

## FINE TUNING

**Following three basic concepts of redemption games can give customers the best perceived value and maximize operators' profits**

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In a well-balanced FEC with three or more revenue sources, coin-operated games contribute the largest share of revenue (30 to 40 percent). Redemption games can easily account for 50 to 80 percent of total game revenue. In some FECs, almost all of the games are redemption games. Clearly FEC owners believe redemption games are important. Many customers note, that few FECs operate their redemption games and prize centers properly.

The main concepts of redemption game operation are easily understood. A finely tuned redemption game operation comes from putting all the concepts together; just taking care of one concept won't maximize profits. Once operators have learned the redemption concepts and gained a basic understanding of how the customer thinks, they will be able to keep patrons playing and coming back for more.

Let's first dispel the myth "Little kids will play anything that dispenses tickets". If this were true, there would be little point in learning anything beyond how to load tickets and keep dispensers working. Let me ask, "Who is your customer, the child or the parent who brings that child?" This is not a trick question. The logical answer is "both", so child and parent both need to have a worthwhile redemption game experience

However, parent and child view redemption games from totally different perspectives. The parent looks for value; the child wants tickets. Both want to play a game they instinctively know how to play. (Adults at play don't like to read directions and small children can't read.) Your job is to satisfy all of their needs and make them repeat customers.

### Three Basic Concepts of Redemption

**Concept # 1:** The first concept you need to understand is known as "hit frequency". This is the percentage of times you win a ticket or tickets out of the total times you play a redemption game.

Hit Frequency Percent =  $\text{Number of Wins} \div \text{Number of Tries} \times 100$

#### Total Plays

It is very important to have a high hit frequency (close to 100 percent) on most of the games in an FEC. Everyone loves to win! In redemption lingo, the phrase "a ticket every time" means a 100 percent hit frequency. Remember, with hit frequency, we measure the number of wins, not the number of tickets won. A win can be one ticket or 100 tickets. Either counts as one win.

If you want your Skee Ball games to have a very high hit frequency, set the first ticket level at 90 points. As long as nine balls go into the target area, the player will score 90 points.

**Concept #2:** The "win percentage" of a redemption game is the dollar value of the tickets dispensed divided by the dollar value of that game's collection. You can also calculate the average win percentage of all the redemption games in your FEC by totaling the value of all the tickets dispensed during a collection period and dividing that amount by the total redemption revenues for that period.

For most of the FECs where I supply games or consult, I set the average win percent for all redemption games at 25 to 30 percent, depending on local competition. To maximize revenues, each redemption game model should have a different win percent, which can range from a low of 16 percent to a high of 40 percent.

Win Percent =  $\text{\$ Value of Tickets Dispensed} \div \text{\$ Collected} \times 100$

How do we set a redemption game win percent? Redemption games need to offer entertainment value, plus a reward (a combination of the number of tickets won and hit frequency) that is a constant for each game. These two values have an inverse relationship. This is a guiding rule of redemption and is used to establish win percent on each game. (See chart below).

The lower the entertainment value, the higher the win percent must be. (A coin pusher is an excellent example.) A game with a very high entertainment value such as Skee Ball should have a lower win percent. Balancing all the redemption games in your FEC in relation to one another so they are all played to their maximum potential is a delicate art in which entertainment value is combined with both hit frequency and win percent.

Let me try to explain this in another way. Each game has a unique entertainment value to a customer. One of the main elements of entertainment value is energy level. Energy comes from two sources: customer participation and the game itself (play sounds, flashing lights, game and/or object movement, etc.).

For example, look at Skee Ball, a game that takes about 30 to 40 seconds to complete. An average score ranges from 180 to 210 (depending on alley length, bonus pockets, etc.). This game delivers a very high entertainment value, regardless of whether the player scores low or scores high. The hit frequency can be set at 100 percent. This is why Skee Ball needs to be on the low end of your ticket payout. This is a must if you want games with lower entertainment value, lower player participation energy level, and/or lower game energy level to also be attractive to your customers.

If you set your Skee Ball games at a high win percent, you will certainly see an increase in your Skee Ball gross revenues. Other great games with a high entertainment value include the new high-tech basketball games, such as NSG Super Shot, Full Court Fever, Rage in the Cage, Shoot to Win, Razzle Dazzle, Mini Dunxx, and Chuckles. If there are also other redemption games in your FEC, however, earnings for these other games will drop and overall redemption collections will be decreased.

A game such as Rock 'n' Bowl takes about three seconds to play and does not involve a great deal of action. In spite of the lower entertainment value, this is a very popular game and earns high revenues constantly in some locations. To be successful, Rock 'n' Bowl must be set to have high win percent and a high hit frequency (ticket every time).

Coin pushers also have a short game time, and their win percent should be high, but not the highest in the FEC. This is because of entertainment value. Players enjoy watching all the coins build up on the shelf edges, and their anticipation of having dozens of coins fall off on the very next play is much higher than you might think. I have six-player coin pushers in FECs that earn \$2,000 to \$3,000 per week, not only because of how the coin pushers' win percent is set, but also because of how the win percents, hit frequencies, and entertainment values of all the other redemption games in the FEC are set.

GAME | HIT FREQ % | AVG PAYOUT TICKETS | WIN%

Skee Ball 100 4 16

Coin Pusher 40 8 32

Pop-A-Ball II 50 7 28

Wacky Gator 100 5 20

Rock 'n' Bowl 100 9 36

Cyclone 100 7 28

Basketball 100 10 (2 coins/play) 20

Roll Down 50 9 36

I'll say it again. Success in redemption games is a very delicate balancing act that needs attention every week to stay fine tuned - especially when a new redemption game is brought into the mix.

Quite often in this industry a good redemption game doesn't succeed in the market because those who manufacture it don't know how to set their average game time, hit frequency, and win percent so the game will have a good chance to earn well. Of course, it is impossible for any manufacturer to know which other games will be in the same location and where and how each game will be set in each of these categories. Manufacturers don't typically research what other redemption games

work best with their games to attract customers, so factory settings should not be relied upon.

You are correct if you now realize that a redemption game's revenue can be increased by increasing any or all of the major factors. The increase can be long term, if the redemption game is a great game, or temporary if the game is just average.

### **Setting Redemption Prize Points**

**Concept # 3:** Let's dispel another myth that states, "I can make a profit on the redemption counter by putting higher point values on the merchandise." This is known as marking up. What a huge mistake. Greed can cause the demise of any business. The whole point of redemption is to make sure the customers get good value for their money. The key to a successful redemption operation lies in making sure that your FEC customers can earn the prize they desire without spending more on winning the redemption tickets as they would on buying that same prize retail.

For example, if your customers can purchase an item in a store for \$4.00, they feel good when they win enough tickets to redeem the item and spend about \$4.00 in the process. Everybody wins! You win because you purchased the item at a cost of \$1.00 (earning a gross profit of \$3.00). The customer not only won the item, but was also entertained in the process.

Thus 4 to 1 ratio in contrasting perceived value to actual cost is not always possible to accomplish, but it should always be a goal. Your mission is to search for prizes that your customers want and that have a perceived value of three to four times what they cost.

Remember, you think and purchase wholesale, but your customers think and purchase retail, Many items are marked up at least three times by retail store owners, which helps make your job a lot more reasonable. Your customers know that items they purchase are sold at a price much higher than the store owner's cost; they are generally willing to chalk up any slight difference to their entertainment cost.

A simple rule to follow when setting your redemption point values is to include shipping and sales tax (if any) when you calculate an item's total cost. If an item costs you \$1.00, it should be priced at 115 points (15 percent above the invoiced price) at the prize counter. You should always set an item's redemption points to the actual wholesale cost of the item, and your customers will perceive the value of a ticket to be \$.03-\$.04.

Remember that even if your average game win percent is 25 percent, you will only have to redeem 18 to 20 percent at the redemption counter. Yes, some of the tickets are saved, but many are lost to the washing machine, garbage can, etc. This also means you can increase your location win percent by perhaps 5 percent, up to 30 percent, and still be assured that you won't actually be redeeming more than 25 percent.

Redemption is one of the greatest marketing concepts ever invented. Everyone loves to win. One of life's greatest thrills is watching children playing with their parents, all of them jumping for joy as they collect their tickets - especially when they are playing well-maintained redemption games that frequently dispense a fair amount of tickets. We who work in this FEC industry do indeed have it all.

**[Return to top](#)**  
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