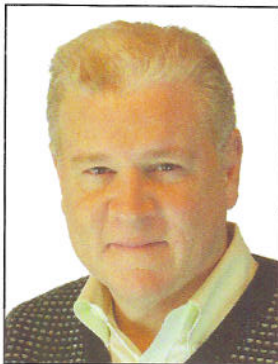


Cranes: still a workhorse after all these years



George McAuliffe

George takes a look at how cranes have remained top revenue producers in the coin-op industry and what operators should do to keep them that way.

Although their history goes way back, the modern day crane was reintroduced to the U.S. market in the mid 1980s. Today, over 20 years later the crane is still a top producer in the game mix.

As video games declined in the last decade the number of crane machines proliferated. Street operators, in particular, have increased the number of cranes in their game portfolio. Arcades and fun centers defended against video's decline with redemption; street operators, without enough games in most locations to afford staffing a redemption center, have employed more and more cranes. In venues like amusement parks and the famous boardwalk arcades of the Jersey Shore more cranes were added to replace under-performing video since they already had a lot of redemption in their game mix. Cranes are an excellent category of equipment with their own rules for successful operation.

THE CUSTOMER

Regular readers of this column know that we believe it all starts with the customer; understanding who they are and what they like. A successful crane program is based on understanding what entices the customer to play the game. It is important to understand the dynamics of the location, the customers who patronize the location, and your cranes. Customers are driven by different desires: merchandise preferences, the challenge of improving their skill, and winning prizes are among the most common drivers.

Cranes do best when placed in high foot traffic pathways. Whether in a Wal-Mart, a family entertainment center (FEC), or an amusement park, the first objective is to STOP that foot traf-

fic. Once they've stopped, the next goal is to get them to LOOK at the merchandise. Finally, the third aim is to entice them to PLAY. Sound pretty basic? It is, but there are challenges in merchandising and maintaining cranes to make it happen.

The behavior of customers varies by location and often by the reason for their visit to the location. The same customer may behave differently depending on the type of location: A trip to Wal-Mart to shop is very different from a trip to an FEC to have fun and recreate. Transient customers, for example tourists, vacationers, and visitors to amusement parks and hotels, behave differently than repeat customers visiting retail stores, restaurants, malls, and FECs. Children and adults are two other examples of different customer groups.

Understanding the location and its customers is great but what the crane operator does with the knowledge is what counts. It has an effect on everything from the prize selection and mix sequencing to price per play and the win ratio. There are also considerations such as the choice of crane manufacturers, machine colors, and theming.

MERCHANDISING CRANES

One of the beauties of crane machines is their versatility. Plush is by far the leading choice of prizes in today's cranes. However, the same machine can be modified to operate with beanie toys, watches, jewelry, gift items, rubber balls, and candy. Many operators provide a "line up" of cranes on location offering all of the above.

Probably the most common distinguishing factor with plush cranes is the size of the prize. In order to deliver consistent win ratios (more on that to

follow) a fairly narrow range of plush size should be offered with the size matched to claw size and strength.

Mixing sizes and weights confuses the customer and plays havoc with win ratios. Cranes with inconsistent play features frustrate customers; they tend to avoid cranes that aggravate them or make them feel like they have been “ripped off.”

The three major size groupings for plush are Jumbo (9-14 inches), Medium (7-10 inches), and Single Line (the industry term for small) 5-7 inches). There are other sizes such as for the Giant crane, which is approximately nine by nine feet and uses plush between 30-40 inches,” and the slightly smaller Monster size for plush 16-24 inches.

There are choices to be made on the type of merchandise: generic, licensed, or a mix of the two. Some operators swear by licensed, which generally costs more due to the added cost of the license or brand name-recognizable characters. Others do the math and decide the premium paid for licensed goods doesn’t translate to the bottom line.

These operators go with a generic line of goods. The third and probably most popular is to mix the two using a generic base with a percentage of licensed merchandise, providing the

best of both worlds: recognizable characters whose cost is “averaged down” by the generic items in the mix. Many suppliers offer all three options. Our client, Redemption Plus, is a good example; it offers a range of mixes from 100 percent generic; 10, 25, and 50 percent licensed, and all the way through 100 percent licensed. Again, understanding your customer will guide you in what is right for your location.

“If our objective is to get the customer to STOP, LOOK, and PLAY, sequencing or changing the mix regularly is a big weapon in the arsenal.”

Mix Sequencing: If our objective is to get the customer to STOP, LOOK, and PLAY, sequencing or changing the mix regularly is a big weapon in the arsenal. Do cinemas play the same movies month after month or year after year?

The merchandise mix not only has to change, it has to be a noticeable change. A merchandise mix should stand for something. Too many operators keep ordering standard mixes from suppliers that may change characters, but they don’t look different from each other. By creating a theme when select-

ing items for a mix using predominant and complementary colors; taking advantage of seasons or hot licenses, such as movie releases, each mix will have its own visible personality; and by changing the mix frequently we like to work in three-week cycles in high repeat locations so customers will keep playing.

Pricing-Win Ratio: The price per play, cost of prize, and win ratio are

interrelated and together constitute your value proposition for the customer. Most cranes today are operated at 50-cent play (although industry leader Coinstar is moving to \$1 Play with 16-20-inch plush and in its jewelry/watch-gift cranes. One dollar play with a higher average cost gift including electronics may be a harbinger for the future). The table shown illustrates the interrelationship.

The relationship among these factors comes down to operating philosophy. Let’s consider two operators who operate their cranes at the same price per play. Operator A has a high repeat audience and believes that “winners make players.” He prefers to give away more prizes but using a lower average cost per piece of merchandise.

Operator B believes that size or quality of the prize is most important and wants to deliver a higher average cost per piece of merchandise. If so and in order to maintain a profitable business Operator B would offer a lower win rate. Operator B’s customers win less, say every 15-20 plays, but receive a more valuable prize.

As most operators know the win ratio is controlled by claw strength, controlled by solenoid voltage strength in most crane types. Some models offer

Crane Pricing Table

Price per Play	.50	.50	\$1.00
Win Rate/Ratio	1:10	1:20	1:15
Payout percent	25%	25%	26%
Cost of Sales	25%	25%	26%
Gross Sales per Prize	\$5.00	\$10.00	\$15.00
Avg. Cost per Item	\$1.25	\$2.50	\$4.00
Gross Profit	\$3.75	\$7.50	\$11.00
Avg Size of Item	5-7"	9-12"	14-20"

“automated percentaging ratio” (APR) whereby the operator programs factor for a win ratio and the crane randomly delivers prizes to stay within programmed parameters.

I don't use APR and don't like it. It cheats customers because they don't control the outcome of the game and their skill doesn't matter. That makes it more like a gambling device and operators who use it are vulnerable. Customers aren't stupid; if they don't get a fair shake from a crane they figure it out and stop playing.

Operators who use APR aren't really trying to rip off customers; they're just trying to control their cost of sales. We've found in our operation of some 350 cranes on our route that once set, a good crane will deliver a steady win ratio and payout percentage. It takes some attention and zeroing in the early weeks for a new crane, but they then

stay consistent.

Two other things are required: First, consistent size and weight of prizes so even though we change the mix every three weeks, the basic size and weight must be kept steady. And, second is preventive maintenance that must not be ignored. Coils, for example, build up carbon in their plunger sleeve, which reduces claw strength and in the absence of timely attention can reduce win ratios over time. If the win ratio and therefore the payout fluctuate, given a steady weight and size of prize, it's generally time for maintenance.

Machine Specs: We're about out of space and this topic could be its own article. Our industry is blessed with several high-quality crane manufacturers. My favorites are Smart, Elaut, ICE, Coastal, and Skee-Ball; I've used them all for different applications. I learned the hard way that some of the lower

priced cranes on the market are just not worth it due to higher maintenance and lower resale value when it comes time to update machines. This is especially true for route operators who simply can't afford service calls and downtime.

As you may tell from this article I'm a big fan of crane machines. So are my sons since cranes helped put them through college! Give me a call if I can answer any questions that may arise from this article. ▲

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