

**Is There A Debit/Smart Card In Your Future? Almost Certainly****by Frank Seninsky****President of AEM and  
Alpha-Omega Amusements**

EAST BRUNSWICK, NJ — 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 that cost less and less, but do more.

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 cashboxes). 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., South America and the Middle East using Ideal Software Systems, Intercard, Xico, Sacoa, 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, then got into the card system as a marketing tool for the entire facility. 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 turnstiles, attractions, food purchases, gift shop buys, etc., are all integrated with the card or key system.

Sometimes the case for adopting a card system is overwhelmingly obvious. In many of the college accounts I service, the entire campus runs on a proprietary card system where students use the same State U debit card for almost all on-campus purchases. These students hardly carry cash anymore because so many purchases are made with these student cards.

**INTEGRATIONS**

Rather than having our game rooms out in the cold in such colleges, we have integrated them into the campus card system. This was done by installing the appropriate debit card reader in the place of the bill acceptor unit on one or more of our bill changers in the game rooms and putting the bill changer 'online' to the college's server. This takes a bit more effort but it's not difficult and it solves the problem. We have installed changers that allow students to swipe their cards to get four tokens at a time for a one dollar debit (or 20 tokens for a \$5 debit). At the end of each billing cycle, the university notes how much credit was debited from the game room bill changers and they cut us a check for our commission. I have always had several major concerns with how debit card systems are operated, and how they are used with redemption games. This problem can be divided into three or four sub-issues that I will describe here. Fortunately, there are good ways to resolve all of these issues.

First, card system makers have too often convinced operators to get rid of redemption tickets entirely, having players win points on their debit cards instead. That may be all right for adults to readily accept, but I strongly oppose this practice for children. Winning and collecting tickets has an entertainment value in its own right. Kids just love to see those tickets shoot out of the vend slot. They love to walk around with big wads of tickets in their hands, something you can't do with a

debit card. So, I usually leave all of my redemption games on a ticket-vend basis whenever possible, and utilize the card system to keep track of the number of tickets awarded by each machine and to calculate the ticket payout percentage.

My second problem with card systems is that up to 20% of my redemption game mix is usually “token action games” such as pushers, coin roll games, and games where the player shoots, rolls, or times a coin. While token action games could be hooked into a debit system, I find it promotes more game play if people don’t have to get tokens one at a time from a hopper within these games, which is often the result of integrating such games with card systems. It’s much more efficient (and more appealing) for players to go to a debit card changer, swipe their cards, and get a handful of tokens that they can play in all of the token action games. So I leave these games on token operation and set up debit card changers nearby. Again, some confusion can result from a two-payment system in a single site, but this trade-off proves its value where it counts – in the cashbox.

A minor issue regarding smart cards and redemption games can be misleading accounting. If the card/token exchange is done by individual machines rather than by changers, you will find that some players swipe a card in a certain token action game individually – say 20 times to receive 20 tokens – but then play those tokens at another game. The system program has no way to account for this event, leading to erroneous data in the bookkeeping when the program assumes the player has spent those 20 tokens on the same game that dispensed them.

The fourth issue with smart cards and redemption games (and merchandise dispensing games) is whether and how to include these classes of games in discount-pricing programs. As I travel around the country these days, I observe that marketing programs with smart card systems are increasingly popular in arcades and fun centers. The idea is that if you put more credit value onto the card, the player gets a better value and will spend more money to get more additional value. Other promotions that are easily facilitated by smart cards are time-play pricing, where a card is purchased for a price and the player can have unlimited play for a certain period of time, say two hours. But most centers restrict these “time play” cards to only games such as video, air hockey, pinball, and other machines that don’t give out tickets, points, or prizes.

The problem is, those are the games most people want to play — as is evidenced by the fact that my redemption games are now generating five times the revenues of the video games in all of my locations! Expanding “time play” to all of the games can be solved in various ways by working with the card system companies. For example, a time function could limit a particular game to being swiped by the same card only a certain number of times within the happy-hour period. (Another constraint can be input to prevent kids from trading cards and getting around the system such as the card is “locked out” from starting another game while a game that has activated is being played; or 30 seconds must elapse before a card can be used again on a game or nearby games.) Today most systems have the flexibility for sophisticated lock-out and timing exceptions so that, for example, a player can’t play three successive rounds of laser tag during the time play period.

Earlier I mentioned flexibility as an important strength of card payment systems for games. This is an area that deserves much attention – in some ways, 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 in a particular facility. 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.

### **Amusement Lessons**

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 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 and receiving more tickets, they will most likely continue by spending additional money.

Wireless technology is now available for certain card payment systems, and operators will find many reasons to approve. This technology eliminates the requirement of double-wiring each game (known as home runs) so a break or intermittent problem can wait to be troubleshot during a slow customer traffic period and the challenge of laying out the games according to how the hubs are configured.

## **Wireless Horizon**

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.

Street operations could someday be a new frontier for cashless payment systems. We are already seeing widespread use of credit card readers in jukeboxes and, to some degree, in token dispensing machines. But when it comes to the possibility of broadening the use of smart card systems in street locations, there are special issues to be considered. For example, using the same card to pay for everything in a tavern location may not work in certain states, because there are strict controls over how liquor can be sold. So far, creating a proprietary card for a typical street location has not been a sensible idea because the cost of the local server has been prohibitive. Here again, however, prices are coming down; and in future months and years, I think we'll begin to see this come into the realm of financial and practical feasibility.

Some high-volume street locations can already afford smart card systems today, but the issues to watch out for in such cases are speed, convenience, and pricing. For example, take a game center next to a movie theater. When the film ends and 500 people rush out of the theater, they don't want to stand in a long line to buy a smart card and then figure out how to use it for a few minutes of play before their ride comes. They sure don't want to convert cash to a card, and then stand in line a second time so they can use the card to get tokens! This situation only gets worse when the card itself has a cost and there are two mag stripes on the back (one for game cash, one for comp credits) and some games only accept cash credits.

I've seen grandmas who just wanted to play a couple of games of "Skee-Ball" nearly have a heart attack, trying to figure all this out. The obvious lesson is that if card systems are going to be used in locations where players are casual or transient, they must be completely user-friendly and you can't charge for the card.

The headline of this column asks, "Is there a card system in your future?" Now you know why 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.