

Case Study: Crane & Merchandiser Makeover

By GEORGE MCAULIFFE

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Regular readers of this column and the Crane Zone column by my son Howard have heard from us countless times: detail matters when it comes to crane and merchandiser sales. The key principles of operation include cleanliness (inside and out), lights all working, good merchandise mixes frequently changed and properly displayed in the game and a well managed payout.

Our experience has been that each of these elements has an impact on sales. To paraphrase the old saying, “two percent here, three percent there, and before you know it you’re talking real money.”

We were recently asked by a customer to put our ideas into action and perform a makeover of their extensive lineup of 16 cranes and merchandisers in their FEC game room containing about 100 games overall. Our Redemption Plus team of advisor Jim Kipper, crane merchandiser specialist Howard McAuliffe, account manager Felicity Colson and merchandiser Anthony Boyer visited the account (which will remain nameless for confidentiality purposes) in late July to perform the makeover.

The Plan

In the initial visit, the team went through each game, performed a thorough cleaning,

ensured all light bulbs were working and parts functioning. They took baseline meter readings for plays and prizes out, and re-merchandised all machines with new prize mixes and point of sales graphics for those mixes.

The second phase, currently in progress, is a series of weekly visits to maintain the merchandising standards and to zero in on win rates and payout percentage for each machine. We expect this to take several weeks. We will introduce new product mixes



on a regular basis, monthly for most machines.

Results

At this writing we have two full weeks, post-makeover, plus the partial week when the makeover occurred. (See

the first chart below.)

As experienced operators know, it can be difficult to measure results in a large game room wrapped inside a diverse and vibrant FEC. We look at the play performance because the price per play shifts week to week since this facility has active marketing

and group sales programs. With discounts and play wrapped into packages, it can be difficult to track results based on individual game sales alone.

That said, the facility overall was much busier in the two weeks after the makeover than it was in the two weeks prior, so plays don’t tell the whole story. The total crane and merchandiser category as a percentage of total game sales looks like the chart at the very bottom of the page.

Not bad in any case, especially given the early nature of these results. In this particular facility, each 2% of sales increase equates to \$40,000 per year, all on the strength of attention to detail.

We expect more growth

		<u>Avg. Plays</u> <u>2 Weeks</u> <u>Before</u>	<u>Avg. Plays</u> <u>Week of</u> <u>Change</u>	<u>Avg. Plays</u> <u>2 Weeks</u> <u>After</u>	<u>Change</u> <u>Before/</u> <u>After</u>
1	Giant Crane 1	1,161	1,085	1,450	25%
2	Giant Crane 2	689	1,070	832	21%
3	Ball Crane	673	663	456	-32%
4	Tractor Time	417	442	490	18%
5	Plush Crane - Sea Life	316	386	324	3%
6	Plush Crane - Angry Birds	348	640	592	70%
7	Plush Crane - 50% Ice Age	297	554	574	93%
8	Gravel Crane - Watch/Jewelry/Gift	298	493	245	-18%
9	Gravel Crane - Watch/Jewelry/Gift	248	278	243	-2%
10	Gravel Crane - PEZ	150	158	171	14%
11	Drill-O-Matic - Angry Birds	191	310	208	9%
12	Drill-O-Matic - Generic Mix	169	209	254	50%
13	Stacker	146	135	230	58%
14	Sports Arena - DVD/Angry Bird/Variety	40	108	88	120%
15	Sports Arena - Generic	79	70	63	-20%
16	Sports Arena - 50% Licensed	68	110	105	54%

	<u>2 Weeks</u> <u>Before</u>	<u>Week of</u> <u>Change</u>	<u>2 Weeks</u> <u>After</u>	<u>Before/After</u>
Cranes & Merchandisers as % Total Sales	12.4%	15.7%	14.6%	18%



Ball crane before (above) and after (right).



A DVD merchandiser seen before (above) and after (right).



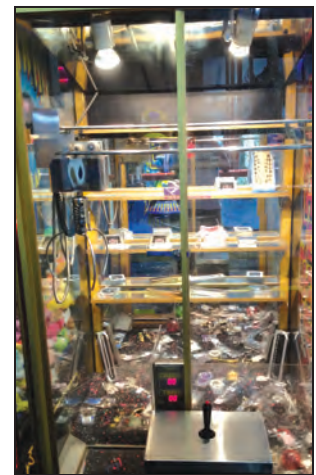
from the category as consistency and time expose the changes to the entire customer base. These early results are based on little more than the cosmetics — cleaning and replacing light bulbs — plus the impact of new merchandise mixes. The next key impact

will come from zeroing in on win rates and payout, as well as a regular rotation of prize mixes. Not every mix will work every time, but we believe regular, consistent introduction of changing merchandise will have a positive effect on the entire category. Regular

players will be attracted to cranes and merchandisers over time to see what new mixes there are to play for. Plus, we expect further increases once the player base

Conclusions

Early results are good. We need to zero in on some of the outliers. Take the ball crane, for example, which dropped



Gravel crane before (above) and after (below).



significantly in the two weeks after the makeover. It may be the product mix, but the falloff is most likely related to the 7% payout on the game. Players are just not winning enough. The new mix we introduced has a variety of shapes, weights and a “squish factor” compared to the 5” rubber balls it replaced. We still need to adjust claw strength to get the win rate, and therefore payout, back to our recommended 25%.

Check out the two *Sports Arenas* on the chart. The one with the licensed mix, including *Angry Birds*, is up 54%; the other with a generic mix is down 20%. We are studying whether the licensed mix is drawing play from the second machine. We also have to see if we have one too many *Sports Arenas* in the mix.



Plush crane before (above) and after (right).





DVD Sports Arena gets an updated mix from Felicity Colson and Jim Kipper.

We expected more from repurposing *Drill-O-Matic* with an Angry Birds component, but are not getting it. The pay-out is at 31% so that doesn't appear to be the problem so we will have to continue to monitor that machine.

The plush crane with the sea life mix is another concern. Our first thought was that perhaps since this location is far from any ocean, the players just weren't embracing the theme. Closer inspection showed us that there was apparent downtime in the first full week after the test. Plays averaged 316 per week pretest, rose to 386 during makeover week, but then dropped to 220 in the first week post-test. That could have led to a hasty conclusion. However, plays snapped back to 427 in the



Merchandiser Anthony Boyer on *Drill-O-Matic*.

second week post-test.

Having seen similar results over the years there really weren't many surprises for us as a result of the makeover. However it is always a good idea to test our assumptions. What worked yesterday might not be working today. It is gratifying to see that the basics of successful crane and merchandiser operations continue to be relevant. ♦

George McAuliffe is a 30-year family entertainment center operator and president of Pinnacle Entertainment Advisors by Redemption Plus. Pinnacle is an industry consulting firm (www.grouppinnacle.com) founded in 1996, and a division of Redemption Plus. George has operated public space entertainment centers from 2,000 to 150,000 square feet, including a wide variety of entertainment components and related businesses such as bowling centers, restaurants, tourist attractions, ice skating, rides, and laser tag, to name a few. He has operated redemption and merchandise games since 1983, and serves as the strategic partner for games and family entertainment for Brunswick Bowling & Billiards. Pinnacle's consulting practice has served new and established family and location based entertainment operators, with clients as diverse as Wal-Mart, Disney, ESPN Zone, Brunswick and many other independent facilities. George can be reached at 913/563-4370 or gmcauliffe@redemptionplus.com

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