

Techno-Loyalty

How Amusements Can Use New Technology

To Boost Customer Loyalty & Player Spending

By Frank Seninsky

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President Antoja, honored delegates, members and friends of Euromat:

I'm here today to discuss using new technologies to increase customer loyalty and boost play on machines.

And my first piece of advice is: never trust anyone over 50 years old to advise you on new technology.

People over 50 are change-resistant.

They often cannot understand, much less appreciate, cutting-edge technological developments.

I should know – I turned 53 on my last birthday!

Now the coin-op amusements industry is waiting for its next boom. Where will it come from?

Like our previous booms -- such as jukeboxes in the mid-20th century, and video games 20 years ago -- it will come when somebody figures out a way to market some new technology that is still too expensive for the general public to afford at home.

The last two big entertainment technology trends -- the Internet and DVD -- bypassed this industry completely and went straight from the laboratory to the home. (So did television in 1948.)

Let's hope the next big revolution in entertainment technology is suitable for amusements -- and that manufacturers exploit it quickly, before the price comes down enough that consumers can buy their own.

I will have more to say in a few minutes about core technologies that could serve as sources of the next big trend in amusements.

In the meantime we can't sit around waiting for a new boom to happen. Today it's less important which technology you use, and more important HOW you use it.

This industry has just scratched the surface in proper utilization of PERIPHERAL technologies: the technologies of management and communication.

We can do much, much more to build more business, based on the games and support technologies that we already have.

I see four similar "marketing" uses of four different technologies that already do -- or in future times, will -- "increase customer loyalty and machine use."

These 4 technologies are:

- 1) Location-wide smart card systems.
- 2) Game-specific Club card technology
- 3) Online websites that complement our location
- 4) Online promotions such as tournaments and targeted email.

Let's discuss each of these in turn...although there is necessarily some overlap.

1ST MARKETING TECHNOLOGY: SMART CARDS

First, smart cards. The American economy is increasingly moving to cashless operations for more and more ordinary consumer retail transactions.

These days you can get through much of daily life with just an ATM/credit card, from filling your car's gas tank to buying groceries, stamps and so on. More and more people are doing just that, every single day.

At the same time, fewer and fewer people are carrying cash around – including coins.

As this trend accelerates in the larger economy, the amusement and leisure industries are following suit.

Some amusement parks, as well as most of the larger FEC chains, now run their games and attractions on proprietary card systems.

We can expect to see card systems usage accelerate greatly in the next few years, filtering into smaller and smaller entertainment centers and game rooms as prices continue to fall, and as convenience and flexibility of programs continues to increase.

Eventually such systems could even become a fixture in many street locations.

Until very recently, card systems have been viewed by industry professionals as very expensive for games, compared to the return on the investment.

But as with other technologies, competition has increased and prices have dropped. Several years ago, it cost \$100,000 or more to install a cashless system for an 80-100 game arcade.

Today a system can fulfill the same requirements for as little as \$60,000 or even less, while offering unprecedented levels of flexibility and reliability.

Count on it, we will continue to see this cycle working in our favor. In the next few years, systems will be offered to us that cost less and less, but do more and more.

I see a \$100 per game as a benchmark goal for suppliers and then the explosion into the marketplace will occur.

Cashless payment systems offer several advantages for fun centers, although to date they have been less effective for street locations (that may well change soon as costs continue to drop, however).

The benefits of card systems include flexibility of pricing, marketing functionality, data management, and increased security and convenience (after all, there is no collecting of cash from cash boxes).

The basic technology is a data chip and this can be embedded in a plastic card or a key (or anything else for that matter).

My own companies, Amusement Entertainment Management and Alpha-Omega Amusements, have installed (or supervised the installation of) several different debit card systems in the U.S., Canada, South America and the Middle East.

We use Applied Resources through Ideal Software Systems, Sacoa, Intercard, Xico, and SystemWerks (formally Amusement Solutions), and others.

It's been both a learning process and a creative process for us, as we found ways to integrate payment systems with point-of-sale systems and use the card system as a marketing tool for the entire facility.

Eventually the game portion of a center can become the “hub” of an entire indoor/outdoor leisure facility; card systems can help promote this tie-in. It’s easy when not just games but also turnstyles, attractions, food purchases, gift shop buys, etc., are all integrated with the card or key system.

One of the outstanding family entertainment centers in North America is Playdium in Mississauga, Ontario, Canada. They use a smart card system as the interface to collect player names and addresses and birth dates.

Using the resulting data base, the management then mails monthly newsletters with coupons to all customers advising them of what's new, what promotions are running, reminding them of free unit credits on their birthdays or whatever.

This type of data collection and marketing has been going on for the past 10 years.

Now creative marketing managers have updated programs with EMAILS that could save the facility time and money, and could also be more effective in reaching their core player base. Today's players EXPECT companies to reach out to them via email, but our industry basically doesn't fully utilize this technology.

I mentioned flexibility as an important strength of card payment systems for games. This is an area that deserves much more attention – it’s the key to future use of this technology.

Some operators have the impression that smart card systems are like games – they are engineered just one certain way, and you have to take it or leave it.

Actually, the makers of these card systems are usually very willing and eager to work with the operator to customize the system for his particular needs. The wise operator will take full advantage of this customization capability to create a system that fits the unique profile of each location.

And that is the right word to use, “create” -- because by working with a supplier to customize your card system, you can get very creative about using smart cards to help promote game play and solve all kinds of issues within a location. For example, operators of card systems can learn an important lesson from the amusement parks. Almost all parks now sell season passes for locals at highly discounted prices (as compared with higher pricing for tourists).

This concept can also work for family entertainment centers to boost year-round play by the base of local repeat customers, who often don't have the same per-capita spending habits as the tourist trade.

I could cite many other examples of creative custom programming with smart cards.

I am especially enthusiastic about finding ways to integrate the cashless payment system and its program with the overall marketing strategy of the location. The concept here is to get give every customer a “reason” to go to the game area to either redeem tickets/points or use tokens or points to play games.

Once they start playing, they will most likely continue by spending additional money.

Wireless technology is now available for certain card payment systems such as ‘Tag & Play,’ and operators will find many reasons to approve.

This technology eliminates the requirement of double-wiring each game (so a break or intermittent problem can wait to be troubleshot during a slow customer traffic period).

It also eliminates the challenge of laying out the games according to how the hubs are configured.

Coming soon is a new generation of wireless card systems that I believe will revolutionize the FEC and arcade business. These systems are not only extremely affordable (about \$100 per game), but also offer very simple yet user-friendly management support functions.

Is there a card system in your future? The answer is “almost certainly.”

After more than 100 years of dealing mostly with bills and coins, the amusement operator is learning a new medium of exchange.

If we approach this technology with open and creative minds, it can make our businesses easier, more efficient, more secure, and more profitable.

Not a bad combination!

2ND MARKETING TECHNOLOGY:

GAME-SPECIFIC CLUB CARDS

Second, I want to touch on game-specific Club Cards.

In Japan and to a lesser extent worldwide, Sega and other video game manufacturers are having significant success with their dedicated card technology for driving games and other simulators such as 'Derby Owner's Club.'

The card allows players to create and customize onscreen characters, save games in progress, track scores across time, and more. This concept gives players a stake in the game that they can carry with them in their wallet, hence a reason to return to the arcade and spend more money on that specific game.

More of this is coming, I guarantee you.

One of the hot trends in consumer, play at home games is "Persistent characters in a persistent world." Sony has signed up 30,000 monthly subscribers who pay \$25 each month to continue a never-ending game called 'Everquest.'

Game-specific club cards allow the amusement industry to share the excitement...and the wealth.

3rd MARKETING TECHNOLOGY:

COMPLEMENTARY WEBSITES

The third peripheral technology that we could make better use of to draw more customer traffic is websites that complement our existing amusement locations.

In the United States, two of the leading location based entertainment chains, Dave & Buster's and Nickels & Dimes, have websites built for them by Arcade Planet (now Sierra Gaming).

These websites were designed to exploit the fact that our players now spend lots of time at home, online. The websites were designed to create a synthesis between the arcade's online home/presence and its brick-and-mortar facility...

Based on the idea that the more you played online, the more incentives (virtual credits/tokens, whatever) you had waiting for you at the arcade.

This potentially includes a redemption concept where you win a prize while playing online, but have to go to the arcade or entertainment center to collect it.

All the major U.S. casinos are already doing this, or about to do it. The amusements industry should follow suit.

4TH MARKETING TECHNOLOGY:

ONLINE PROMOTIONS

Fourth and finally, under-utilized peripheral technologies include online promotions.

The most obvious examples are the online tournaments that Incredible Technologies, and now Global VR, are using for their golf and hunting games.

These tournaments offer cash prizes: IT has already given away one million dollars to skillful players.

Global VR plans to offer prizes that include vacations in Hawaii, free trips to attend the Master's Golf Tournament, cars, and other exciting possibilities.

I might add that IT and Global VR also have websites that depend heavily on this "join the club" appeal. There are special pages on the IT website just for Golden Tee club members, etc.

Again, our next step is to utilize targeted emails, based on online tracking of our customer's activities and preferences. Players should start getting emails that say:

"Dear Herlinda, yesterday you played our online version of 'Golden Tee Golf.' You have earned free credits at the Eldorado Plaza Game Center. Come in and enjoy your first game of Golden Tee on us!

"And by the way, Herlinda...next week the new game, 'Diamond Golf,' will be installed. Here is your coupon for 4 free games. Bring your friends!"

Of course amusement websites are increasingly being used as data collection vehicles, and our industry should jump on this trend also.

Last November PDV, the UK's leading online direct marketers launched a new consumer brand, Scratchandmatch.com, an online scratchcard game, to run alongside the highly successful 'The Daily Draw.com'.

The Scratchandmatch brand is designed as the consumer end of a sophisticated data collection vehicle. After registering their personal information, consumers launch the game by clicking on an advertising banner, which will be targeted according to their stated preferences.

In return for the chance to win, players will be shown advertiser offers based on the player's interest via e-mail and banners. They can also choose to receive such offers through the post and through SMS messages to their mobile phones.

The location based entertainment industry should think about ways to exploit this same technology.

Now let's talk about core technologies.

CORE TECHNOLOGIES:

WHAT WILL CREATE THE NEXT BOOM?

I promised that I would spend some time talking about where the industry's next boom might come from.

There are many possibilities -- but I would focus on partnerships with government...

partnerships with educational institutions and partnerships with major corporations.

The reason is simple: these three groups have the deep pockets to fund massive R&D.

They also control the patents for a growing number of key underlying technologies.

Finally, and most intriguingly, all three of these groups are increasingly using games and simulators as educational tools!

They use games to teach their own people, to engage the general public, and to communicate their messages.

I believe that with a sustained effort, our industry should be able to convert those games and simulators to entertainment, commercial use.

And that we will find the rewards immensely worth having.

After all, we've done it in the past. The famous Link Simulator of the 1930s was a pilot trainer. It trained thousands of pilots in World War II.

After the war it was converted to entertainment use. The Link Simulator found its way into countless arcades, theme parks, and fun centers across the United States and Europe.

So here is an excellent precedent. And we should do that again, with today's more-advanced hi-tech devices.

1ST CORE TECH SOURCE:

THE EDUCATIONAL ESTABLISHMENT

One place we should look is the educational establishment. For example:

As a result of last year's the Game Developers Conference in San Jose, CA, and a recent Faculty Seminar at Microsoft, a ground-breaking initiative has been announced:

The Carnegie Mellon Entertainment Technology Center and the Massachusetts Institute of Technology Comparative Media Studies Program, are joining together to create an interactive game dealing with biohazard training and education.

The division of labor between ETC and MIT concerns that ETC will focus on game design (i.e., programming, game play, user interface), while MIT focuses on user testing, scoring and feedback. The goal of this project is prototype development and proof of concept.

I haven't heard about any plans to release this game onto the commercial market. Why don't we look into licensing it?

2ND CORE TECH SOURCE: GOVERNMENT

Another place to look for technology that can be commercially exploited, is government.

In my country, the Armed Forces have created a PC-based video game as a recruitment tool for the U.S. Army. They give it away for free! I'll bet they'd love to have that game in every arcade in America. And I'll be the kids would love to play.

Why don't we look into licensing that, too?

In fact, the U.S. Army is already reaching out to some elements of the larger entertainment industry.

In August 1999, the U.S. Army awarded a five-year contract to the University of Southern California to create the Institute for Creative Technologies (ICT).

The ICT's mandate is to enlist the resources and talents of the entertainment and game development industries and to work collaboratively with computer scientists to advance the state of immersive training simulation.

The goal of the ICT is the creation of the Experience Learning System (ELS), which provides the ability to learn through active, as opposed to passive, systems.

In addition to specific military training tasks, the ELS will have applications for a broad range of educational initiatives.

The ELS comprises systems ranging from high-end immersive VR to distance learning to ubiquitous games. The ultimate goal for the ELS is to create networked, immersive systems for learning, combining the creative input of entertainment industry artists, military technology and academic researchers.

Here's another government-based technology source. It's the Institute of Simulation and Training (IST), a partnership between all of the branches of the U.S. military, certain well-known defense contractors, and the University of Central Florida.

The objective of this partnership is declassified technology transfer: from the government to the consumer.

The amusement industry is the perfect vehicle to bridge this gap -- to grab hold of new technology, give the public its first taste, and improve upon the technology so its price can be substantially reduced and reap the benefits of selling it to consumers worldwide!

I have been an industry consultant to IST for the past two years and have attended several meetings and think tanks at both IST and ICT. I believe the possibilities for synergy with the amusements industry are fantastic.

Why don't we appoint a task force to approach them?

Is it not the responsibility of our industry associations to take a leadership role to bring opportunities to us, their members?

Is this an agenda item for the bi-annual Summit Meetings at ATEI and AMOA?

If not, it should be!

3RD CORE TECH SOURCE:

PRIVATE INDUSTRY

Private industry is yet a third source where we should seek to adapt new technologies that promote our existing games, and maybe even form the basis for new games.

Have you seen the new generation of low-cost robots from companies like Sony? Let me tell you, we could use them as core attractions AND as peripheral technologies. Any robot that can vacuum a floor can also collect a machine!

And it would draw a heck of a crowd for its novelty value, and least in the early stages!

Market research tells us that 5% of the population wants to see and touch new technology, just because it is new.

If we could draw even 1% to our locations, it would represent a tremendous increase in traffic.

Another area of private industry that holds great promise is the communications industry. I am particularly fascinated by the explosion of cell phones and their increasing crossover to the amusements industry.

In the 13-25 year old age group, having the latest ringtone, cool graphic, game or cartoon on your mobile phone is a 'must-have' accessory. And this trend has created a multi-million pound business success for the dominant player, Monsternob, based in the UK.

Their business is totally technology dependent. Monsternob's ability to build market share is underpinned by systems developed using the Progress OpenEdge application development, database and Internet messaging platform.

Recently the UK's iFone and Cash-U Mobile Technologies announced the launch of the first phase in multi-player gaming. The companies will offer Atari Classic game 'Breakout'. The co-operation between companies will make branded interactive wireless games available to cell phone operators through Cash-U's Pecan Gaming platform.

iFone already provides market-leading entertainment content to a number of mobile operators worldwide, including Hutchison 3G, Vodafone, O2, Deutsche Telecom, M1 and Far Eastone.

The company has exclusive rights to an extensive catalogue of content, ranging from Atari arcade classics such as Pong, Breakout and Asteroids; through traditional board games such as Monopoly, Cluedo and Game of Life; to today's leading-edge titles such as Stuntman and V Rally.

This is our competition. It should also be our model, an example we seek to creatively emulate.

In Japan cell phone based video games have become an enormous business already, and we're on the way to duplicating that in the United States and Europe.

What is the role for amusements providers like ourselves? Obviously we should begin by emulating the cell phone pay option that certain advanced European vending operators already use.

From there it's a logical step to use cell phones in combination with smart cards. Players should be able to add more credits to a smart card through a pay-by-phone system.

Eventually, our industry should create programs that allow us to get rid of smart cards altogether and bill players' cell phone accounts directly.

Next, we should send emails and voicemails by telephone. And we should push game manufacturers to invent cell-based games with an amusement location tie-in.

Why can't cell phones become part of a lasertag game that spills out of the arcade and races across the college campus or

across the city streets?

Now, one new technology that is both peripheral and core is broadband communications.

I am happy to report that our industry is already moving in this direction with companies like Rowe, Ecast, and Liesure Link -- among others. But I would like to see us move faster, because broadband is a huge phenomenon.

In the USA, 30 million households will have broadband connections by the end of this year.

One-third of broadband subscribers make more than 11 purchases per year. Almost half spend more than \$500 online each year.

Broadband is a powerful pipeline for a high volume of content coming in...

and a high volume of money going out.

We should be looking at installing broadband devices in our locations and making ourselves the gatekeepers, the controllers, the content licensors -- if and when possible.

CONCLUSION:

THE ULTIMATE TECHNOLOGY

Whether we're talking about core technologies or peripheral technologies...

whether we're talking about building business during a lull or creating the next global entertainment boom we must never forget that one crucial technology stands behind it all.

The human brain!

This is your ultimate fount of new ideas and imagination. This is our personal, go-everywhere computer.

And you know what? If you program this computer correctly, it brings you all kinds of creative ideas.

Even if you're over 50!

It finds applicable technologies and exciting new possibilities for operations and marketing everywhere you turn.

As Albert Einstein once said, "Genius is the art of recognizing the obvious."

If we approach our industry with open minds, we will discover that the possibilities are literally infinite.

Thank you very much.