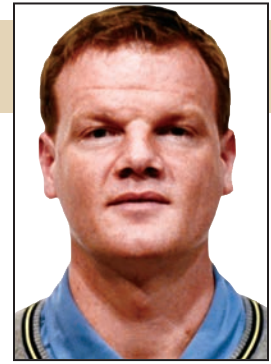




George McAuliffe

Father & Son Reunion



Howard McAuliffe

By GEORGE MCAULIFFE

President of Pinnacle Entertainment Advisors by Redemption Plus

Editor's Note: Industry veteran George McAuliffe serves as RePlay's Game Room Guru column on a regular basis. We are pleased to announce that George will be joined by his son and co-columnist Howard McAuliffe to provide our reader's with a complementary perspective on the industry. George and Howard will alternate columns throughout the year.

Howard literally grew up in the family entertainment center business (his father relates stories of Howard's FEC secret shopper reports at the age of seven). He joined Pinnacle Entertainment Group as a part-time driver while in high school, working that company's crane and merchandiser route. Returning to the company after college, he led development of their crane kit resale business. Pinnacle merged into merchandise distributor Redemption Plus in 2008. Howard recently joined the Redemption Plus team as Crane and Merchandiser Specialist. His column will focus primarily on crane and merchandiser issues and opportunities. We asked George to introduce Howard to those of our readers who may not know him.

George: I thought we might do this in a kind of interview format. You were out of the business for a few years (2008-2011). What's the biggest change you've

seen in the cranes and merchandiser category of the business?

Howard: I've noticed two major changes. First, the number of merchandisers in the market has grown tremendously. This trend was well es-

gravel cranes out in the marketplace.

I don't know about that! I still see a good number, especially with the bigger operations like D&B and Brunswick Zone's on the FEC side, and NEN, the largest crane

"...the first key is location. With that, placing the crane in the right place in that location is also crucial. Next has got to be product: a good product mix, which must be regularly rotated. Third would be a tie between presentation: a clean, full, well-lit crane with the product facing the customer, and value delivery. Value delivery means the value proposition for the customers. **Winners make players."**

established in 2008 but has clearly continued to grow. The second is related to the first: the ability to use more expensive prizes, up to \$500.

So are merchandisers replacing plush cranes or otherwise having an effect?

No, they are not replacing them; they are adding to the mix. When we ran our crane route, and even in our FEC, we always utilized a crane lineup, with a variety of machines offering a variety of merchandise types. We ran jumbo plush at .50 play; single line plush at .25 play, *Winner Every Time Candy Cranes, Stacker* (or sometimes two) with hard goods and, my personal favorite for its versatility: the gravel crane.

You don't see too many

sons. Plus, they complement plush cranes, generating extra spending.

If you had to boil it down to three keys for successful plush crane operations, what would they be?

I'm tempted to say, "Location, location, and location," but I won't, although the first key is location. With that, placing the crane in the right place in that location is also crucial. Next has got to be product: a good product mix, which must be regularly rotated. Third would be a tie between presentation: a clean, full, well-lit crane with the product facing the customer, and value delivery. Value delivery means the value proposition for the customers. **Winners make players.**

Is the answer the same for merchandisers?

Yes, all of these general principals apply to merchandisers as well. Merchandisers also allow the operator to offer a greater range of prize value. Right now a lot of customers are having success with Sega's *Keymaster* and Andamiro's *Winner's Cube*, using a prize mix that includes product over \$100. To complement these machines, we are working on several concepts to repurpose older merchandisers like *Stacker* to offer themed mid-ranged products. This allows the operator to offer product lines at a variety of price points and continue earning

operator in the U.S., uses gravel cranes as a key part of their mix.

So tell us more. Why are you such a fan?

Because you can do so much with a gravel mix, and deliver a high attraction value at an attractive average cost per prize. I like a mix of good watches, jewelry, and gift/novelty items. It's a little like a percentage licensed plush mix where the 25% of recognized licensed goods attracts the play, and the 75% generic allows the operator to average down his cost per prize. Good watches and jewelry drive the play and the novelty goods help keep the cost in line. Gift/Novelty is such a broad category that you can keep the mixes fresh, create themes, and hit all the sea-

revenue from older machines.

How do cranes and merchandisers fit in a redemption game room's mix?

They are a separate category. We've always believed they are a "separate spend" and an opportunity for an incremental sale. Plus, when operated correctly with a fair win rate and payout, they add to the entertainment experience. They also provide the ability to offer a variety of appealing product including, candy, jewelry, basketballs, and novelty items like knobby balls and puffer balls. Many routes and FECs leave money on the table by not offering enough cranes. For example, in my experience if you add an additional crane in a profitable location it should do about 80% of the sales of the first crane. The point is that adding a crane only minimally cannibalizes sales from existing cranes provided you have a good and different mix. A profitable FEC of any size and volume should have at least 5-10 cranes and merchandisers to maximize revenues.

What do you mean by "separate spend?"

Every customer comes to the FEC, bowling center or Wal-Mart for that matter with a budget in mind for what they will spend on redemption games. Once that budget is gone and time is up, they can often be attracted to reach in their pocket one or two more times for the prospect of an instant win on a crane or merchandiser. In addition, Mom, Dad, Grandma or other customers who came to spend money on their kids can be enticed to play these machines as they walk by. That's why we recommend placing them in

high traffic pathways, near entrances and especially exits, to stimulate impulse spending.

So how do you like being back in the industry?

I love it. I'm renewing my relationships with old friends in the crane operator ranks, helping to figure out how to help them and all of our customers take their crane and merchandiser operations to the next level. My teammates at Redemption Plus are a great, customer-focused group of people to work with. I've known many of them for several years and have worked with them in the past in a variety of capacities.

You said, "taking their crane and merchandiser business to the next level." Can you be more specific?

Well, it's a pretty big marketplace out there for this category. There are a ton of small and medium sized operators who are focused on their routes and their local markets. Our operating experience ranges from small stops to Wal-Mart to FECs of all kinds. Add to that the

Redemption Plus customer base. I think we can support our customers with a set of best practices for their crane and merchandiser strategy, operations, and, especially, their product mixes. I'm looking forward to writing the crane and merchandiser column for *RePlay* as well, in which I'll promote those best practices.

Thanks for the interview, good luck with the new position and welcome to the RePlay columnist ranks!

Thanks.

By the way, I'll be presenting at the Instant Prize seminar at the Expo. Howard and I will both be in the Redemption Plus booth 642 throughout the show.

get RePlay's free e-mail newsletter by emailing ingrid@replaymag.com

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

Howard McAuliffe is a 12-year veteran crane operator and the crane and merchandiser specialist for Redemption Plus, in their HIP prizes group. He can be reached at 913-563-4369 or hmcauliffe@redemptionplus.com. Visit www.hipprizes.com for more info on Howard.