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How To Make Money In Today's Amusement Industry



CRANKIN' WITH FRANK - Frank Seninsky

There is still plenty of money to be made in the amusements industry. What was true in the "good old days" 30, 40 or 50 years ago is still true today: operators, distributors and manufacturers can start with practically nothing (just enough money for a couple of used machines)... and, if they work hard and work smart, aggressively taking advantage of their opportunities, they can grow a substantial and highly profitable business.

Here are four proven, timeless strategies to make big money from a small investment - or zero investment - in today's industry. [Note that game revenue-share operators are always advised to protect their locations with exclusive contracts.]



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Success Strategy No.1.

Keep the doors open...and keep your eyes and mind open.

An important business mentor once told me, "Remember, if you're out there in the market, you will get some opportunities simply because you exist." I have found this to be true. If people know that you're in the industry, at least some potential customers will come knocking on your door.

Even if they don't, opportunities will present themselves to those who are paying attention. You don't have to wake up at three o'clock in the morning with a radical, off-the-charts new-fangled idea. All you have to do is keep attuned to the possibilities that pop up before your eyes, in the routine course of your day.

For example: suppose you're a street operator. On a regular visit to a location, you ask the owner or manager, "How's business?" Nine times out of 10, the location owner will complain about one or more of his suppliers (the people who sell him everything from napkins to alarm systems). He will grumble, "They just raised their prices again and their product or service is poor."

You may not realize it, but opportunity has just knocked on your door - very loud. When you get back to your office, take an hour to check with several similar locations on your route. Find out if they have the same problem. Some of your other location owners undoubtedly will voice the same complaint.

Then you can spend a second hour researching the local market for that particular service or product. Learn who provides the best product on the market. Research prices, packages and options.

Next, spend a third hour visiting that top supplier (of alarm systems, napkins, or whatever). Make him a proposal: "Mr. Supplier, if you give me a commission, I will bring you half a dozen good locations as brand new customers... with me, their amusements operator, as your subcontractor or distributor."

Naturally, the more potential customers (locations) you have on your list, the better deal you can get from the supplier.

Finally, you take the step where it all pays off. Go back to those complaining locations. Offer to replace their sub-standard old product or service with the best in town, at very attractive rates.

Not every location will say yes, but I guarantee some of them will. Even if the price that you offer is just marginally better than what your locations are paying now, some locations will switch simply because they know and they trust your service record. Others will switch because they know that provider has a good reputation.

Congratulations. You have just launched a profitable new line for your street route. Best of all, it can often be financed 100% by your locations or by the service provider. If you work it right, you may not have to spend a dime of your own money. You simply have to invest a couple of hours and a bit of sweat equity.

Several leading amusement routes around the U.S. have used this tactic to build up "side businesses" that eventually become at least as big and profitable as their "main business" of amusement and music operations. When their game and music income dips (which happens sometimes), these diversified operators have other income streams to rely upon. This strategy works for restaurant supplies, security services, bottled water, location furniture and furnishings, you name it.

These street operators have realized that their best asset is not their machines, not their service (no matter how great), and not a few square feet of floor space. The street operator's best asset is his relationships with his locations.

Success Strategy No.2.

Find a small - but profitable - niche and specialize in it.

Some of the most successful operators and distributors in today's industry are those who specialize in a highly defined niche. They focus on just one type of machine or one machine category. They become experts in that niche and super-specialists in operating and/or selling that particular type of machine...very, very profitably.

Equally important, they don't operate machines that drain the profits out of their company. They realize that it costs about \$25/week just to operate, maintain, and collect each game when labor, parts, gas, insurance, yearly reconditioning and administrative overhead are considered.

Often, these specialists choose a popular machine that "typical operators" or "typical distributors" refuse to purchase or promote the sale of. That's why a specialist can get their foot in the door to locations in the first place (50% of operators do not have exclusive contracts in place to prevent this) or find great new locations that other operators are

blinded from seeing because they are too busy chasing their tail 24/7.

These specialists might say to their prospects: "I notice you have music and games but you don't have dart machines." Of course, instead of dart machines they might say "boxing novelty games" or "an ATM" or "a photo booth"... or any of several other pieces of equipment including the new merchandise dispensing machines.

The location owner is likely to reply: "Oh, is that machine a good moneymaker? I don't have an agreement with my operator, so if he doesn't want to supply it, I will give you a call."

That is the cue for the "specialist" operator to make his pitch to the location. It may sound like this:

"Look, Mr. Location Owner, I specialize in that type of equipment. Here are phone numbers for two other locations, very similar to yours, where they are making X dollars per week with just this one machine, supplied by me. Why not call them and ask them about it? If it sounds good, let me try installing one here in your place."

The location owner may reply, "But I told you, I already have an operator."

The new operator has a simple answer to this objection. He says: "Fine, I won't interfere with your regular operator. I am not interested in running your music and regular games. But this new machine could add incremental income to your whole place. Let's try it. If it doesn't per-

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form like I say, then after 30 days we'll take the machine out, no hard feelings. What have you got to lose?"

Please note, the specialist need not become an adversary of the location's game operator. Often, the specialist and the existing operator can become allies. The game operator may know that many of his locations would like to have a particular game, but he isn't in a position to buy it - so he can work with the specialty operator in a win-win-win deal.

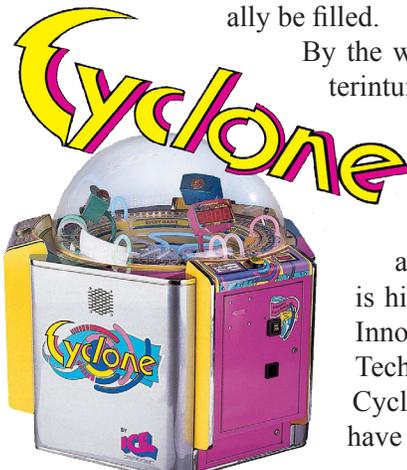
The specialist places the game in the location and agrees not to try to add any other games. The existing operator helps his new ally in adding games to some of his other locations under the same terms. This actually works much better than having both operators compete against each other where one operator "smiles" when the other's game is out of order.

Specialty operators who use this strategy often start by purchasing a single machine. They try it out, learn the ropes, and discover that the right brand operated in the right way makes tremendous money. The profits from their first machine provide capital to invest in buying new machines, and their specialty route keeps spreading.

Before long, they have built up a thriving business based on a single type of machine. I have seen this happen many times. In fact that is how my brother and I started Alpha-Omega Amusements: with one used pinball machine placed in my college fraternity 42 years ago.

The refusal of operators to see these opportunities is the major reason that these opportunities exist. In today's climate, this also opens the door for manufacturers to operate. Remember, when a vacuum exists, the laws of nature (and capitalism) dictate that it will eventually be filled.

By the way, one of the counterintuitive categories for this strategy is redemption games in street locations, sports facilities, and everywhere there is high traffic. Ever since Innovative Concepts in Technologies debuted its Cyclone game in 1995, I have always said an op-



erator could make money simply by installing a Cyclone (with three player positions and no moving parts) in any decent location with a reasonable amount of customer traffic.

To run redemption in street locations, you don't even need a prize counter or even traditional prizes. Just give away the business's basic product in exchange for 100 tickets. For example, a restaurant could redeem tickets for a deluxe hamburger or two slices of pizza. A hockey sports arena could redeem tickets for a hockey stick or brand-name football or baseball glove. A bowling center, obviously, could redeem tickets for a game of bowling on a slow weekday afternoon.

In my first example, I singled out Cyclone but the same is true for many other redemption workhorses. One day, some smart operator is going to approach 2,000 FECs who own their own equipment and say: "I notice you don't have a Bay Tek Big Bass Wheel (or a Namco Barber Cut Lite, or an Andamiro Winner's Cube). If you can't afford it, or if you just don't want to take the chance, let me put one in. We'll share the revenues."

I am quite certain a specialized route like this would clean up.

Success Strategy No.3.

Less is more.

The "niche specialty strategy" points the way to yet another approach that can generate significant profits: operate fewer but better games. Get rid of the deadwood and concentrate on winners. It can be easier and more profitable to put one great machine in a location rather than 12 so-so games.

I've seen many bowling centers with a dozen games jammed into a small room with a single door, making \$50 a week per game or \$600/week overall. The entire location's monthly gross could jump 500%, simply by removing the 12 mediocre games and replacing them with three or four great merchandisers with the right prizes and placing the games near the entrance.

Too many operators and locations seem to think that reducing the number of games in a given site would make them look "weak" to the competition. They should look harder at their bottom line and worry less about what their competitors may or may not think.

In the long run, an operator who makes money with a few strong games earns more respect than the operator who goes broke operating too many weak games. The old "80/20 rule" certainly applies to our industry: 20% of the games make 80% of the revenues.

Success Strategy No.4.

Start small and grow.

The three success strategies outlined so far all have one thing in common: they can be executed very cheaply. At most, all one has to do is come up with enough money to buy one or two games. Experiment with them. If they don't work, sell them and you've learned a valuable lesson for a very little investment.

If the games generate a couple of hundred dollars a week each, use the profits from the first machine or two to finance the purchase of more machines of the same type, which can be either used or new.

Some of the largest, most successful game operators and FEC specialists in this country began this way. The biggest jukebox route on the West Coast started with a handful of used cigarette machines ... units that the other industry pros of the time believed were worthless. Several new operators started by placing LAI's Stacker when it first came onto the market.

This same patient approach - "start small and grow" - is still entirely possible and can still be just as successful in 2011 as it was in 1930 or 1950 or 1975.

No, you probably won't get rich overnight. But you can build a thriving business in just a couple of years. You just have to follow those other two indispensable tactics: keep learning new things and work hard.

No matter what the pessimists say, there will always be an amusements industry. There will always be a niche for what we do. We should all be smiling that we have had the opportunity to be a part of this great industry.



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Frank Seninsky is president of the Alpha-Omega Group of companies, which includes a consulting agency, Amusement Entertainment Management (AEM), two nationwide revenue sharing equipment suppliers, Alpha-Omega Amusements, Inc. and Alpha-BET Entertainment, and Alpha-Omega Sales, a full line game & related equipment distributor. All are headquartered in East Brunswick, New Jersey. During his 44 years in the leisure entertainment industry, Seninsky has presented nearly 400 seminars and penned more than 1500 articles. He has served as President of the Amusement and Music Operators Association (AMOA) from 1990-2000 (on the Board of Directors for 22 years) and as the President of the International Association for the Leisure & Entertainment Industry (IALEI) from 2005-2006 (Founding Member and on the Board of Directors for 11 years).

His columns regularly appear in Tourist Attractions & Parks, RePlay, Vending Times, and Bowling Center Management. Frank is co-regent for Foundations Entertainment University, which presents multiple-day sessions in the US and in growing markets including Russia, Ukraine, Dubai, UK, and potentially Asia, India, and Africa as well. His world famous 'The Redemption & FEC Report' e-newsletter goes out to more than 42,000 readers worldwide. Alpha-Omega Sales is the exclusive US Distributor for all Comfyland Edutainment Center products and the new exclusive distributor for GameALERT. Frank was just appointed to the Advisory Board of the National Association of Family Entertainment Centers.

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