

GAMEROOM

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Celebrating 20 Years



Pinball Clock

Ira Wexler's time-keeping pin art

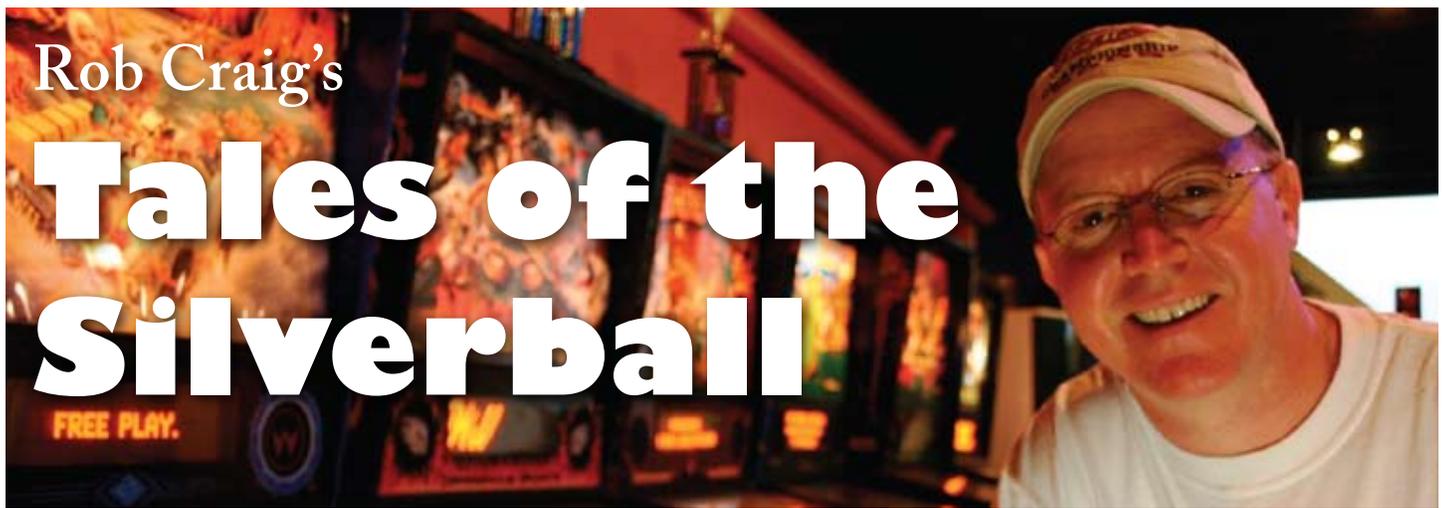
The Pacific Pinball Expo

The biggest and best show yet

20 Years of GameRoom Covers

Special pull-out section





Rob Craig's

Tales of the Silverball

The Economics of Pinball – Stern Designer / Programmer Layoff

As I walked into my office on Wednesday, Oct. 22nd and looked over my e-mail, my attention was immediately drawn to the preview of an e-mail that had just arrived relating to Stern Pinball. “Over half of the full-time staff was laid off today including Keith Johnson, Dwight Sullivan, John Borg and Dennis Nordman.” The weight of this statement was hard for me to absorb.

I re-read the statement, focusing in on each name listed. Keith Johnson, well known for transforming Gomez's *Lord of the Rings* into the fully-featured machine that is loved by so many today. He designed *The Simpsons Pinball Party*, another superb title. Dwight Sullivan, a programming powerhouse that has experience back into the Williams early 90's era. John Borg (*Indiana Jones*) just recently brought into the Stern team, added as the second in-house designer along with Dennis Nordman, who also was listed. Didn't Dennis design *Pirates of the Caribbean* – the biggest production game in Stern history? Something wicked has indeed come this way. I'm not one to hang around the pinball newsgroup (rec.games.pinball) and am very thankful when folks drop me a line on interesting topics. I hoped that this news was somehow in error. Yet my gut instinct, filled with negative coin-op news throughout 2008, was telling me that this was real.

Still, I had to look it up for myself. It was factual. Keith Johnson posted a topic to the newsgroup briefly explaining the lay off. As usual, speculation ran wildly. What is the cause, how will the future of pinball be affected, what does this mean to me and you?

Getting the story from an insider

It seems like we heard similar news back in 1999, when the layoff announcement came



Stern Pinball President Gary Stern, in happier times (the 2006 AMOA show)

Playmeter State of the Industry (Jan. 2007)

Average Weekly Gross	2006	2005	2004	2003	2002
Pinball	\$ 48	\$ 54	\$ 48	\$ 48	\$ 59
Video (dedicated)	\$ 87	\$ 129	\$ 122	\$ 101	\$ 90
Digital Jukeboxes	\$ 191	\$ 254	\$ 234	\$ 204	\$ 172
Redemption*	\$ 110	\$ 173	\$ 134	\$ 202	\$ 192

* Redemption games in Family Entertainment Centers averaged \$360 / week

Annual Gross Revenue	2006	2005	2004	2003	2002
Pinball	\$65 M	\$92 M	\$112 M	\$95 M	\$174 M
Video	\$1.1 B	\$1.9 B	\$2.2 B	\$1.5 B	\$1.5 B
Digital Jukeboxes	\$228 M	\$145 M	\$195 M	\$159 M	\$54 M
Redemption	\$423 M	\$765 M	\$509 M	\$1.1 B	\$1.2 B

to Williams pinball. But there must be more to the story. After all, Stern has no direct pinball competition, no connection to a large corporation where pinball is just a portion of the production offered. I felt the need to consult with one of those on the list right away to obtain an accurate account of the event, and to put an end to my own speculation.

As it was conveyed to me, there was a meeting called with very short notice. Everyone listed in the newsgroup thread was there, with the addition of a few more. Gary came in and discussed the economy and a statement regarding declining sales. Then came the painful words no one wants to hear, "we're laying you off." This single account of the story broke my heart to hear. First for the person, knowing their passion for their career, and secondly for this small industry called pinball manufacturing. What does it mean when you drop so many people that are responsible for so much? Can any product still exist without the core group of creators that make it? This person was cleaning out their office as we spoke. This is a tough reality to digest. But a reality of what? Is pinball dying, is it dead, or on life support?

Consulting the coin-op side of pinball

Whether we (collectors) believe it or not, there is a lot more to pinball than just collector sales. I realize this, having operated machines before, and being involved with current operators in my region. There is no argument that we (collectors) have more passion for the product, and hold even the least favorite pinball titles on a higher plateau than operators do. Why do you suppose this is so? As a previous operator, the machine that earned the most money at the end of the

week was my favorite game. As a collector, I stood puzzled at how arcade patrons were more interested in 'brainless' games and less interested in those wonderful, clean pinball machines I had strategically placed in the large room. The coin box told the irrefutable story. New pinball machines purchased by operators still make up the majority of pinball sales. Checking Replay or Play Meter magazine will show you just how small the coin-op market share is for pinball. Thinking along these lines, I needed to check in on the business side of coin-op to put this news in context with the current market. I called my friend Rich in St. Louis. His experience in the industry is long-lived and he doesn't hold back the bitter truth.

The conversation ran long, and had me on several occasions pleading the case for pinball in a mock discussion to an invisible operator on the other end of the phone. It's funny how our conversations usually turn out that way. But this unknown reality that I was trying to define began to clear up for me. As I knew all along, the operator favors equipment that make them money. They also seek to fill their customers' requests whenever possible. The case for pinball is not strong, even without considering the economy. What operator is going to purchase a pinball machine when a similar priced self-redeeming "game" might earn five times as much? Sure, you have to re-load it with bouncy balls occasionally, but there is very little maintenance. Nothing compared to pinball machines. There are operators that continue to support pinball, that understand their return on investment due to the interest in pinball by hobbyists. But even those buyers are drying up in this tough economic time.

At this point, I realize that all coin-op sales are down. The few pins that are normally

sold are even fewer today. The reality, as sad as it is, has become clearer. This is the result of months of a failing economy. But, is pinball dead, dying, or on life support? I'm still not sure.

Mr. Stern, please tell me: Is pinball dead?

Gary Stern is a businessman. He's not a collector, an operator, or a hobbyist. Here's the most important fact to keep in mind though. Gary Stern believes in pinball as a viable coin-op product. I think we all can be thankful for that. Anyone else probably would have changed the name from Stern Pinball to Stern Redemption by now. When things are going good, I find myself not always in agreement with the line of thinking in the company. But in light of the current situation, I consider all of that nit-picky and moot compared to the alternative. I went to Gary seeking his perspective on the news of this layoff, and the future of pinball. I wanted to know if pinball is dead, dying, or on life support. When the call had ended, I felt better. I hated the outcome, but was glad that the business leader was confident and had a plan. Let me explain why.

In that conversation, it was made clear that the company had to do what was required to keep itself running. In times like these, when companies all over the US and the world are laying off hundreds (in some cases, thousands) of people, it should come as no surprise that Stern would have to do the same. If sales are down, income is down. A company has to re-size, or "right-size" to stay in business. This wasn't easy, but was necessary for Stern to stay in business as a pinball manufacturer. Gary put it this way, "The only reason this is a story is because we're in the pinball business. It is not an earth shattering event. We made some reductions in overhead, across the board in all areas."

When asked about the creative talent that was laid off, and the future of new pinball titles, Gary explained, "We know that we have the next 4 pinball machines designed, or well on their way to being designed. In some cases, laid out, mechanically finished and some of the software done. We're starting CSI, we started it today. The games after that are well on their way. So we have 4 games, or a year's worth of product, well on their way. So we right-sized our business." And when put into the context of all business, he added the following. "We're such a little piece of this story, I'm not sure it wards all of the attention that it's getting. We have a plan, the plan will work. If I didn't think it would

work, I wouldn't do it. I'm doing it because I believe in pinball and all of the people who are here believe in it."

We talked a bit more about the market, and the positive trend in small scale entertainment during these tough times. After the call, I felt temporary relief—the only pinball business in town, in the world, is in the hands of a businessman that loves pinball, and is motivated to keep it alive. I'm glad it *IS* a small business and not a corporation that would be likely to kill off pinball entirely and call it "right-sizing." I suppose that pinball would have been dead long ago had Gary Stern and his team not managed to create such a lean manufacturing environment to begin with.

After three conversations on the topic, I was satisfied that pinball wasn't dead at all. It was probably a little better off than what I had originally speculated at the beginning of the day, yet not far away from the emergency room. I just wondered why pinball had declined over the years. Collectors and other home game room people occasionally buy new machines when they have big money to spend. But why don't we see pinball in public anymore? What happened to pinball's image? It's on every Microsoft Windows XP computer – right? We still see an occasional pinball title for the console games.

Why do people hate real coin-op pinball?

Something happened a long time ago. I've talked about it many times and have analyzed it from several angles. Yes, video games came along and we're simpler to maintain ... and made more money! Pinball took a back seat and operators lost their faith. Soon afterwards, good coin-op video was gobbled up by great console systems in the home. Arcades died quick deaths and operators lost their faith in video. Then we had ramps on pinball and suddenly something new in pinball was worthy of a route investment. The Addams Family had a hand grabbing a ball, and a magical collaboration at just the right time renewed the operator's faith in the pinball product. When you're at the top, there is only one way to go. And down it went. The redemption machine crept up as a coin contender, much to the dismay to collectors all over the planet—who collects vintage redemption machines? And for the past 10 years, the only thing that really seems to get coins in the cashbox besides ticket spitters are video games with elaborate interfaces that can't be reproduced on the Xbox 360, PS3, or Wii. What has driven all of this change?



The person holding the quarters. Do they hate real mechanical action pinball? Or has the operator lost their faith in the product?

Let's get busy promoting pinball – NOW!

Like many of you, I have pinball machines in my home. We have them there because we either discovered or re-discovered just how fun pinball really is. And hopefully, you are sharing them with anyone that has an interest. Yes, they are big, and expensive. And if you can't afford to own one, you can still go find one and drop a couple of quarters to play. What's that you say? You can't find one anywhere around you? If you really want pinball, don't give up. Instead, pick up the phone and call locations around you that *should* have pinball (places to eat, places with other 'fun' things, places that make you wait) and request it. Look up *Amusement Devices* in the phone book, or on the internet, and call the operator closest to you. Ask them where they have pinball on location. Try to get the names of the machines. Ask them what machines they are buying. Make a request for a machine. All of this generates a genuine interest by you, the person with the quarters. But asking is far from enough. You have to go play those machines. Without that, you have wasted everyone's time, including your own.

You might be wondering if I actually practice what I preach. Of course I do, even though I have plenty of machines crammed in my basement! What I don't have is a *Family Guy*, a *Spiderman*, a Stern *Indiana Jones*, a *Batman*, or a *Shrek*. And even though I don't want to own a *Sharkey's Shootout*, I still manage to find one and try to post a score on it worthy of my initials. I want pinball to win. I want it to win in the home if people can afford it. I want it to win in public so I

can play it. I want to see people compete on it, even if it's only purpose is to knock off some unknown person who managed to post an unbelievable score. I want new pinball machines to be made. And I realize that I have to go ask for them, and play them when I see them.

What if pinball goes away?

The discussions on this particular topic moved well beyond the initial people I spoke with. Each time, discussion about complete pinball death seemed to yield a common conclusion. While this is something everyone can speculate about, it's important to consider this vital point. Should Stern Pinball decide to stop making pinball machines, and if the equipment that is used to produce pinball is separated and sold, the chances of someone ever collecting those pieces again to produce pinball machines are unbearably slim. While the construction of a new pinball manufacturing business could certainly happen, the cost to do so, from square one, would be one of the most difficult business models ever to try and finance. Looking at its share of the coin-op pie, I think most bankers would opt out.

In light of this dark moment for pinball, do something to promote it. If you don't, you really waive your right to complain about it if it goes away forever. **GR**

Many thanks to Rich Grant of Shaffer Distributing, Gary Stern of Stern Pinball Inc., and the many others that provided valuable content in the creation of this article. See www.playmeter.com for samples of industry reports. – Rob Craig

Rob can be reached at the usual places that have pinball machines, or at popbumper@gmail.com.