

The Three Myths of Redemption Games

Nothing Lasts Forever

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Redemption games are a very important part of any FEC and should be earning a significant portion of the total revenues. If your redemption games are not one of your highest sources of revenue, perhaps you are under the 'spell' of one or several of the myths that are 'cast' around the FEC industry about redemption games:

• **MYTH NO. 1 (the biggest myth of all):** "You only buy the redemption games 'once' for your FEC and they will last forever. All you have to do to keep making money is to change the merchandise." This myth goes back to the old amusement park era and the 1950s on the New Jersey Shore boardwalk arcades and is preached even today by some who are in the business of selling redemption games. FECs are a different animal. 85 percent of an FEC's customer base is made up of 'repeat customers,' unlike the transient customers who visit large amusement parks and boardwalk arcades once or twice in a season.

People love to visit new places and see new things. Many FECs are seeing their revenues decline after the first year. The smart ones realize that everything in their FEC must change as often as possible to constantly (every month) bring in new redemption games and upgrade some existing models. We should all know that redemption games need to be changed (rotated) at a minimum rate of 5 percent per month. Of course, there are special redemption games that will stay on location longer, but even Skee-balls need to be upgraded nowadays. The game layout positioning should also be changed as often as possible and customers will 'perceive' that several different games have been brought in that they hadn't noticed before.

It just fascinates me to no end to hear customer reactions relating to 'change'. For example, in one of our FEC locations that has 110 games, we had just brought in three new games and moved around another dozen games to new positions. When the customers came in we heard comments: "Wow! Look at all the new games that they just put in!" and "There must be 20 new games here!"

• **MYTH NO. 2:** When it comes to birthday party driven FECs, we hear: "Little kids will play anything that dispenses tickets." This may be partially true for very small children, but let me pose a very important question, "Who is the customer, the small child or the parent who brings the child?" This isn't a trick question. Logic dictates that 'both are the customer' and 'both need to have an excellent experience'. Parents are very sensitive to 'value' and even if the small child is having fun, don't ever forget that the parents are also evaluating the experience from their own perspectives.

Redemption games need to offer an 'entertainment value' plus a 'reward' (combination of number of tickets and 'hit frequency') that is consistent for each game. A redemption game needs to have a high entertainment value and this translates into the fact that new redemption games (and they keep getting better and better) need to arrive at your FEC on a regular basis. The old ones are certainly not helping the image of your business.

• **MYTH NO. 3:** "I can make a profit on the redemption counter by putting higher point values on the merchandise. The customers will never know." What a big mistake! Greed can cause the demise of any business! The whole idea behind redemption is to make sure that the customers get good value for their money.

"Perceived value" is what a customer feels an item or experience is worth. For example, if your customer can purchase an item in a store for \$3, they will feel great if they can win enough tickets to redeem that item and spend approximately \$3 in the process. Everybody wins! You win because you purchased the item at a wholesale cost of \$1 (you have \$2 of gross profit). The customer not only won the item, but received an 'entertainment value' also. Your mission is to search for merchandise that your customers desire and has a perceived value of at least three times (more preferably four times) what it cost you.

Why is it then that many FECs have a redemption payout percent of less than 15 percent? It is very doubtful that any of you can consistently purchase items that have a perceived value of six to seven times what you pay for them. Do you really think you are fooling your customers?

Let me pass on a very important statistic. If a customer has a good experience on a visit, that customer has a 65 percent chance of coming back again. If that same customer has an 'excellent experience', the chances of a repeat visit just increased to 95 percent. You can increase your repeat business by 50 percent by just putting your efforts (and money) into giving your customers a great experience! Understanding redemption and putting that understanding into practice is a quick and easy step to upgrading your FEC from 'good' to 'excellent'.