



PLAYMETER ARTICLE 2

Proper Percentaging and Prize Mark-Up

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This month's article discusses the second part of the Magic Potion – Proper Percentaging of your redemption games and Prize Mark-up.

As you remember from last month we talked about your Prize Selection, and how important it is that your redemption counters are fully stocked with prizes that your customers want to play for. The second part of our Magic Potion is equally important. Setting the proper payout percentage of your games is vital to generating both player interest and the levels of income you desire.

There are many ways to look at this subject. It seems everyone has a different way of explaining payout percentage. It can get very confusing. The method we employ is listed below:

Average game room payout: 31% to 33%

Ticket Value: 1 penny per ticket

Prize Mark Up: 2.5 to 3 times the cost of the item

This is not a hard and fast rule. It is a guideline to work from. For example, some locations such as transient locations can payout a lower percentage. Some locations can increase their mark-up of prizes a bit higher due to their demographics and competition. Still others choose to payout an even higher percentage of tickets per play but mark the ticket value of their prizes differently.

The above formula has worked for many years in our arcades. We learned long ago that players get so excited when they see the tickets come out of the game. The amount of tickets that gets paid out is directly related to the excitement the player feels. There is also a direct relationship to people seeing others winning tickets. When Mom sees that other players are winning tickets she feels very good that her own children can do the same. There is no better salesperson than a child wrapping themselves up in tickets they won. This lets everyone know that they can win a bunch of tickets and that the prizes they see in the counter can be won.

Figuring out the right amount of tickets per game is very important. You must invest some time getting to know each of your game's payout tables. Some games will pay out a smaller number of tickets per play. An example of this is your alley games. These games do not need to payout much more than 18% to 20% as they are longer playing games, which offer a great value. Your "quick coin" games should payout a higher rate of tickets, as the game duration of play is much quicker. For example, a pusher is a "quick coin" game. To maximize your pusher revenue the payout should range from 35% to maybe 39%. Keep in mind it is all about averaging your entire game room payout.



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Tip-inside-a-tip: try placing an MP3, MP4 or watch box filled with 500 to 1,000 tickets on the ends of the playfield in your pushers. Trust me on this. You will see your customers go crazy playing the pusher in the hopes the prizes falls over the edge!!!! Our pusher income dramatically increased when we added these prizes...*and it was additional funds!!*

Please note: start by placing the prize toward the back of the play field so as more coins are played the prize moves forward. Under no circumstances do you ever move the prize. Second, test to make sure the prize will move as more coins go into the play field. Third, make sure the prize is small enough to fall over the edge but large enough to not jam up the hopper. Finally, place a sign on the game that tells the player to call one of your attendants when the prize is won.

Another important piece to this part of the puzzle is to spend time with each game making sure the game is paying out the proper number of tickets. All too often I see a game payout four tickets when it should have paid out six or eight tickets. Or a game pays out 10 tickets when it should have paid out only five tickets. You need to spend time with each game to make sure it is working properly. Have your attendants play each game once every day or two. If the game is not paying out properly make sure your technical people look into this problem. (Every game comes with a Payout Table. Use this table to get the maximum income from each game). Also, by having your attendants play the games during their normal shift they learn the games so they can help your customers. When your staff helps a player learn a new game that player (and his/her friends) will play more I guarantee it. This also shows Mom you care about her and her kids. This small detail will bring back your customers time and time again.

Another Tip-inside-a-tip: a method that we use is having a few “Leader” games on the floor. These games will payout a bit higher percentage than the other games. It gives the player a feeling they are winning more than the rest of the games. When they feel they are getting away with something they will play even more, hence more income.

A “Leader” game can also be used to get the players to play a different game or to get them to another part of your location. It is amazing how your players will figure out if a game is paying out a larger percentage. When they see this happening to other players they will inevitably play that game as well.

Prize Mark Up

Let's talk about marking up your prizes because this goes hand in hand with setting the proper payout percentage. When applying a ticket value to your prizes you need to look at the perceived value and the retail value of the prize. The perceived value is the value a player thinks the prize is worth. The retail value is the price the customer knows he/she can purchase the prize for at a store. It is important you place the proper ticket value on the prize so that the customer feels they are not being taken advantage of. Take the time to know these values so you can put the right ticket value on the prizes. The more you know, the more you will bring to your bottom-line.

When you purchase products for your redemption counter keep in mind a few things. Look at the cost you are paying for the item. Then figure out what the proper ticket value you need to place



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on that item. If you are utilizing a number of suppliers you will be able to easily find prizes that your customers will play for and you should be able to mark them up 2.5 to 3 times that cost. Please keep in mind you will find items that you can mark up even higher thereby getting a better profit—hence perceived value.

By the same token, you will come across some prizes that you will not be marking up very high. For example “board games” such as Monopoly, Candy Land, Life....Do not shy away from these prizes. Much like using “Leader” games, you will want to employ the same dynamic to some of your prizes. By using this approach you will be getting more prizes into your customer’s hands. This accomplishes two things: first, your customer will feel very good when winning prizes. Second, all of your other customers will see others walking around with the prizes they won and know they too can win the prizes they have their eyes on. This is a “win-win” situation and works great for everyone involved.

When picking prizes do your self a favor...ask your customers what they want to play for. By talking to them you build a bond. You show them you care enough about their wants and needs. You will be very surprised how much they will help you on this. Also, ask your suppliers what they are seeing as best sellers. They genuinely want you to succeed so they will help you with getting the best prizes for you. They will also help you with the ticket values that work best for each prize.

Another Tip-inside-a-Tip: Pay close attention to the prizes you offer in the middle prize point. This is one area people make mistakes. All too often we hear from operators “My players spend all the tickets they win that day.” The simple truth to this situation is that there is nothing in the redemption counter they want to save for. If they are not saving for a prize, they are not coming back to your place enough. It is that simple.

You must have prizes that your players go crazy over and want to earn tickets for. Include bikes, skateboards, TV’s, laptops, Wii games and accessories, sporting items (baseball bats, tennis racquets, hockey skates, roller blades...) and the like. Do not forget about the Mom’s and Dad’s!!! Have grills, toaster ovens, blenders, nice jewelry, possibly ladders, lawn trimmers, lawn mowers and the like. You may be laughing but the Mom’s and Dad’s of today were video players of yesterday.....they save tickets as well.

As always, email or call me with your questions (jimmychaps@aol.com--920.497.6991). Both Rich and I are here to help you generate more fun for your customers and help you make more money. When you payout more tickets and mark-up your prizes correctly everyone wins!!!!