

Token Theft

Are You Losing 15-25% of Your Game Revenue Without Knowing It?

By Frank Seninsky and Jerry Merola

There are very few amusement game operations that have a "closed loop" cash control system in place. The facilities that supposedly run under tight control are usually the ones where we have discovered 15-30 percent of the game revenue walking out the door. "No way!" owners might say. "My managers are as honest as the day is long! They would know if anything was wrong!"

This is the usual first reaction. My firm routinely performs what's defined internally as "performance audits" for many FECs and LBEs across the country. We are astounded to learn that the level of cash and coin control procedures in place rate below average to unsatisfactory. In many cases, the higher the volume of business the less the owners know about what is really going on. Many a client has indicated that using tokens is a great way to eliminate improprieties. Unfortunately, the use of tokens alone does little to combat the real problem, as both staff members and guests alike have learned to easily circumvent a loose system. Revenue theft runs deeper than the act of physically removing funds. In fact, it's being done in so many clever ways, an unsuspecting location owner or manager will never see without the aid of a proven control system it. Watch for these:

1. Lack Of A Closed Loop Token Inventory System.

A loose token inventory system is an invitation for unscrupulous employees and guests to become "entrepreneurs." Tokens must always be treated with the same level of care as cash. We routinely find buckets of tokens in open view of guests and/or employees. A pocketful of tokens removed from the facility each day by just one employee can easily exceed 15,000 tokens per year! Many owners have become quite used to calculating walk-away tokens and view it as a fact of life. The fact is that walk-away token levels must be tracked on a weekly basis, and can easily be kept to a minimum.

A quick perusal on the Internet will reveal an entire "black" market industry for used tokens, any size, any quantity, and virtually any facility name. In fact, some fun center facilities are targeted so heavily that Internet sellers are offering these tokens in discount lots of 3,000 or more! Most are being sold for 5 cents to 15 cents each. A guest that purchases tokens from an outside source never needs to visit your bill-changers and therefore uses your equipment without payment to you. In many cases, they are trading in their tickets for prizes! The cycle is then repeated. Tokens continue to be siphoned off by employees, only to be traded or black-marketed to "token brokers." Some of these "partners" you didn't know you had are brazenly selling the tokens directly to your customers outside in your parking lot, or more discretely, at school. A good token inventory tracking system will spot these walk-in/walk-away patterns.

2. Incomplete Bill-Changer Reconciliation.

Many facility owner and managers feel that they are safe comparing billchanger meter number to cash received in the bill-changer. We are again astounded when we notice procedures whereby tokens are just dumped into the token hoppers without being counted, and the remaining tokens in the hoppers at game collection time are not counted. Not doing a complete weekly billchanger reconciliation opens the door for employee theft.

Each week, each bill-changer should be set up with a starting bank. Any time tokens are added or subtracted from this bank, it should be recorded. At the end of the week, the remaining tokens in the hoppers should be counted. This amount of tokens then should be compared by subtracting the amount of tokens dispensed from the ending bank and matching it to the amount of cash collected for tokens (aided by meter reading totals, less any tests).

3. Weak Collection Procedures.

Random collections and lack of a suitable "checks and balances" system offer many temptations to even the most honorable employees. Existing pros train new staff members on how the siphoning process is done, and suddenly many have their hands in (or near) the cash box. But what if you record meter readings, count each game separately, and diligently watch cash vs. meter variances? Are you sure that you have covered all the bases and been spared from theft? Not always. Watch out for cardboard inserts placed over slots on the cash box covers, taped-over cash box entry slots, and/or disconnected coin meters.

At one client's facility, an employee had installed quickdisconnect connectors on one of the two wires of several of the mechanical coin meters on high-grossing games. Midweek, a certain staff member would disconnect the meters and place

tape over the cash box entry slots, causing tokens to remain on top of the box. The next day this same staff member would reattach the meter wires and pull out all of the tokens that landed on top of the cash box without anyone noticing. He then had a full two days to sell these tokens outside the facility at a discount of five for \$1. Those that he couldn't sell he and his friends put back into the games prior to the time of collection so that the tokens collected would balance with the tokens put into the system.

We strongly recommend spot-checking the inside of the games every day, shortening the collection period every so often, and at the same time changing the working days of those who have access to the games' coin doors. Pay special attention to those customers who, just prior to collection day, seem to spend a lot of money quickly, playing games they are not very good at. We would also recommend sending in undercover kids (preferably out-of-town relatives) to see what they can pick up about the habits of your employees.

4. Inadequate Party/Group/ Promotional Token Controls.

Most facilities make a concerted effort to bag party and promotional tokens well in advance of their actual usage, largely to minimize guest inconvenience and improve efficiency. Many times, an appropriate number of party token bags are set aside for parties booked for the upcoming week. Unfortunately, some parties are cancelled or fewer-than-scheduled guests actually arrive, resulting in a surplus of bagged tokens for events. Some hosts and hostesses simply disperse the party's entire token allocation to the attendees, rather than returning the "unassigned" portion to the inventory control system. Thus, party patrons are now playing more games than provided for in the package purchase, resulting in fewer bill-changer sales. Suddenly, the super-saver party packages' goal of generating additional per capita spending from each party guest has now been lost. Equally disconcerting is that each and every parent/child who has attended the party now expects the same "token incentive" when they return for their party. On the other hand, some hosts and hostesses may decide to keep the unused tokens for their own use or for sale on the outside. In either case the results are not what you intended.

Providing too many party/group tokens without ensuring that the tokens will be played can also throw a token inventory system out of balance. Group and party bookers often see the benefit of increasing the number of tokens to make it easier to "close the deal," without fully understanding the true cost to the facility. Every party or group token that goes into a redemption game or prize merchandising machine has a prize cost associated with it. Management must ensure that each person has enough time to actually use their tokens. Hostesses can take those in their party to the game area and make sure that the children get to use their tokens. Organized game tournaments and competitions can be scheduled to make this task easier. The end result is a reduction in the number of walk-away tokens, which will help make the tracking procedure easier to accomplish.

5. Ineffective Key Control System.

The old adage applies here: "A lock is designed to keep an honest man honest." Unfortunately, an improperly used lock system will offer a false level of comfort for management, and cause even the best manager's guard to be let down. Many times we have observed cash box door and billchanger keys on a wall hook in an employee area or in plain view within the manager's office. If a billchanger doesn't reconcile or a cash box is found empty with no signs of forced entry, to whom do you look for explanation? Missing keys also have landed in the hands of "would be" guests who have siphoned from cash boxes and bill-changer hoppers over long periods of time without detection. As such, it's a good practice to regularly change locks and key codes. One attractive method is to purchase code-changeable locks, which can be easily changed without expense and with little labor support. If a breach of the key control policy occurs (lost or stolen keys), the bill-changer, game, and inventory storage locks must be changed immediately. Be prepared for such an event by maintaining additional security locks off-site or arranging for such services through your game or parts distributor.

During a recent performance audit, we discovered that one of the game technicians was carrying the master key code change key on his key ring. He said that it saved him time if he came upon a lock that he didn't have the proper key for. Further disclosure revealed that this key could be easily duplicated. It is recommended that master keys and bill-changer keys be signed out and returned and only used when needed. No one should ever be allowed to take these keys off premises.

6. Non Adherence to Dual Control Collection.

We're all familiar with the process of dual control. Banks use the concept to safeguard the storage and removal of currency from their vaults by utilizing not one, but two individuals to properly record the transactions. By doing so, the potential for impropriety can be markedly reduced. The same procedure applies to the collection of amusement games and bill-changer units.

A properly designed system will include at least two individuals who will physically empty and record cash box proceeds from games as well as currency and coin from billchangers. Another safeguard is to periodically change the individuals performing this task and to monitor any inconsistencies.

Games should be collected at least every seven days, sometimes more frequently in centers that suffer from numerous incidents of vandalism or theft. Each game's results should be recorded separately, including physical cash and/or tokens removed, coin meters, and ticket meters. At the same time, each bill-change machine must be reconciled as well as any cashier-based sales of tokens, including discount, party/group and promotional token usage. Tokens collected from games must be compared with token sales from all sources and all tokens put into the system (refunds and exchanges) to determine any level of deviation. By comparing the results from week to week, a pattern will likely develop, notably a walk-in or walk-away condition.

A walk-away condition results when fewer tokens are collected from games than actually distributed through sales and token infusions into the system. Conversely, a walk-in condition exists when the average number of tokens collected from games consistently exceed actual tokens sold and added into the system for a defined evaluation period. A small percentage (1/2 percent-1 percent) of walk-away tokens are the norm. A walk-in condition is not to be taken lightly. We like to use a six-week evaluation period to adequately cover any hills and valleys caused by regular

customer usage. By comparing these results with any changes in token inventory, management can be immediately alerted to a "hole" in the system. Not long ago, one of our national chain clients nabbed an employee selling tokens on the game floor at a healthy discount. Unsuspecting patrons assumed the proceeds from the sales were being turned into the facility's control desk. Not so! Fortunately, the inventory program alerted management that a "hole" had developed. Once you know it exists, it's essential to identify the source and eliminate the condition immediately.

7. Foreign Tokens In Token System.

Foreign tokens represent a direct loss of potential revenue. Large volumes of foreign tokens in the system indicate the need for a more unique token size. A survey of area competitors will quickly identify the sizes currently in use, and permit management to make an educated decision in choosing a size. Remove any foreign tokens from collection and store them in a secure area until they can be disposed of properly. These tokens can be sold back to or exchanged with rightful owners at a pre-determined rate. Avoid replenishing your own inventory with these tokens, as the facility's unique image will be negatively affected and guests may consider visiting the competitor's facility to use any remaining tokens.

The conditions portrayed above represent just a few of the many areas that negatively affect amusement game revenues. Sadly, many location owners uncover systems abuses well after they have begun and thousands of dollars have already walked out the door. There are precautions against token theft. If you are losing 15-20 percent of your game revenue, don't you want to know it? There is never a better time than the present to review your facility's operating systems.

To avoid confusion for staff and guests, consider hiring a qualified professional to assess these systems and implement structured, time-proven control methods. Once complete, a facility's true performance will become clear, thereby allowing equipment investments, layouts, and promotional programs to be evaluated accurately, without misleading or incomplete results. In this age of high-priced games and expensive real estate, maximizing revenue is one thing holding onto it is another. Tighter controls today ensure improved performance tomorrow.

ENTERTAINMENT MANAGEMENT September/October 1999

[Return to top](#)
www.AEMLLC.com