

## What's Next for 2012: A 10-Point Look at the Future

**E**xactly one year ago, *RePlay* asked me to write about what's next for our industry. Below is what I wrote then in bold italics followed with an updated look at the future, following each of the same 10 points. These past 12 months have been challenging, but hopefully many of us have laid the foundation so we can start adding the bricks slowly (one brick at a time) as we build our industry back up over the next few years. We may not have the best cement to hold it all together, but 'crazy glue' will have to do for now.

### ***1. My first thought: What is missing? It's fall, and there is no AMOA Expo.***

There is still no AMOA Expo in the fall, but there is a growing number of manufacturers and operators within our industry that have told me that this void may be partially responsible for the slack of sales/buying during the early fall. I learned this firsthand when we scheduled a Foundations



Entertainment University in late September and had a complete sellout with a waiting list. This just goes to show that there is a September vacuum created by AMOA's move to the spring. My prediction is that AMOA and AAMA will schedule something in that fall time slot for 2012.

### ***2. I now see kids texting faster than I can type. Is it any wonder why kids have no time to play our games? Even when they are in a place with games, they are still texting.***

The situation has not

changed, but FECs and street locations are slowly getting up to speed on using social networking to bring customers to their facilities and to keep them there longer. The new iPhones are just awesome and will soon make computers obsolete. Currently, I carry my iPad with me every time I leave my office/home (even when I go out to eat) and can keep up pretty well with everything that is going on in my business and the industry.

### ***3. Cash is still king. But few people still carry any cash around with them,***

*and since we are predicting the future — well, soon there won't be any cash. Are we getting ready for that day? Many industries are way ahead in accepting credit cards and cell phone signals for small transactions.*

Cash is still king, although gold and silver have been the best investments to have over the past few years. Yet these precious metals have still been outperformed by Big Bass Wheel's steady earnings since this game hit the market. Big Bass Wheel is earning 15% of the gross of every game zone I have placed it in (50 to 100 games).

Google Wallet was introduced recently. This could be a game-changer and push mobile payments down the field towards the goal line. This NFC payment method went live in September in the vending industry using wireless controllers. During 2011, the vending industry's use of credit card acceptance for small transactions

has increased steadily, but the amusement sector is just a spectator in the bleachers, still deciding if it wants to sit in the box seats to get a better view of the game from the sidelines.

Keep an eye on the Congressional Super Committee as they may just recommend passage of the COINS Act that would finally eliminate the dollar bill and replace it with dollar coins. Smart phone apps are also slowly making their way into our industry. A few game manufacturers are making some side money selling phone-based versions of their old games, and some progress has been made in developing apps to support existing field equipment.

TouchTunes has reported that its new mobile app is making \$1.4 million per month in new additional revenue. Customers can access jukebox features from their iPhone or smart phone with the MyTouchTunes Mobile app and easily find locations that have TouchTunes jukeboxes. Megatouch Live, recently released by AMI Entertainment, permits players of their touchscreen videogames to track scores and compare them with top player rankings and now share this information through Facebook Connect. Players can also purchase

and redeem virtual currency tokens for game powers. We now call this “social gaming,” and this new technology could help quickly add a few hundred bricks to the new industry headquarters building we spoke about at the top of this article.

#### **4. We all eat out of the same cashbox.**

This hasn't changed but with hunger comes some very dangerous business practices. Some companies

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in our industry have chosen to “go for broke” and make a last ditch effort at survival. But I believe that in the near future our industry will come together once again, and those serving on the industry associations will all learn to “wear the white hat” when making industry decisions that may not directly benefit their own individual company. For an industry to grow and move forward, this is a must. I see

some progress in this area for 2012.

**5. China and India are going to eat us for lunch. These are the growth markets. Some of our manufacturers are trying to get a small piece of that pie, but for the most part, U.S. operators and distributors are too busy trying to keep things the way they were many years ago — in the old days.**

Our industry is slowly

(and I mean slowly) breaking out of this longing-for-the-old-days mold as the key players see that the business model used in the old days cannot work in today's global and international market. China and India are still on their way up, but as they grow fatter and put on weight, they will run into their own growing pains. In the meantime, I still feel that new technologies will be the main

ingredient in our industry's future success, and someday within the next 10 years we will get to eat more than pizza for dinner.

#### **6. Leasing is a new model to reckon with.**

Leasing has really taken off in 2011. For a new business model or technology to succeed in our industry, it needs to gain 10% penetration in its first five years and enough traction to attain 20% penetration before it can grow.

Currently, leasing is heading for the 5% range and should attain that in 2012. I also predict that more locations will get into a leasing program as national service organizations are developed. Operators have a place in this arena, but this model is expected to grow slowly. Operators and distributors should be able to come up with a new model of their own to slow down this train as both of these industry sectors continue to find innovative ways for each to add more value to their link in the industry chain.

#### **7. Our economy will start to grow in 2011 and continue to do so through 2014.**

The economy is still growing slowly but could have a glitch in 2012 if Europe's financial debt problems and the Euro are

not solved or at least kept at bay. For the U.S., as soon as our leaders stop playing politics and learn to work together for the good of the country, we will see the creation of more jobs. My take is that we will see a trillion dollars in government spending cuts, as well as some tax increases for the 50% of the U.S. population that pays taxes. We may also see a new model where everyone pays some federal taxes. Compromise is not a bad thing. One thing our industry can be assured of is that whichever way the economy goes, our industry is flexible enough to adapt quickly and survive.

**8. Those who are investing in our businesses today will have a jump start over those who aren't. Actually, those who don't invest will become extinct.**

Nothing has changed my viewpoint on this in 2011. I just received a call from a FEC owner who wants to sell because he is getting on in years and wants to retire. He has not been investing in his business over the past few years and revenues have decreased by 40%. He has asked me to find a buyer. A new buyer will be in a position to buy this business at a very low price (probably for the value

of the depreciated assets), right-size the business and use the additional unnecessary space to generate rental income.

**9. With the 7-0 decision of the Ohio Supreme Court to uphold a \$10 prize limit per play on any amusement game, we can expect other states to pick any arbitrary prize level, which could be \$1 or \$5, or \$20.**

Good news on this as, to my knowledge, no other state has passed a law similar to this one. We have also just heard that Ms. Keller has dropped her suit in California against Chuck E Cheese. Perhaps 2012 will continue to see legal wins for our industry and the start of a trend. The truth is that our country is beleaguered with many more important issues and legislators are beginning to turn their attention towards solving our nation's woes rather than just wasting the public's money and time on insignificant issues just so they can make a headline.

**10. After all of the above, I am still very optimistic that new technology will present some of us with great opportunities.**

This is still 100% accurate. One of the new technologies that was introduced at IAAPA allows players in

a moving platform simulator to interact with characters/images on the screen (Triotech). Taking this technology one step further would permit the riders to skillfully control their vehicle/character to interact with the adventure and gain points/powers and eventually be able to interact with or against other riders/players in the same location or at other locations. This has been a dream of our industry going back to the days of Atari Wave-Net tests. It is great to know that there

are innovators still out there heading in this direction.

In addition, the America Invents Act was just signed into law in September by President Obama. This new law is intended to make it quicker and easier to have patents granted, ideally reducing the average time from three years to one year. Hopefully, this will induce more new technologies to be introduced, and our industry can take advantage of some of these.



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## 11. Here is a new prediction for 2012:

We will see growth in some of our remaining industry's tradeshow as they will welcome with open

arms new industry sectors and grow their educational programs. Of course, some will continue to hold onto the past and slowly become extinct, but this will become

an opportunity for those that see the light. Capitalism has a way of ensuring the success of the fittest.

Yes, there is some light at the end of the tunnel.

We may not get to the "10 points of light" all at once, but we can surely snatch one point of light at a time and keep moving forward in a positive direction.



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