lots of Audience Interaction!

Payoff

A Better Understanding of Redemption Operations and an Action Plan for Improving Your Operation!

Redemption 101

KEY CONCEPTS

Merchandise

- Merchandise Drives Redemption*
- Prize Selection – Types of Prizes*
- Merchandise Perceived Value
- Purchasing
- Markups
- Display
- Redemption Center Design and Placement

Equipment

- Rewards for Doing Well – Everyone Needs Practice!*
- Equipment Selection / Game Choices
- Proper Equipment Maintenance
- Proper Equipment Percentage Payouts*
- Game Layout
- Meters

Procedures

- Ticket and Token Values *
- Tickets & Tokens are Cash – Locks & Security *
- Guest Service
- Game Operations
- Redemption Center Operation
- Token and Ticket Walk-a-ways*
- Total Operational Payout Percentage*
- Networking with Other Operators*
- Find Your Fun – Love What You Do!*



Merchandise Drives Redemption!

The driving energy behind any redemption operation is the MERCHANDISE. The merchandise is the reason that players will visit your facility, as opposed to your competitor or another competing entertainment option. With the opportunity to accumulate tickets or ticket value, and the ability to comfortably redeem that value for exciting and desirable prizes; 1- your guests will be satisfied; and 2 - your redemption operation will be successful and flourish.

While the speed and frequency of merchandise rotation varies from location to location relative to the frequency of guest visitation, merchandise rotation is a significant force in the successful redemption operation. Selection, pricing and proper markups, as well as correct purchasing, handling and inventory are also significant factors.

While operational issues are critical (equipment selection, operation, maintenance, and percentaging, token / tickets security, markup and value, and gameroom / redemption center design and display, operations and guest service), these factors must be correctly set up and correctly maintained right from the start. Monitoring these factors (for example, with maintenance checklists) is a matter of maintaining a high standard of performance.

Merchandise issues change frequently and must be carefully monitored. New merchandise should arrive regularly and be handled correctly. Guests pay a great deal of attention to their potential prizes and very often these prizes become the decisive factor in visitation, game play and length of stay in your facility. Careful attention to the details of all operational factors is the difference between success and failure of any redemption operation.

Merchandise Categories

Merchandise needs to be balanced between categories of guests and types of merchandise – fashionable and pedestrian, young and old, hip and square, male and female, traditional and unique. Only display merchandise that is attractively placed and decorated in your redemption center display cases. And only display merchandise that is available immediately- never “Bait and Switch”!

And “NO GOD, NO GUNS”!

Check off the categories you use now! Circle the categories you don’t:

- _____ Slum – Low cost
- _____ Glow in the Dark
- _____ Sports Equipment, Sports Memorabilia
- _____ Toys, Board Games, Dolls, Cars and Trucks
- _____ Plush
- _____ Pets (Pet Store Certificates)
- _____ Household Items – Toasters, Blenders, etc.
- _____ Jewelry
- _____ Candy
- _____ Holiday Specific (Christmas, Halloween, etc.)
- _____ Coloring Books
- _____ Licensed Merchandise
- _____ Seasonal Items (Summer Items, Winter Items)
- _____ Decorative Items
- _____ Infant Toys
- _____ Dress-Up merchandise – Shoes, Make-up, etc.
- _____ Logo Merchandise (Your Logo?)- Mugs, etc.
- _____ PC and Console Games
- _____ Inflatables & Novelties
- _____ Services (Laser Tag games, Hot Dogs, Birthday Parties, etc.)

Purchasing

Correctly Purchasing merchandise is one way to achieve the value you want for your guests. While the industry has many great vendors (and there are, of course, many great vendors and suppliers outside our industry), closeout merchandise is always a great idea. Check with your vendors and let them know that you are interested in looking at their closeout goods.

As in all Purchasing, use your best judgment. Comparison-shop whenever possible; and ask for deals on shipping if your order or total business with that vendor is large enough. And always ask questions!

Especially be careful in accepting recommendations from vendors; while most vendors do not want to steer you wrong, asking other non-competing operators will give you a perspective undistorted by inventory considerations.

Keep your finger on trends in fashion and fads. Watch some Saturday morning cartoons if you want to know what kids are watching on the commercials (or ask someone who does!). Pay attention to newspaper ads, magazines, television commercials and what people are wearing or using. Experiment, but always be cautious!



Markups

Merchandise should be priced to give value to the guest. Excellent Redemption Operations make their money in game play – the merchandise serves to drive the guest to play more and more so as to accumulate enough tickets (or ticket value) to redeem the prize of their choice.

Merchandise should be marked up a minimum amount (30-40%) to cover shipping, handling, breakage and shrinkage. Doubling or tripling the price of hot merchandise may seem correct, in a strict retail sense; but this is not retail. This is redemption and it is different.

Although there are cases where some operators allow the sale of merchandise from their centers (as opposed to only ticket redemption), it is only recommended for special cases. In these operations, a retail twist may allow a higher Markup; but for the vast majority of facilities, this is not the case.

High Markups on redemption merchandise (100% and over) are called “double-dipping” and should be avoided. We want the guests to perceive value in the redemption center and then play their favorite games to “cash in” on that perceived value.



Display

There are as many different kinds of Display as you can imagine. The function of a Display is to make the merchandise as attractive and interesting as possible. This is another side of the redemption business that is more of an art form than a science.

Some examples of Displays:

Arranged by price

Arranged by type of item

Arranged by gender

Arranged by color

Arranged by size

Arranged humorously!

Arranged seriously!

Arranged horizontally

Arranged vertically

Hang items from ceiling, top of display case, etc.

Fill the display case so it looks like it will burst open!

Display only one of each item

Display multiple items

Make dioramas (lots of fun!)

Display arrangements are highly influenced by the size and shape of your actual redemption center or your remote display cases and areas. The important issue is always how the merchandise looks from the guest's perspective. Is it easy to identify? Is the price correctly and legibly labeled and easy to read? Does the prize look appealing?

Remember that merchandise needs to be rotated on a regular basis, so the Displays need to be changed at the same time as the merchandise. The same principles of Display are applicable to cranes and direct to guest merchandise equipment – keep them exciting, interesting and timely!

Rewards for Doing Well – Everyone Needs Practice!

Redemption equipment rewards the player for performing well. This is a very important factor in redemption operations. It creates a need for the player to practice in order to achieve higher and higher levels of ticket payouts, and therefore larger and larger potential prizes.

This requires redemption equipment to have a long residence on location. While all equipment should be rotated based on available square footage and net income production (as opposed to gross income production) in relation to game mix, redemption games should have a long life and should be purchased with this in mind.

A long life on location demands a periodic maintenance program with regular inspections to insure proper game operation. The regular practicing player knows his or her favorite games and expects them to award points correctly. Nothing frustrates a player more than a game performing incorrectly. Since problems with equipment will always occur, correct guest service is needed.

Trained staff can satisfy the guest with rapid, complete refund procedures and alternative game selections if multiple units of the guest's favorite game are not available. Use this potentially bad situation to introduce a player to a new game. Helping the guest play and master a game is a subtle key to increasing repeat play.

Trained staff means being prepared ahead of time with policies and procedures to ensure guest satisfaction. Understanding the guest's needs and desires - for value, fun and prizes - should be the driving force for the establishment of your facilities procedures. Utilize staff input whenever feasible to enhance the applicability of your guest service operations.

Game Types

Merchandise and/or Ticket Dispensing by Class

These classes are arbitrary; you can organize these games however you want. These are just some examples of the most popular. Game types need to be mixed based on clientele and type of facility. Sport Bars should have a different mix of games than Kiddie Play areas.

Alley - Skeeball, Basket Fever

Sport Play - Supershot (Basketball), Full Court Fever

Rolldown – Clown Rolldown, Pokerino, Quakers, Lite-a-Line

Ball Toss – Flintstones Ball Toss, Buddy Bear, Bozo’s Grand Prize

Kiddie Play- Wacky Gator, Ribbit Racing, Wac-A-Mole

Video Redemption – Super Trivia, Mouse Attack

Rotaries – LAX, Knock It Off

Cranes – Candy Crane, Plush Cranes, Big One Crane, Monster Crane

Prize Vending - Lighthouse, Stacker, Drill-O-Matic, Movie Stop

Pushers - Wheel of Fortune, Pacman, Elvis

Coin Shooting- Raptor Captor, Dino Score

Novelty - Slam-a-Winna, Rock-N-Moon Rally

Reaction / Timing – Cyclone, Ticket Tracks, Stop the Clock, Zap

Fast Coin Action - Wonder Wheel, Big Haul, Basket Fever



Top Producing Games

CRANES!

Lighthouse

Stacker

Slam - a - Winner

Basket Fortune

Pirates Revenge (& other variations of the Wheel)

Cyclone (& other variations of the Reaction type game)

Wonder Wheel (& other variations of the Coin drop game)

Big Haul (& other variations of the Coin Roll game)

Wheel Deal (& variations)

Raptor Captor (& other variations of the Coin Shooting game)

The pieces mentioned above are top producing games because they excite the player with large potential payouts. However, they tend to be fast games and create a need for balance in any operation for slower, more entertaining games.

Balancing your game selection is an art, not a science, and certainly not formula based. While maximizing net revenue is a prime objective, increasing the length of stay of your guests should be a concern as well. Guests should not have only fast coin games to play - even if they win a lot of tickets, they still would not have the opportunity to have fun with games with a higher entertainment value.

Game selection is also highly influenced by facility type and operation. Does your facility entertain a lot of smaller children or do the majority of your guests come from the local college? Is it a local facility or are most of your guests transitory, such as a tourist destination? In any case, experimentation and attention to results are keys to crafting an excellent selection of games. And don't forget to listen to your guests – their opinions are what really matter!

Percentage Calculations (with a little Guest Service added)

The most important calculation for everyone on your staff to understand is the Lifetime Value of a Guest:

The Total Dollars spent in one visit X the number of visits in a lifetime X the number of positive referrals that Guest will make to friends and family.

The lifetime value of a guest is a primary concept – it drives all of your Guest Service policies. If any interaction with the guest is viewed from a lifetime perspective, it is clear that the guest must be satisfied during that interaction in order that future earnings will not be jeopardized.

Remember that in order for your operation to receive the full benefit of the positive referral, any interaction with guest needs to be rapid and trouble-free. People only give positive “word of mouth” referrals when service is extraordinary; avoid the “bad movie” syndrome.

Redemption operations are no different than any other aspect of business – to “WOW” the guest every time and exceed expectations, you must under promise and over deliver every time.

The most important concept to understand regarding individual game percentages is that the percentage payout of any redemption game is inversely proportional to the entertainment value of that game. In other words:

MORE FUN (or Time), LESS TICKETS!

LESS FUN (or Time), MORE TICKETS!

There are 3 Essential Redemption Percentage Calculations:

Individual Game Payout Percentage – varies with each game.

Location Ticket Payout Percentage – Goal is 26-30%

Total Location Payout Percentage (The Most Important %)
Goal is 25%.

There are several important additional calculations:

Prize Markup– 30-40%

Hit Frequency –

Average Token Value -

Token Shortage –

Individual Game Payout Percentage – This is the % that seems to confuse everyone. All games are not alike; they should not payout alike. The relationship between game and payout is simple:

More FUN and /or TIME = Less Ticket Payout
Less FUN and / or TIME = More Ticket Payout

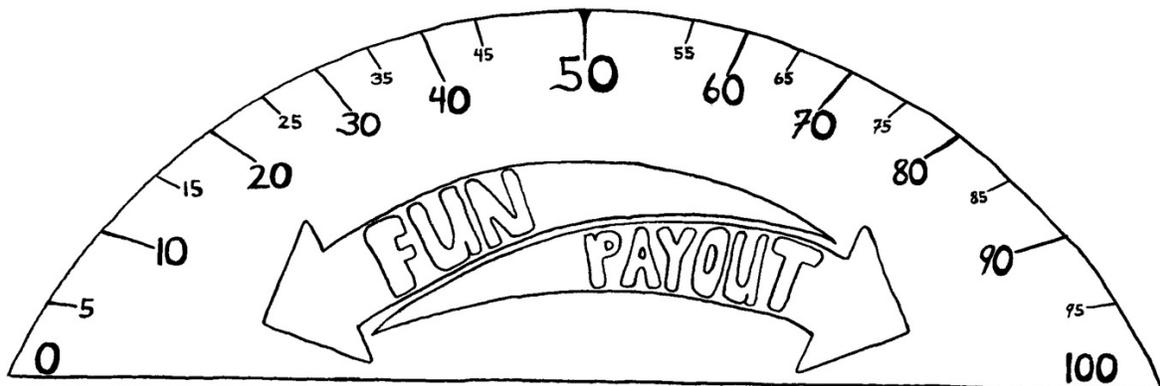
Fill in the spaces below:

10-20% _____

20-30% _____

30-40% _____

Remember that individual game percentages change each time a player starts a new game and so will vary greatly from accounting period to accounting period (week to week). Skilled players will get higher payouts than unskilled ones. Parents will play the kiddie games for their little children, and earn far more tickets than the children would have. That is why a range of acceptable payout percentage is needed for each game, unless it has a fixed payout (which is a requirement in some U.S. states).



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Optimal Game Percentage Ranges

8-12%	Alley	More Fun
15%	Sport Play	More Fun
15-20%	Rolldown	More Fun
20%	Ball Toss	More Fun
20-25%	Kiddie Play	More Fun
25%	Video Redemption	Mostly Fun
25%	Rotaries	Mostly Fun
25%	Cranes	Mostly Fun
25%	Prize Vending	Mostly Fun
25-30%	Pushers	Mostly Fun
25-30%	Coin Shooting	Less Time
25-35%	Novelty	Less Time
25-35%	Reaction / Timing	Less Time
30-45%	Fast Coin Action	Less Time & Fun

Meters

Meters are critical to the process of evaluating your games operation, and must be working. All discrepancies should be investigated. This includes both coin meters and tickets or payout meters.

Not only is the technical maintenance important, but the attitude expressed regarding the metering process must support the effort to keep up with such evaluation. It is easy to let the checks and balances slip, if the person in charge doesn't express the importance of the operation to the staff members involved.

In keeping an eye on your operation, diligence is the watchword.

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 is simple:

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.

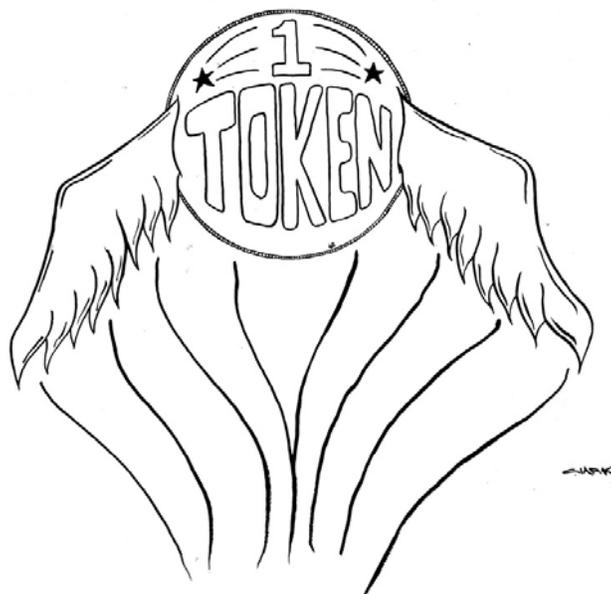
You do not have to use 1 penny / 1 point. Your tickets can be valued at 2, 3 or more pennies per point. Merchandise prices must be adjusted accordingly (i.e. for a ticket worth 2 pennies per point - \$1.00 = 50 tickets, etc.).

Walkaway Tokens and Tickets

Remember that many tickets and tokens will leave your facility each week. Walkaway tokens are not shortages. Walkaway tokens occurs when a guest buys more tokens than she can use during one visit and leaves with them to use next time, or if they must leave earlier than expected. Expect approximately 1/2% loss weekly.

Walkaway tickets occur the same way. The guest leaves before redeeming their tickets (or ticket receipt). Much more of these tickets will never return – up to 20%. This figure is very important to your overall location payout percentage.

A token shortage occurs when there is theft, either internal or external, in your operation. Tokens are stolen to be resold or to be used by the thief and his friends. Maintaining good security procedures will curtail much of this.



Security – Locks and Procedures

Tokens, tickets, and debit cards (and obviously any country's currency) are cash. Merchandise inventory is cash. As cash, there needs to be a solid security system and record-keeping associated with the control of these materials.

All tickets and tokens need to be kept locked up with access limited to those staff members that need access. All tickets and tokens should be logged out when used, and these records kept being available for review when needed.

Merchandise should have a solid paper (or computerized) trail - from vendor to receiving dock to warehouse to redemption center or equipment. Tracking merchandise will reduce the inevitable shrinkage we all face. Sloppy procedures create a situation where it is (nearly) impossible to eliminate unwanted "partners" in your operation.

Security should be unrelenting. Expediency should never be an excuse to go around security procedures unless a senior staff member is involved: even then that senior member must be required to go back and finalize all the record keeping needed. Speed is required to get the guest their prize when needed; security procedures need to accommodate this.

And remember to restrict access to keys. Keep track of who has them and reclaim them when they leave (either for your employ or for the shift, depending on how you what to run your operation). Change locks when needed; remember that "Locks are for Honest People".

These procedures must be thoroughly designed to fit your particular facility. Without proper security procedures all your data is suspect and you can never know whether your operation is running correctly.

Redemption 101

KEY CONCEPTS

(What did we get to cover- what did we miss?)

Merchandise

- _____ Merchandise Drives Redemption
- _____ Prize Selection – Types of Prizes
- _____ Merchandise Perceived Value
- _____ Purchasing
- _____ Markups
- _____ Display
- _____ Redemption Center Design and Placement

Equipment

- _____ Rewards for Doing Well – Everyone Needs Practice!
- _____ Equipment Selection / Game Choices
- _____ Proper Equipment Maintenance
- _____ Proper Equipment Percentage Payouts
- _____ Game Layout
- _____ Meters

Procedures

- _____ Ticket and Token Values
- _____ Tickets & Tokens are Cash – Locks & Security
- _____ Guest Service
- _____ Game Operations
- _____ Redemption Center Operation
- _____ Token and Ticket Walk-a-ways
- _____ Total Operational Payout Percentage
- _____ Networking with Other Operators
- _____ Find Your Fun – Love What You Do!

Your Action Plan

(The Top Three Changes I will Implement in
the Next Thirty Days in My Redemption Operation)

1 - _____

2 - _____

3 - _____

Make a commitment right now to make 3 significant changes to your operation in the next 3 months. Yes, I know – 3 months? Well, remember that we always want to under promise and over deliver – even with ourselves. So if you can make these changes in a shorter time period, great! Remember too, that the size of these changes is as important as the speed – so it is better to make the changes that will stick with your operation and create significant differences.

We are not looking for the “Flavor of the Month” type changes that come and go – leaving no trace behind them. You want to transform the very thinking of the staff members that you depend on to do the work (even if that is YOU!). This will take time and effort. Your commitment must start NOW!

20 Questions & _____ *

(*Have YOU been paying attention?)

- 1) Top Redemption Operations always _____ the guest!
- 2) The three most important redemption calculations are _____, _____ and _____.
- 3) A _____ is crucial to ensure that all equipment is working properly and rewarding the player correctly.
- 4) _____ and _____ must be _____ up securely and access limited at all times.
- 5) This seminar was _____!
- 6) Individual game payouts are _____ to the FUN that they provide the guest.
- 7) Never _____ & _____ the guest.
- 8) Always strive to _____ & _____.
- 9) Avoid _____ & _____ when buying merchandise.
- 10) My goal is to have an average payout in my whole operation of _____%.
- 11) Tokens and tickets become _____ when they leave with the guest.
- 12) A good mark-up on my merchandise would be _____ - _____%.
- 13) I will institute _____ significant changes in the next _____ days.
- 14) Locks are for _____ people.
- 15) More fun equals _____ tickets!
- 16) My name is _____!
- 17) Redemption games reward the player for _____.
- 18) The function of a _____ is to make the _____ as attractive and interesting as possible.
- 19) Networking with operators can be done _____.
- 20) The _____ is the most important of all calculations for profitable operation.

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Michael Getlan is the Director of Enthusiasm and Opportunity! for all of Amusement Consultants Ltd., New Roc Entertainment and Smiles Amusement Co. L.L.C. facilities. As a third generation operator, consultant and avid game player, Michael has a unique perspective on the operational side of the family entertainment center business. In addition, Michael is a contributing writer to many industry trade publications, and a frequent speaker at industry trade shows. He is a past member of the Board of the International Association of Amusement Parks and Attractions and is the recipient of the 2005 IAAPA Meritorious Service Award.

Michael is also a member of the Themed Entertainment Association, The International Association of Leisure and Entertainment Industries, and the World Clown Association. He also plays the saw.

AMUSEMENT CONSULTANTS LTD.

Amusement Consultants Ltd. owns and operates amusement centers and provides a variety of business development and management services to independent operators. The companies' objectives include creating themed entertainment facilities for the casino, amusement, and entertainment industry, providing high quality, top performing equipment, and striving to offer only the most modern and popular games and activities. The company operating philosophy is encapsulated in the phrase "We Create Smiles..."[®]. Amusement Consultants Ltd., New Roc Entertainment Co. L.L.C. and Smiles Amusement Co. L.L.C. presently own and operate amusement facilities across the U.S.

