

Understanding Cost of Sales

Increase the profitability of your game room by understanding cost of sales and how factors like prize mark up, ticket value, and game payout can impact your bottom line.

definitions

Cost of Sales The actual cost of prizes redeemed as a percentage of redemption game revenue.

Example: A game room that generated \$10,000 in redemption game revenue and gave away \$1,600 in prizes has a 16% cost of sales.
 $\$1,600/\$10,000 = 16\%$

Mark Up The percentage you mark up the redemption merchandise.

Example: A 1.5 times mark up on \$1 cost item would be worth 150 tickets in a redemption center.

$1.5 \times 1.00 = 150$ Tickets

Cost Per Ticket The value of each ticket or point coming out of your games.

Example: If there was a 1.5 times mark up then cost per ticket is .00667 or 2/3 a penny per ticket.

$100 \text{ pennies}/150 \text{ tickets} = .00667$ cost per ticket

Payout The value of the tickets a game pays out.

Example: Let's look at 1 game that pays out 7 tickets for every 1 play and each play costs \$.25 and let's assume a 1.5 times markup. With this information we can calculate a 18.68% payout and the following process can be applied to an entire game room.

$7 \text{ tickets} \times \$.00667 \text{ cost per ticket} = \$.04669$ value of ticket per play

$\$.04669 \text{ value per play}/\$.25 \text{ cost per player} = 18.68\% \text{ payout.}$

Breakage The percentage of tickets that never get redeemed.

Example: Because customers will leave your building with tickets and some customers redeem tickets earned in previous weeks, payout and cost of sales do not tie out. Most weeks cost of sales will be lower than payout; some weeks, especially around the holidays, that trend could reverse.



Here are some examples of how mark up and payout can influence cost of goods sold.

Mark Up	1	1	1.5	1.5
Payout	25%	35%	25%	35%
Cost of Goods	25%	35%	16.7%	23.4%



Redemption Cost of Sales Calculator Use this calculator to help set up your mark up and payouts to achieve your desired cost of goods sold.

<http://www.redemptionplus.com/RedemptionU/CostOfSales.htm>

Crane and Merchandiser Payout Planning Calculators For new cranes and merchandisers or new prizes enter Price Per Play, Cost Per Prize, and Desired Payout to see how many plays it should take to win one prize.

<http://www.redemptionplus.com/HipPrizes/HipCalculator.htm>

Actual Payout Calculator Use this calculator to track your true Payout Percentage according to the actual Revenue, Prizes Dispensed, and Cost Per Prize. We recommend 25% Payout for cranes and merchandisers.

<http://www.redemptionplus.com/HipPrizes/HipCalculator.htm>

