

Is Your Cash Register Half-Full or Half-Empty?

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The circumstances are almost always the same: a fun center owner has made a big investment in an attractive entertainment venue - the finest equipment has been selected - the marketing plan has received rave reviews from local and regional patrons, and guest attendance levels are exceeding expectations. Trouble is, growth in the facility's revenues has not responded in the same proportion as the growth in patron traffic. Strangely, the entertainment areas are always packed. What's happening?

This scenario has become much more commonplace these days. My firm routinely performs what's defined internally as "performance audits" for many operators, FEC's, and LBE's across the country. One of the first questions we ask relates to the level of cash and coin control procedures in place within the business. Why? Simply put, the best equipment, customer service, and marketing plan can't overcome the losses associated with revenue disappearance. Many a client has indicated that a switch to game tokens from quarters has allayed his fears of any impropriety occurring within the game and attraction operations. Unfortunately, a switch to tokens alone does little to combat the real problem, as both staff members and guests alike have learned to easily circumvent a loose system. The facilities whose owners claim are run under tight control are usually the ones where our firm finds 15-20% of the attraction revenue walking out the door. Confident that your facility isn't one of them? Think again. Revenue theft runs deeper than the act of physically removing funds from a location. In fact, it's being done in so many clever ways, an unsuspecting location owner or operator without a proven control system will never see it. Here are some oversights that can cause a facility's revenues to be compromised:

1. Lack Of A Token/Ticket Inventory System. By far the most dangerous, a loose inventory system is an invitation for unscrupulous employees and guests to become "entrepreneurs". Tokens and tickets must be treated with the same level of care as cash. When visiting facilities, I routinely find buckets of tokens and boxes of tickets within open view of guests and employees. A pocketful of tokens removed from the facility each day by just one employee can easily exceed 15,000 tokens per year. A quick perusal on the internet will reveal an entire "black" market industry for used tokens - any size, any quantity, and any 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 \$0.03 to \$0.10 each, dependent upon the quantity purchased. A guest that purchases tokens from an outside source never needs to visit your bill changer and therefore utilizes your equipment without payment to you. The cycle is then repeated, as tokens continue to be siphoned off by employees, only to be traded or black-marketed to "token brokers".

2. Weak Collection Procedures. Random collections and a lack of a suitable "checks and balances" system offers many temptations to even the most honorable employee. Existing pros train new staff members on how the siphoning process is done, and suddenly everyone has their hand in (or near) the cash box. But what if you record meter readings and count each attraction separately? Are you spared from theft? Not likely. Watch out for cardboard inserts placed in the cash boxes, taped-over cash box entry slots, and/or disconnected coin meters. At one client's facility in which we investigated, employees had installed quick-disconnect connectors on the mechanical coin meters. Mid-way through the week, certain staff members would disconnect the meters and place tape over the cash box entry slots, causing tokens to remain on top of the box. At collection time, the meter numbers would be recorded and wires reattached; any tokens outside of the cash box would be confiscated and sold outside of the facility.

3. Inadequate Party/Promotional 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 and enjoying more attractions than provided for in the package purchase, resulting in fewer post-party sales. Suddenly, the super-saver party packages' goal of generating additional per capita spending from each party guest has now been lost. Equally concerning is that each and every parent/child that has attended the party now expects the same "token incentive" when they return for their party.

4. 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 I have observed cash box, bill changer, and storeroom keys on a wall hook in an employee area or in plain view within the manager's office. If a bill changer won't reconcile or a cash box is found

empty with no signs of forced entry, to whom do you look for explanation? Missing keys have also 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 keyset), 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 arrange for such services through your game or parts distributor.

5. Non-Adherence to Dual Control Collection System. 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 funds from bill changers, cash registers, games, and attractions. A properly designed system will include at least two individuals that will physically empty and record cash box proceeds from all amusement units as well as currency and coin from bill changers.

Games and attractions should be collected and recorded at least every seven days, sometimes more frequently in centers that suffer from numerous incidents of theft. Each unit'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 party and promotional token usage. Tokens collected from games must be compared with token sales from all sources to determine any level of deviation. Amusement ride tickets or tokens sold must be compared to actual ride data for the analysis period. By comparing the results from week to week, a pattern will likely develop, notably a "walk-in" or walk-away" condition. A "walk-in" condition exists when the average number of tokens or ride tickets collected from games and attractions consistently exceed actual tokens/tickets sold for a defined evaluation period. Conversely, a "walk-a-way" condition results when fewer tokens/tickets are collected from games than actually distributed through sales. I 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 and ride ticket 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 us (and management) that a "hole" had developed - once you know it exists, it's essential to identify the source and eradicate the condition immediately.

6. Foreign Tokens and Tickets In System. Perhaps the most frustrating, foreign tokens or tickets represent a direct loss of potential revenue from patrons. Large volumes of foreign tokens in the system indicate the need for an adjustment to 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 when choosing a new, unique size. When performing collections, remove any foreign tokens and store them in a secure area until they can be disposed of properly. Typically, these foreign tokens can be sold back to, or exchanged with, their rightful owners at a predetermined rate. Avoid replenishing your own inventory with these tokens, as the facility's unique image will be negatively impacted and guests may consider visiting the competitor's facility to use any remaining tokens obtained from their visit.

7. Merchandise and Supply Inventories. By far the most challenging, merchandise and supply inventories must be carefully handled to minimize shrinkage or loss. Merchandise utilized for a facilities redemption center must be logged into a computer software inventory system upon receipt and then reconciled weekly. This is typically done by assessing the dollar value of tickets redeemed at the redemption counter and comparing this value with the dollar value of merchandise awarded. Many newer redemption center software programs will perform this exercise for you and issue an inventory report identifying the remaining required quantity that should be present for each prize style. A simple hand count of products on shelves and in storage will complete the exercise.

Perishable food products require even greater care, as a potential exists for loss caused by improper handling (spoilage). To reduce such risk, all perishable food product should be signed in, stored under controlled temperatures, and used in the order received. Employees must be trained on proper food handling and ordering techniques to minimize waste.

8. POS Systems. The use of electronic point of sale systems have become quite popular in recent years, even in small facilities, and represent a big leap forward in monitoring and controlling revenue and product. There are many different types and applications, so it's essential that the selected brand be capable of meeting all of the facility's current and future needs. Where possible, selecting a system that links POS functions with inventory control allows management to more easily track facility performance while reducing administrative labor hours. Such systems are also more difficult to circumvent, and many actually track individual employee transactions for improved problem isolation.

The conditions portrayed above represent just a few of the many areas that negatively impact amusement operations. Sadly, many location owners and operators uncover systems abuses well after they have begun and thousands of dollars have already walked out the door. There is never a better time than the present to review your facility's operating systems and confirm the effectiveness of them. 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 attractions and expensive real estate, maximizing revenue is one thing - holding on to it is another. Tighter controls today insure improved performance tomorrow.

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