

Jered Gaspard
Clara Villain
Pauline Singh
Suresh Banothu

X-culture Project

Sacona India: US Domestic Market Entry Strategy

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Executive Summary

Sacona India, a competitor in the Indian arcade amusements industry, began operating in 2007 with offerings including a unique lineup of video game machines based on home video game consoles and several physical sports-based games in which the user's body is part of the action. Since 2012, Sacona has renewed its focus on these physical sports games, and is seeking entry into new markets to build the brand into an international name.

The firm sets itself apart from competitors through the self-developed high-quality mechatronics technology in its sports gaming products. By engineering the units around easily-accessible standard parts, overall service costs are decreased, reducing the products' total cost of ownership.

In this analysis we have given an overview of the arcade amusements industry from the standpoint of today's major players, and used their market research data to identify viable markets for Sacona's entry. After selecting the United States domestic market as the most potentially profitable market, we have given an overview of the general US economic situation, the arcade industry in the US, and its legal and regulatory environments.

We have recommended what we believe is the optimal mode of market entry--direct export--and identified a number of potential distributors in the US market that can help to get Sacona's products in front of consumers. After presenting a breakdown of logistics and trade regulations applicable to international commerce between India and the US, we have used the available pricing and regulatory information to recommend a specific product on which to focus--Dodge Ball--and a recommended pricing structure.

Finally, we have devised a marketing strategy that leverages digital marketing technology, promotional events to generate interest in the product among end-consumers, and trade show presence to launch Sacona's Dodge Ball onto the US arcade industry stage and help facilitate a successful market entry.

We are grateful for the opportunity to help Sacona take this important step as a firm, and hope that the information contained in this report will be helpful in building and executing a successful international expansion strategy.

Industry Analysis

Producers and consumers of 5d gaming devices and similar amusement machines exist throughout the world, from mainland China to India to the United States. Since, at the point of end-user interaction, these machines are often enjoyed alongside virtual reality cinema, traditional video arcade, and other similar technologies, we take into account forces that impact the larger electronic amusement machine industry as we consider Sacona's competitive arena.

Electronic amusement machines are found globally in settings that include amusement parks, family entertainment centers (FECs--fixed-location facilities that exhibit games and other forms of entertainment generally geared toward the 8-14 year old age range in the US), restaurants, cruise ships (many of which have entire floors outfitted much like FECs in the US), shopping malls, and traditional video arcades.

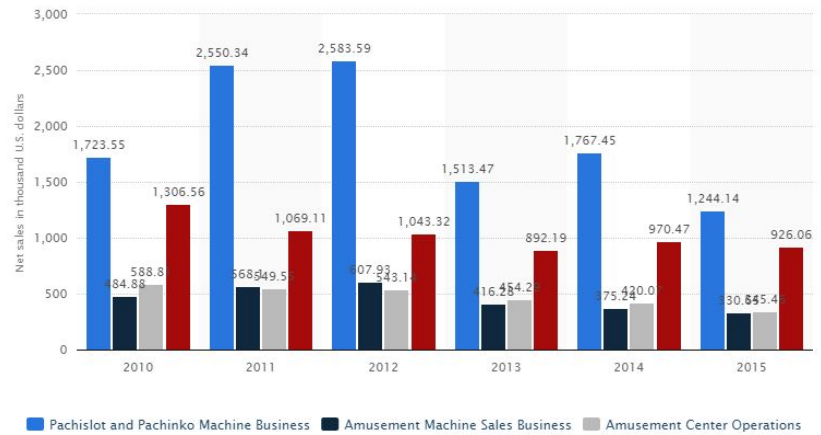
Video arcades--fixed facilities designed solely for the exhibition of arcade machines--were once a social nexus for youth and gaming culture. Since before the turn of the millennium, however, they have seen a general decline in global popularity. This decline is attributable in part to the rising popularity and advancing technical sophistication of home video game consoles, whose complex virtual social interactions have displaced those of the arcade (Krasselt 2016). It is also partially attributable to global economic changes, which have reduced overall disposable income in many developed economies (Stephen). For this reason, facilities dedicated exclusively to gaming are often less profitable than those whose focus is on some other revenue stream: bowling alleys with game rooms, go-kart tracks with interior arcades, or pop-up arcades in high-tourism areas are the most common setting in which amusement machines are found.

For venue owners, challenges to profitability are numerous. With amusement devices costing as much as \$40,000 and expected yearly revenue per machine in a successful venue reaching only \$6,000 US, the average payback period for arcade amusements can run over six years (Clark 2015). Because profitable machines undergo heavy use, maintenance costs can also have a severe impact on profitability. Because the industry's target age segment--the 8-14 year old--changes tastes rapidly, machines can easily reach a point of diminishing customer interest after only one year. These factors make it cost-prohibitive for most venue owners to purchase machines outright. For this reason, most firms that exhibit the devices do so through an arrangement with an *operator*--an upstream firm that leases the machines for a fee over a period of time in exchange for a percentage of the machine's proceeds (Cospers). These operators may also provide service contracts to cover maintenance costs, allowing the venue owners to reduce the revenue uncertainty associated with high maintenance costs (Bethel 2015). Operators include BMI

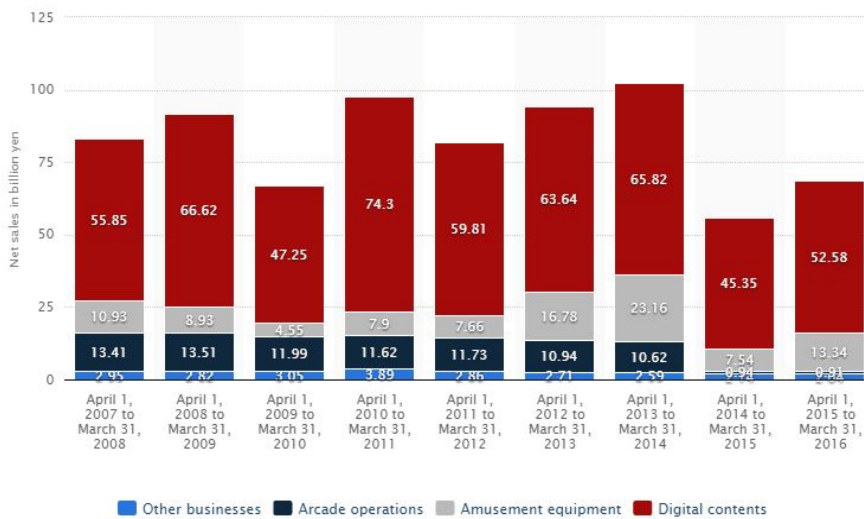
Gaming, Namco, Square Enix and many others; operators may provide machine leasing, facility design consulting, and may also design and manufacture the gaming software and hardware either in-house or through a subsidiary firm (as is the case with Namco).

Based on data available from arcade operators Sega Sammy Holdings and Capcom Amusements, amusement center operations are a small and declining segment of the operators' overall business portfolio. Sega Sammy's net sales in amusement center operations have declined from \$588 thousand to \$415 thousand US in the 2010-2015 period (Sega Sammy 2015).

Net sales of Sega Sammy Holdings from fiscal 2010 to 2015, by segment (in 1000 U.S. dollars)



Capcom's annual net sales in the fiscal years 2008 to 2016, by operating segment (in billion yen)



© Statista 2016
Source: Sega Sammy

Capcom's annual net sales reveal a similar trend, with its arcade operations business climbing to a solid 10.62 billion yen (\$101.9 million US at .0096 USD per JPN Yen) in 2014, tumbling to less than 1 billion yen (.91 billion, \$8.7 million US) in

Additional Information:
Worldwide; Capcom: April 1, 2007 to March 31, 2016

© Statista 2016
Source: Capcom

2015.

These data indicate that players in the international arcade operations industry are beginning to see declining returns in the arcade amusements area and are scaling back operations, focusing on other elements of their overall portfolio including digital contents and mobile gaming. As Sacona seeks to enter new markets, it should look for gaps left by these retreating market players that it can fill with its offerings.

Many countries have regulations that affect exhibitors of amusement machines. In France, a permit and payment of an annual tax are required. In the US, regulations will vary by state, with some overarching federal regulations applying to all products. It is likely that, in any country, 5d and live-action amusement machines will also be subject to safety regulations similar to those imposed on amusement park rides (roller coasters, etc.) through the same standards, regulatory, and enforcement bodies. In the US, the International Association of Amusement Parks and Attractions (IAAPA), in cooperation with the American Society for Testing and Materials (ASTM), promotes universal safety guidelines developed by the International F-24 Committee on Amusement Rides and Devices. These guidelines are often used in the drafting of state and federal legislation (IAAPA). Understanding of and compliance with these regulations will be key to competing effectively in any market, and will require research. For example, in 2008, the US Consumer Product Safety Commission (CPSC) imposed chemical composition requirements on materials used in building any amusement machine intended for children 12 and under. These requirements dictate acceptable levels of lead and other chemicals in the materials used (IAAPA).

Because of advances in home entertainment technology by industry players like Microsoft, Sony, and Nintendo, players are becoming desensitized to the experience of video arcade machines. With the same (or often much better) visual and gameplay experiences available within most discretionary budgets, arcade machine designers are constantly pushed to provide experiences that are not easily duplicated in the home with standard game console equipment. Virtual reality is one technological advancement that will likely change this competitive landscape. These devices typically include a head-mounted video display that reacts to the user's head movements and some other sort of user interface that allows the user to interact with the virtual world presented. As of 2015-2016, this technology has entered the home entertainment arena, making new types of interactive experiences and new levels of telepresence possible. It is possible that this technology will continue to influence the decline of the video arcade as a social setting as it continues to allow for more sophisticated user-to-user interactions.

SWOT Analysis of Sacona India

Sacona's competitors include Sega Amusements, Universal, InJoy Motion, Wahlap, and Namco Bandai, who compete as end-to-end manufacturers of amusement machines. These firms produce completed entertainment machines--the cabinet hardware, the gaming hardware, and the gaming software either in-house or through third-party licensing agreements with software developers. These firms typically distribute their product through distributors including BMI Gaming, Betson, Brady Starburst, and Legacy Distributors, whose customers typically include the owners of stand-alone arcades, family entertainment centers, or franchise chains of such establishments where the games are exhibited for consumer play.

Strengths

Sacona is focused on physical sports gaming, a niche of the entertainment machine industry where competition is currently much lighter than in other segments such as video arcade games or redemption games (Playmeter 2015). Indeed, industry publications such as Playmeter and Vending Times lack a product category that adequately describes physical sports games such as Sacona's Dodge Ball product.

As both a designer and manufacturer of its gaming products, Sacona leverages a wealth of internal engineering expertise to design, develop, test, and produce its entertainment machines. Sacona chooses to build its machines using standard parts available in any market, which helps to eliminate supply chain concerns during the service cycle and reduce total cost of ownership. By owning the end-to-end development of the product and adhering to these constraints, Sacona has honed its internal engineering talent as a source of competitive advantage. The firm's manufacturing relies heavily on locally plentiful human labor; its current capacity of 20 units per month can be rapidly scaled up to 200% as needed to meet demand.

Sacona's products have features that can take advantage of an internet connection, such as high score leaderboards. They will function, however, without an internet connection; this makes them usable in countries and areas where internet connections may not be readily available.

Weaknesses

As admitted by their CEO in an interview, Sacona's primary weakness is a lack of the marketing prowess needed to enter new markets (Taras). Business to business marketing can be a difficult skill to build within an enterprise, and can be further complicated when set in the context of international

business relations. Sacona must carefully consider whether to continue its B2B strategy or entertain the idea of marketing more individually to individual decision-makers; with a unique product in a niche space individual attention may create the interest needed to generate sales.

In comparison with industry players such as Sega and Namco, who have very appealing and graphically intense web pages with lots of information, Sacona's web presence is anemic; their web site contains very little information, and what is there is somewhat stale. Since in business to business marketing there are not as many ways to market the product as in business to customer marketing, Sacona may benefit from improvements to its web presence.

While Sacona's CEO boasts that the firm can produce up to 20 machines per month, this rate is not sufficient to compete at the scale of major industry players. Based on sourcing information found at Alibaba.com, many producers of 5d gaming machines are able to produce in the hundreds per month. Even with its ability to leverage inexpensive labor and scale quickly to 200% capacity, Sacona may not be able to supply its products as quickly as a large US or European B2B contract would require.

Opportunities

Because of the heavily competitive nature of the gaming market and the fact that the market is, in many countries, in a period of some decline, Sacona may need to innovate in its approach to new markets in order to create opportunities for success.

One potential approach would be to find markets less accustomed to arcade gaming but that, due to other factors such as a lack of alternative forms of amusement, may hold great potential for new and innovative types of entertainment. Restaurants and movie theaters in rural areas would be areas of opportunity or this type of market entry. In the US, Northern states with long, harsh winters may be areas of high customer interest. Similar areas exist in other countries as well--in Northern Europe and Scandinavia, which lack the penetration of Family Entertainment Centers, malls are a common indoor setting for young people to spend their time and may provide an opportunity for user exposure. Cruises, which are another popular endeavor in this part of the world, can provide a captive audience and considerable foot traffic for Sacona if they can negotiate the presence of a device.

Because Sacona controls its value chain--including the design and manufacturing of its products--it could consider leasing machines as a way to penetrate markets. While there are firms in most markets that lease amusement machines, Sacona could eliminate one entity in the downstream supply chain and increase its profits. In markets where adoption rates are uncertain, a lease program may help to lure risk-averse customers to the brand and help to get machines in front of users.

With Sacona focusing on sports-related physical gaming, opportunities likely exist within the spectator sports market, including stadiums and arenas where sports events are held. Because these venues are frequented by sports enthusiasts, physical sports gaming machines may enjoy a reasonable reception there.

In Europe--particularly in France--where Spring and Summer festivals draw massive crowds, there may be opportunities for Sacona to form a lease agreement with festival promoters in order to penetrate the market. This would provide a curious audience with heavy foot traffic to drive adoption.

From a technological standpoint, with the recent advances in virtual reality gaming technology, there may be opportunities for Sacona to draw on head-mounted displays and other physical device interfaces to create a more immersive end-user experience while simultaneously driving down the cost of their systems by replacing large LCD monitors with small high-definition head-mounted displays.

Threats

While virtual reality may, in some ways, present opportunities for Sacona to increase its profits by reducing its variable costs, failure to capitalize somehow on this technological advancement may have a negative impact on the firm's market performance. The arcade machines segment of the entertainment machine industry competes fiercely with home video entertainment for customer wallet share, but does so by providing a more immersive experience than a user can expect from their home TV system. With the advances in virtual reality gaming in the home, the ability of arcade machines--even live-action arcade machines--to provide a more immersive experience to users will be compromised and their attractiveness within the larger video entertainment market could be impacted.

Market Selection and Analysis

In order to select the most potentially profitable market for entry, a set of relevant criteria were developed to facilitate a data-based selection process. These criteria include:

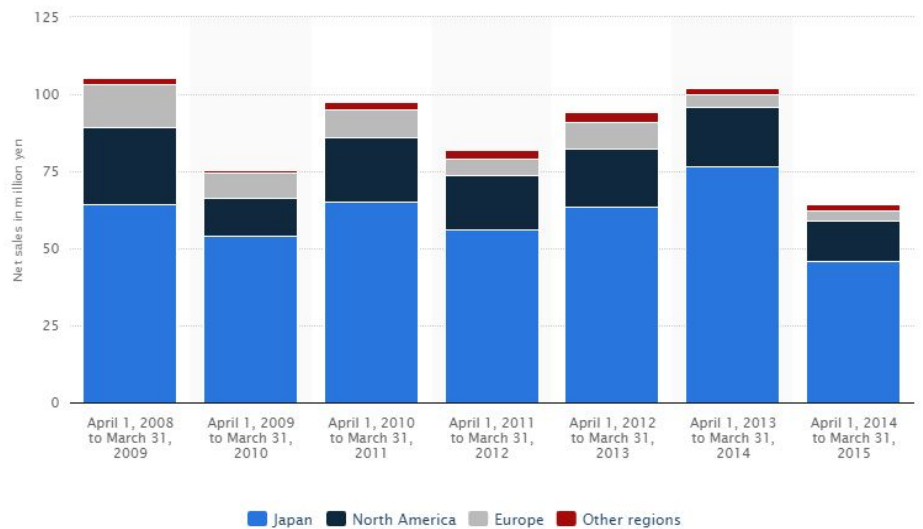
- Market share of current industry sales
- Market's current consumption of arcade entertainment
- Per capita disposable income within the market

Again considering data

available from Capcom and Sega Sammy--major players in the arcade amusements and video game industries--we can see what markets are currently the largest in terms of industry sales. Based on Capcom's sales data from 2008-2015, the North American market is the second-highest consumer of arcade and video game products behind Japan. Following behind

North America is Europe, which consumed roughly 1/4 the US volume of Capcom worldwide sales.

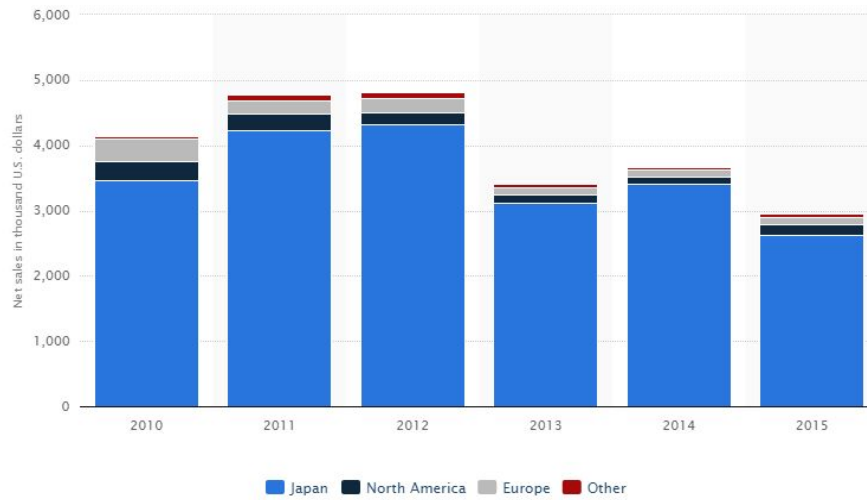
Capcom's net sales in the fiscal years 2008 to 2015, by region (in million yen)



Additional Information:
Worldwide

© Statista 2016
Source:
Capcom

Net sales of Sega Sammy Holdings from fiscal 2010 to 2015, by region (in 1000 U.S. dollars)



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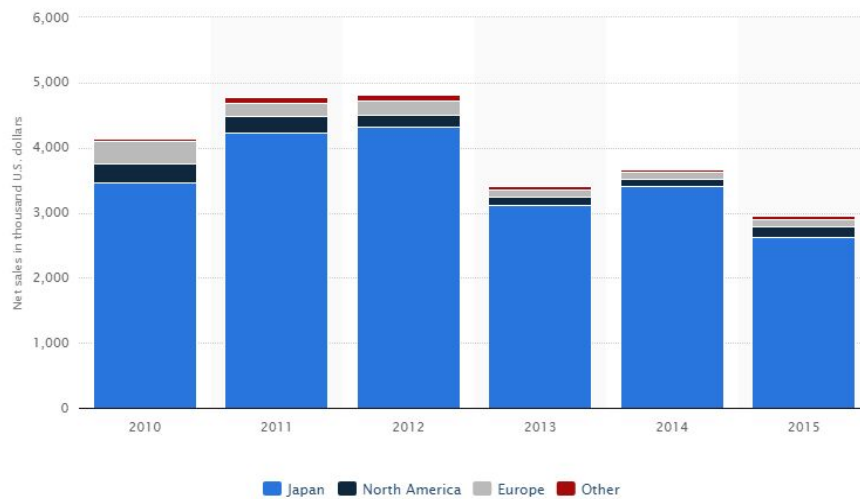
Additional Information:

Worldwide; Sega Sammy; April 2009 to March 2015; sales to third parties

Source:
Sega Sammy

Sega Sammy's sales tell a similar tale, except with North American and European sales nearly on par with one another, again behind Japanese sales by a massive margin.

Net sales of Sega Sammy Holdings from fiscal 2010 to 2015, by region (in 1000 U.S. dollars)



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Additional Information:

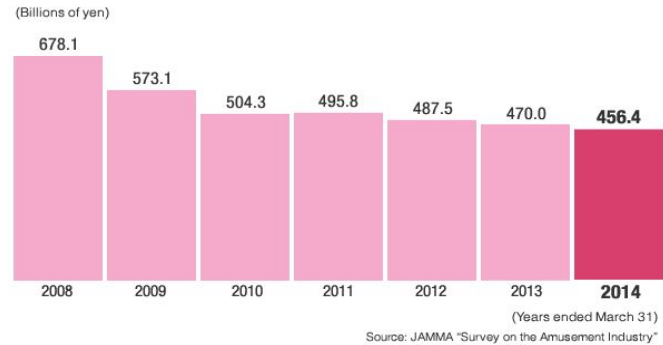
Worldwide; Sega Sammy; April 2009 to March 2015; sales to third parties

Source:
Sega Sammy

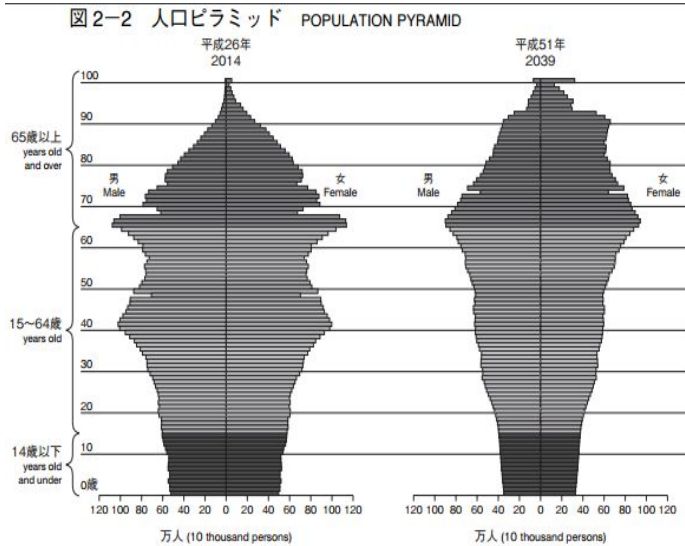
Based on these sales data, the top candidates for Sacona’s market entry seem to be the North American market (specifically the U.S.) and the Japanese market. In the next section we will consider these markets in greater detail.

Japanese Market

Based on data available from the Japan Arcade Machine Manufacturer’s Association (JAMMA), the Japanese amusement arcade industry has been in a slow but steady decline since 2008. As of 2014, industry revenues were 456.4 JPY, or approximately \$4.3 billion US.



http://www.capcom.co.jp/ir/english/company/business_seg.html?tab=2



第2-2及び2-7表参照。See Table 2-2 and 2-7.

Capcom attributes these declining margins to increased consumption taxes, the declining Japanese birth rate, and increased penetration of smartphones consuming wallet share once occupied by arcade machines.

Data from the Japanese statistics bureau also show a minimal increase in personal disposable income--roughly 6%--over the 2012-2016 time period, indicating general stagnation in terms of household income available for machine amusements.

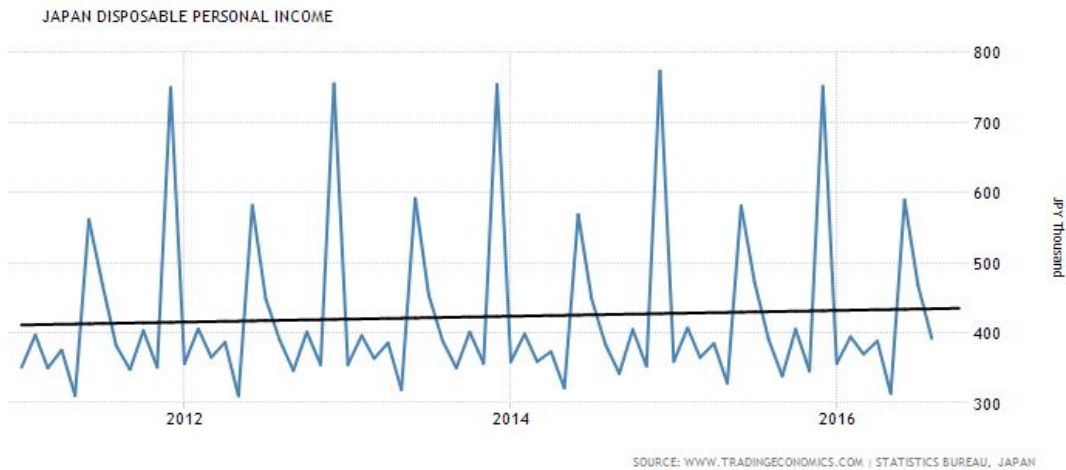
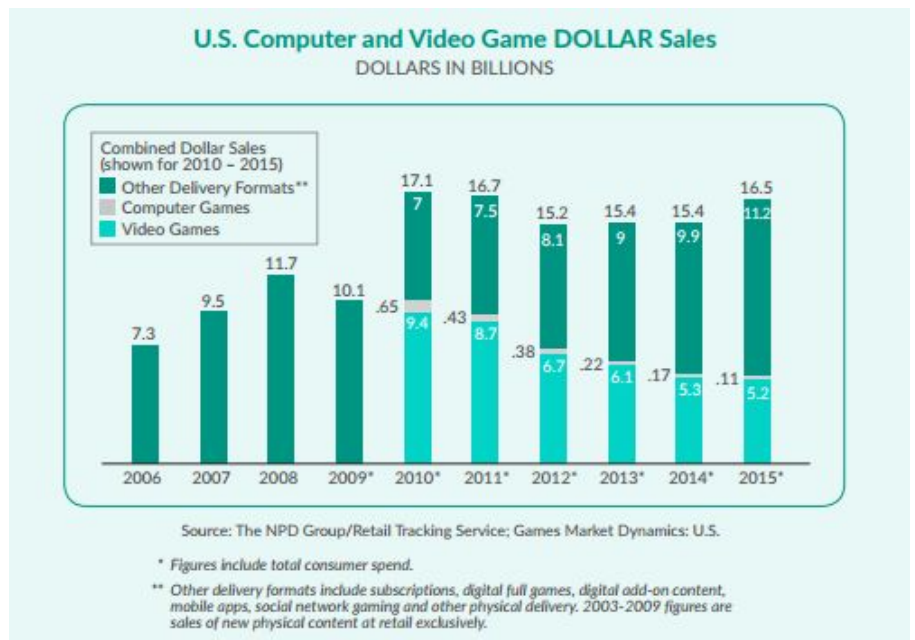


Image credit <http://www.tradingeconomics.com/japan/disposable-personal-income>

The US Market

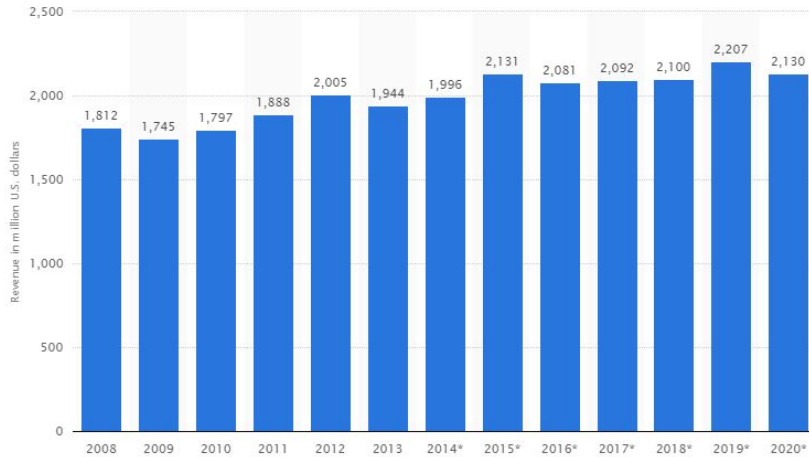
The US computer video game market as a whole has shown growth between 2012 and 2015, although its peak was in 2010 at \$17.1 Billion US. Of 2015's total computer and and video game expenditures--\$16.5 billion US in total--video games comprised \$5.2 billion US, or roughly 31.5% based on available information from the US-based Entertainment Software Association.

Image credit:



<http://essentialfacts.theesa.com/Essential-Facts-2016.pdf>

Revenue of amusement arcades (NAICS 71312) in United States from 2008 to 2020 (in million U.S. dollars)



Additional Information:
United States; 2008 to 2013

© Statista 2016
Sources:
Statista; US Census Bureau

Within the \$5.2 billion US present in the computer and video games market is some portion of a \$2.1 billion spend within the amusement arcades industry. These revenues are forecast to remain roughly the same through the year 2020 by the US Census Bureau.

Image credit: US Census

Bureau

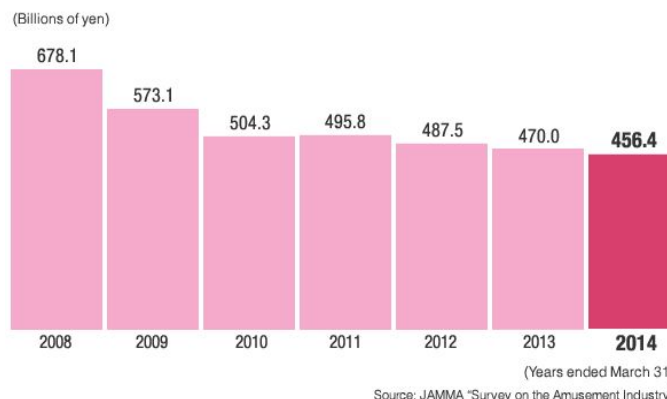
According to the U.S. Bureau of Economic statistics, US disposable income has risen steadily by nearly 17% in the 2012-2016 time period.



SOURCE: WWW.TRADINGECONOMICS.COM | U.S. BUREAU OF ECONOMIC ANALYSIS

Our Recommendation

Based on the available information, if current trends continue in Japan long-term, the overall amusement arcade market year-over-year decline averaging approximately 4.6% will bring total market revenues to approximately \$3.3 billion US by 2020, when US amusement arcade revenues will reach 2.1 billion US. Beyond 2020, if both trajectories continue, the 2020-2030 timeframe will see US amusement arcade revenues overtake those of Japan. Based on the available data, we recommend that Sacona consider entry into the US market.



US Arcade Amusement Market Analysis

General US Economic Situation

The United States Gross Domestic Product (GDP) is forecast to grow to \$20.2 trillion US by the year 2020. During that time, the growth rate is forecast to remain steady at 2 percent (tradingeconomics.com 2015).

In the United States, the 5-14 year old age group--generally considered to be the target market for the family entertainment centers where arcade amusement machines are exhibited--contains nearly 40 million males and females, which will likely remain somewhat static over the next 10 years. From Sacona's perspective, these individuals will not be their customers--but they will be the end-users of Sacona's products in the US market.

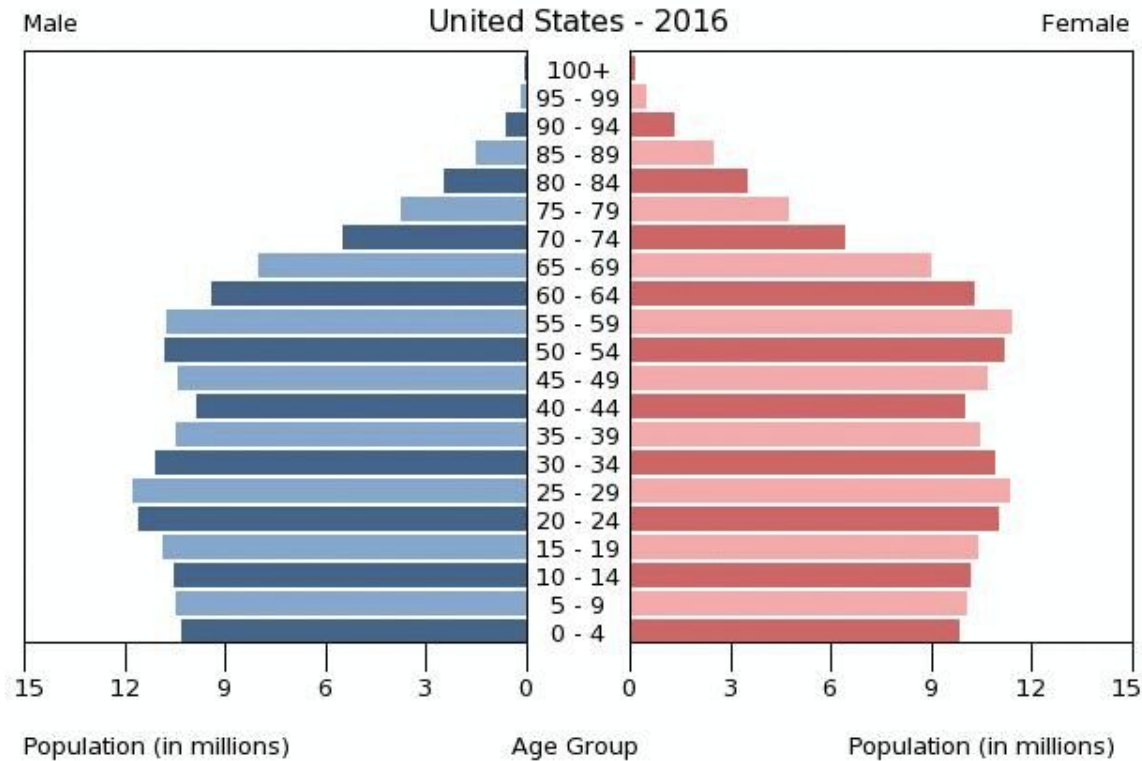


Image credit: http://www.indexmundi.com/united_states/age_structure.html

Also notable is the fact that many in the industry feel the general customer demographics are beginning to shift. Randy White, CEO of White Hutchinson Leisure and Learning Group believes that “Profitable FEC-type concepts [Family Entertainment Center] will be focused on adults in upscale social gathering spaces” (IAAPA).

Amusement Arcade Industry

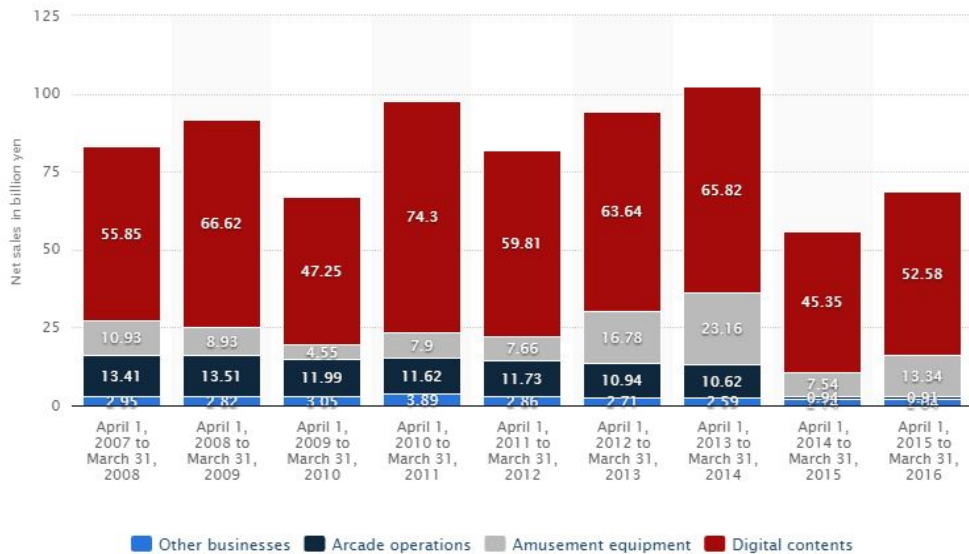
As described in section 1, owners of arcade venues face many obstacles to profitability, one of which is the rapidly changing tastes of the target market. As a result, arrangements with arcade operators and amusement machine leasing companies are ubiquitous among successful market players. These arrangements allow the venue owners to rotate to newer machines and keep players interested.

Major US arcade machine leasing companies include Monkeys Arcades, BMI Gaming, The Pinball Company, Primetime Amusements, and several others. As Sacona moves to enter the US market, its targets will be these leasing and arcade amusement operating companies.

Main competitors to Sacona will include not only the arcade amusements industry, but all forms of video entertainment that compete in the market for wallet share. According to the US Entertainment Software Association, 155 million Americans play video games, and 4 out of 5 US households contain a

device used to play video games. Mobile gaming is also a rapidly-growing market in the US, which is expanding into the wallet share of arcade amusements. Referring again to Capcom’s annual net sales--this time by operating segment--”digital contents,” including mobile games and other web-based content, are nearly 80% of the company’s overall sales.

Capcom's annual net sales in the fiscal years 2008 to 2016, by operating segment (in billion yen)



© Statista 2016

Additional Information:

Worldwide; Capcom; April 1, 2007 to March 31, 2016

Source:

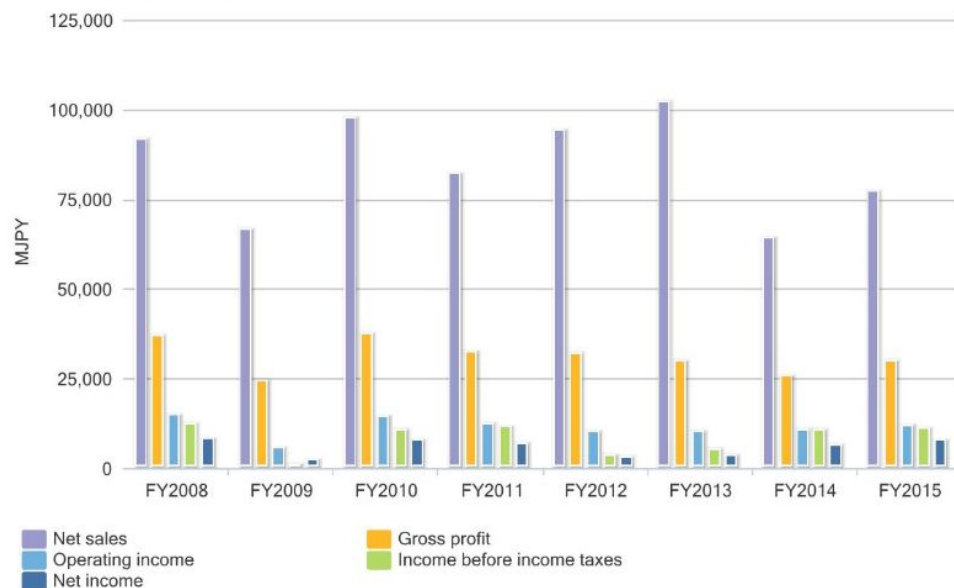
Capcom

“The better digital entertainment and social options become, the higher the fidelity of the FEC experience has to be to get people out of their homes,” says Randy White. With the advent of virtual reality gaming, increasing availability of high-speed internet, and falling costs of advanced in-home gaming experiences, Sacona will have to keep careful watch over this particular threat.

Sacona’s main competitors for this wallet share will include arcade amusement giants--Namco, Capcom, Activision, and others. Many of these firms have deeply-integrated end-to-end operations that encompass nearly the entire supply chain from manufacturing hardware to writing software code to distributing completed machines as arcade operators and leasing agents. This gives the firms considerable leverage within the market, and will put Sacona at a disadvantage in terms of market penetration.

That said, because these are larger companies they also carry substantial overhead. Capcom, for example, has a return on sales of only 9%. If Sacona can maintain its current level of flexibility and keep overhead low, it should be able to compete in the US market.

Statement of Income



		FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015
Net sales	MJPY	91,878	66,837	97,716	82,065	94,075	102,200	64,277	77,021
Gross profit	MJPY	36,917	24,497	37,344	32,456	32,163	29,949	25,898	29,846
Operating income	MJPY	14,618	5,587	14,295	12,318	10,151	10,299	10,582	12,029
Income before income taxes	MJPY	12,448	1,124	10,807	11,425	3,719	5,315	10,701	11,150
Net income	MJPY	8,063	2,167	7,750	6,723	2,973	3,444	6,616	7,745

Supplied by © Euroland.com

Image credit: <http://www.capcom.co.jp/ir/english/finance/generators.html>

Regulatory & Legal Environment

As Sacona moves into the US regulatory environment, it will need to be mindful of intellectual property laws and enforcement mechanisms. By using home entertainment devices as part of some offerings, Sacona may be exposing itself to legal risks that differ in each country. Even if agreements are present in India to allow Sacona to manufacture and exhibit its machines, those agreements likely will not provide protection for similar exhibition in the US, where in-home gaming devices are a major market. As with other forms of entertainment--including sports telecasts--the right to public exhibition is reserved for the copyright owner and is never transferred to any buyer without express written consent.

In the US FEC market, insurance requirements and federal minimum wage increases may also squeeze profitability for many players. While the domain of FEC regulation is ultimately confined to state governments, many states have either enacted or considered legislation to regulate FECs through the same

mechanisms as casinos. This could increase regulatory risk and administrative overhead for venue owners, amusement operators, and manufacturers alike.

Sacona should also be aware of amusement ride safety standards administered by US and international organizations, as FECs endure constant liability exposure as a result of these standards. Remaining up-to-date will require legwork and administrative expense. As an example, as of 2008, the CPSC has imposed chemical composition requirements on materials used in building any amusement machine intended for children 12 and under. This may be a factor in addressing the US market (IAAPA).

Mode of Market Entry

In selecting a mode of entry into the US market, it is critical to consider Sacona's strengths and weaknesses. Sacona has focused for the past 4 years on its physical sports gaming products, which share many characteristics of the typical offerings seen in US Family Entertainment Centers such as Chuck E. Cheese or Dave and Buster's. Sachin Bharadwaj, CEO of Sacona, feels that the firm is a niche player in the sports arcade amusements space, and says that Sacona's overall focus is on innovation in engineering the mechatronics technology used in the sports machines. The machines themselves are generally priced at a lower price point than most of their competitors--1 million Indian Rupees or roughly \$15,000 US, a bit lower than most of the firm's many Chinese competitors. Sacona's engineers make it a design goal to use industry standard parts in their products, making them easily serviceable both domestically and internationally and making them transportable using any available transport routes without any special exceptions or declarations.

Despite its many strengths, Sacona's CEO admits that his firm is lacking in the global marketing expertise it would need to compete successfully in an international context. The company is also slow to release new products, so its overall product offerings go largely unchanged in the short term.

Bharadwaj has stated that his company would like to engage its new market via business-to-business (b2b) sales, and would like to partner with established suppliers in target markets, be included in those suppliers' existing promotions, and participate in exhibitions and trade shows in the market (Taras 2016).

Overview of Available Modes of Entry

Under consideration are three modes of market entry for the US domestic market:

Mode	Advantages	Disadvantages
Licensing	<ul style="list-style-type: none"> ● Allows Sacona to take advantage of production capacity in large US manufacturers ● May reduce liability risk as Sacona will not be manufacturing the devices ● Can help to limit losses resulting from manufacturing process inefficiency, wastage, or defect liability 	<ul style="list-style-type: none"> ● Risk of intellectual property theft as Sacona shares their manufacturing and engineering processes with other firms ● With royalties as the only foreign revenue stream, market share can quickly be lost to imitators ● Only really viable for physical sports products, not for arcade game machines
Indirect Exporting	<ul style="list-style-type: none"> ● Allows Sacona to focus on their strengths--innovative design and engineering ● Leverages export management company's marketing expertise ● Provides a reliable introduction to unfamiliar markets 	<ul style="list-style-type: none"> ● Does not increase Sacona's global marketing expertise ● Often requires high commission fees - decreased profits per sale ● Reduces direct contact with customers
Direct Exporting	<ul style="list-style-type: none"> ● Allows Sacona to leverage existing flexible and low-labor-cost fabrication processes ● Keeps Sacona close to its US distribution partners so they can be aware of changing needs in the market ● Better protection for intellectual property ● Builds Sacona's global marketing base of knowledge 	<ul style="list-style-type: none"> ● May require more resources than other methods ● Sacona will be subject to liability laws in the US ● Servicing US customers may require additional resources due to time zone differences (scheduling staff during after-hours)

Our Recommendation

While licensing their technology for manufacture in the US might be a viable strategy for its physical sports games, other Sacona products may not enjoy any advantages through this model and would likely not be candidates for overseas production; the home game console-based nature of the video game units would make them easy targets for design theft, which could further discourage licensees from pursuing relationships. If Sacona were to isolate the scope of their foreign marketing efforts to their physical sports games, however, licensing would be a highly viable strategy to reduce the transportation cost and potentially the manufacturing liability associated with doing business in the US market.

Indirect exporting would allow Sacona to enter the US market directly or through an export management company (EMC), who would be responsible for finding appropriate US-based distributors and marketing arrangements. The EMC would survey their partners and provide sales forecasts, then facilitate logistics for completed products to satisfy orders. All of these benefits, however, command a price, and Sacona would not have the benefit of building its base of internal global marketing expertise.

While licensing and indirect export would offer Sacona some opportunities in the US market, *we recommend Sacona enter the market via direct export*. Through direct exporting to a US-based distributor, Sacona will strike the optimal balance between profitability and sales volume. With a minimal up-front investment, Sacona will have access to an established sales channel and an opportunity to work directly with the distributor in the process of marketing their products to end-users. By forging an exclusive distribution contract with a successful distributor, Sacona and its distributor can share in both the risk and the potential of the contract. Sacona's sports games are indeed unique, both in terms of their large footprint and their overall design; they can serve as centerpieces in FECs and arcades, and have the potential to draw large crowds of onlookers, generating "buzz" and market demand (Ball et al 2013).

A typical distribution markup in the US is 20%, so Sacona should expect that the wholesale price of its products to the venue owners will be 20% higher than its sale price to the distributor (Gray 2012).

The distributors listed here are among the top in the US arcade amusement machine distribution industry. Each has many years of experience in marketing and distribution, and service successful and reputable entertainment venues that could provide a solid audience for Sacona's products and a large base of potential customers.

Potential Distributors

BMI Gaming

BMI Gaming is a worldwide company whose US offices are based in Boca Raton, FL. The distributor carries traditional game types--billiards, foosball, dartboards, etc.--as well as arcade cabinets and sports arcade games. BMI's sports offerings include:



Half Court Hoops by Family Fun
Companies

\$3575

Up to 30 units linkable via data
cable for competitive play



i-Bowl+ by Impley Electronic
Technologies

\$8975

Available in 13 or 22 foot versions



iFight by Impley Electronic
Technologies

\$2975

BMI's current customers include Chuck E. Cheese, Dave & Buster's, Celebration Station, and Malibu Grand Prix family entertainment centers, as well as over 100 other established venues including restaurants, resorts, hotels, and amusement parks.

In addition to outright sales and sales financing, BMI Gaming offers equipment lease programs. These programs provide leasing arrangements for 24, 36, 48, or 60 month lease terms with a 2-month down payment at 8% interest. Under these programs, venue owners are able to keep their exhibitions "fresh" and their customers interested.

David Young is BMI Gaming's Global Brand Manager, and is responsible for directing inbound queries for distribution contracts..

David Young, Global Brand Manager

Phone: 561-391-7200 ext 105

Email: david@bmgaming.com

Alibaba.com

Alibaba is a web-based retailer located in China that provides a robust business-to-business exchange platform with a web portal as the primary mode of interface between buyers and sellers. Alibaba is a highly successful firm, with a net income of \$11.24 billion US on \$15.9 billion US in sales (roughly 70% return on sales). Among its thousands of b2b product offerings, Alibaba.com is a ready supplier of arcade machines through its website, with over 1609 products sold in its “coin operated games” category, including those pictured below.



Alpine Racer Skiing Arcade Game
Machine

\$9500



LSJQ-334 Ultimate Big Punch
Simulator

\$10,000



Oculus 9D VR Simulator Game
Machine Arcade Movie Theater

\$25000

Alibaba serves as an upstream wholesale outlet for video game machines, with most of its customers seeking to purchase units in quantity for distribution. For example, the Request for Quote below from a US-based purchaser is requesting 1000 units of a tabletop cocktail-style arcade game cabinet. Businesses like Sacona are invited through Alibaba.com to provide quotes to fill such orders. Alibaba charges a 10%

fee on transactions made through its service, which should be considered in pricing items sold in its marketplace.

Coin Pusher Type NEW ARCADE MACHINE TABLETOP COCKTAIL JAMMA VIDEO GAME 60 in 1



Quantity Required: 1000 Pieces
Time Left: 17D 10H
Date Posted: 2016-10-16 (U.S. Pacific Standard Time)
Posted in: United States

Availability: 9

[Quote Now](#)

Looking to source similar products? [Post a Buying Request](#) to get quotes

Buyer Business Card

No Company Name

[Email Confirmed](#)

[Active Buyer](#)

Business Type: Other

Country/Region: United States

Contact Person:

[Want to view now?
contact us](#)

In order to sell products on Alibaba.com, a supplier account must be created. There are four packages--a free package that allows a seller to post up to 50 products, and three tiers of paid “gold” supplier memberships that offer unlimited product listings and place the supplier’s products higher up in buyer’s search results. Higher tiers of membership also allow the supplier to use the site’s “showcase” function, which prominently displays items from their lineup in conspicuous positions for buyers browsing the site. Gold supplier memberships begin at \$5000 US per year.

Alibaba’s strength is its robust portal functionality, which allows end-users to address its entire service offering via PC. In order to sell products on Alibaba, Sacona would simply browse to <https://www.alibaba.com> and create a seller account via the user interface.

Discount Arcade

Discount Arcade Distributing, Inc. is located in Fort Worth, Texas and has been operating since 1992. In addition to both retail and wholesale amusement machine sales, Discount Arcade also offers machine parts and service, machine reconditioning services and finder services for those seeking hard-to-find amusement machines.

Discount Arcade’s offerings include arcade games, electronic dart boards, pinball machines, foosball, billiards, jukeboxes, soda and candy vending machines, and physical sports amusement machines.

Typical offerings include:



Andamiro Penalty Shot

\$6250



Skee Ball Nothin' but Net

\$48,995



Andamiro Dragon Punch

\$4995

Note that this product has a similar physical footprint to that of Sacona's Dodge Ball product

Discount Arcade has over 35,000 feet of showroom space in their Fort Worth, TX location, which would allow them to display a fully-functional Sacona machine for exhibition to the local arcade amusement market. Discount Arcade can be reached at:

Discount Arcade Distributing
5144 SE Loop 820
Fort Worth, Texas 76140

800-890-2393

Monkeys Arcades

Based in Chicago, Illinois, Monkeys Arcades is a major distributor of arcade amusements and vending machines. Monkeys services include not only sales of amusements but also refurbishment, consignment sales of customer games, repairs and service, cost-free FEC planning (including design assistance and game selection), and financing.

Monkeys offers traditional arcade games as well as pinball, foosball, photo booths, ping-pong tables, jukeboxes, billiards, air hockey, popcorn machines, and sports arcade amusement machines. These offerings include:



Striker Pro Soccer Simulator

\$14,052.66



Free Throw Frenzy Basketball

\$4595



NBA Hoops Basketball

\$6198.66

Monkeys offers free shipping on all items, and credit incentives such as no payments + no interest for 6 months on purchases of \$99 or more. Monkeys Arcades can be contacted via the following:

Monkeys Arcades
Oswego, IL 60543

877-FUN-APE1

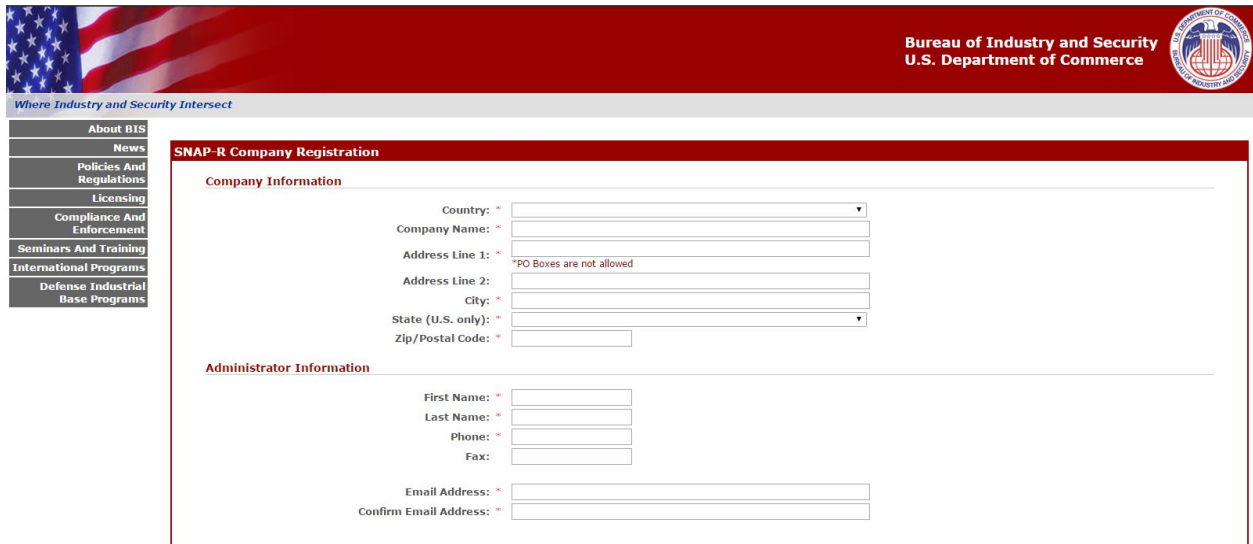
sales@monkeysarcades.com

Logistics and Trade Regulations

Sacona's manufacturing facilities are located in Bangalore, India. There are only 2 available transportation methods between India and the US--air and sea. Based again on information provided by Sachin Bharadwaj, the average packaged dimensions of a Sacona gaming device are 289 cm x 198 cm x 198 cm and 250 kg. According to worldfreightrates.com, this is considered oversized for air freight and no carriers will be willing to transport these items via air. This leaves sea transport as the only viable method for exporting Sacona devices to the United States. In addition to this logistical restriction, Sacona must be aware of any import restrictions and requirements in effect in the United States.


Fortunately, arcade amusements and components will typically be classified using Export Control Classification Number (ECCN) EAR99, which indicates low-level technology and consumer goods. These goods do not require any special import licensing in most situations (U.S. Department of Commerce 2012).

The first step in exporting to the US will be for Sacona to obtain a CIN (company identification number) online at <https://snapr.bis.doc.gov/registration/Register.do>.



The screenshot shows the 'SNAP-R Company Registration' form on the Bureau of Industry and Security (BIS) website. The header includes the BIS logo and the text 'Bureau of Industry and Security U.S. Department of Commerce'. A navigation menu on the left lists various categories such as 'About BIS', 'News', 'Policies And Regulations', 'Licensing', 'Compliance And Enforcement', 'Seminars And Training', 'International Programs', and 'Defense Industrial Base Programs'. The main form area is titled 'SNAP-R Company Registration' and is divided into two sections: 'Company Information' and 'Administrator Information'. The 'Company Information' section includes fields for Country (a dropdown menu), Company Name, Address Line 1, Address Line 2, City, State (U.S. only), and Zip/Postal Code. A note indicates that PO Boxes are not allowed. The 'Administrator Information' section includes fields for First Name, Last Name, Phone, Fax, Email Address, and Confirm Email Address.

A valid CIN will enable Sacona to register online and request their official ECCN using the Simplified Network Application Process - Redesign (SNAP-R) system at <https://snapr.bis.doc.gov/snapr/>.



SNAP- R

Bureau of Industry and Security
U.S. Department of Commerce

ABOUT SNAP-R
BIS Home
SNAP-R FAQ
NEWLY RELEASED!
STELA

WARNING WARNING WARNING WARNING WARNING WARNING WARNING WARNING WARNING

USE OF THIS SYSTEM IS RESTRICTED AND MONITORED !!!

You are accessing a U.S. Government information system, which includes: 1) this computer; 2) this computer network; 3) all computers connected to this network, and 4) all devices and storage media attached to this network or to a computer on this network. You understand and consent to the following: you may access this information system for authorized use only; you have no reasonable expectation of privacy regarding any communication of data transiting or stored on this information system; at any time and for any lawful Government purpose, the Government may monitor, intercept, and search and seize any communication or data transiting or stored on this information system; and any communications or data transiting or stored on this information system may be disclosed or used for any lawful Government purpose.

Unauthorized use of the system is prohibited and subject to criminal and civil penalties.

WARNING WARNING WARNING WARNING WARNING WARNING WARNING WARNING WARNING

Login to SNAP-R

Login ID

Password

CIN (Applicant ID)

[Register online for a SNAP-R account](#)

In addition to carrying no specific licensing or certification requirements for import to the US, Sacona's offerings will also not be subject to import tariffs. According to the US Harmonized Tariff Schedule, coin operated amusement machines fall under heading 9504.30, and are imported duty free (U.S. International Trade Commission 2016).

Harmonized Tariff Schedule of the United States (2016) Supplement-1
Annotated for Statistical Reporting Purposes

XX
95-4

Heading/ Subheading	Stat. Suf- fix	Article Description	Unit of Quantity	Rates of Duty	
				1 General	2 Special
9504		Video game consoles and machines, articles for arcade, table or parlor games, including pinball machines, bagatelle, billiards and special tables for casino games; automatic bowling alley equipment; parts and accessories thereof:			
9504.20		Articles and accessories for billiards of all kinds:			
9504.20.20	00	Balls.....	No.....	Free	50%
9504.20.40	00	Chalk.....	No.....	Free	25%
9504.20.60	00	Tables.....	No.....	Free	33 1/3%
9504.20.80	00	Other, including parts and accessories.....	X.....	Free	33 1/3%
9504.30.00		Other games, operated by coins, banknotes, bank cards, tokens or by any other means of payment, other than automatic bowling alley equipment; parts and accessories thereof.....		Free	35%
	10	Video.....	X.....		
		Other:			
		Games:			
	20	Pinball machines and bell-type machines and consoles.....	X.....		
	40	Other.....	X.....		
	60	Parts and accessories.....	X.....		
9504.40.00	00	Playing cards.....	pack.....	Free	10c/pack + 20%
9504.50.00	00	Video game consoles and machines, other than those of subheading 9504.30, and parts and accessories thereof..	X.....	Free	35%

Many of Sacona’s machines are physically large, and so shipping costs must be considered in making pricing decisions. According to Pitney Bowes, Inc., a leading shipping provider in the US, the total landed cost of the average Sacona device costing \$15,000 US is approximately \$17893.96 US, including the price of the unit, estimated sea freight shipping costs, insurance, and merchandise processing (Pitney Bowes).

Sacona may be able to offset shipping costs by shipping more units in a single load. In a 40 square foot shipping container, Sacona can place an average of 4 products packed for shipping. The table below illustrates landed cost savings available by placing more products in a single container.

# shipped	Item cost	Shipping cost	Insurance cost	Processing Fee	Total Cost	Cost per unit
1	\$15000	\$2822	\$20	\$51.96	\$17893.96	\$17893.96
2	\$30000	\$2822	\$40	\$51.96	\$32913.96	\$16456.98
3	\$45000	\$2822	\$60	\$51.96	\$47933.96	\$15977.99
4	\$60000	\$2822	\$80	\$51.96	\$62953.96	\$15738.49

The reason for this difference is that shipping costs are incurred with the base unit being a 40 square foot shipping container. Shipping less than a complete load--termed “LCL shipping”-- comes at a higher cost per shipped unit than full container load--”FCL”--shipping.

Prior to shipping, the device must be crated and palletized to protect it during transport. While complete requirements may vary by carrier, the following example from Federal Mogul, Inc. give an overview of what documents and packing are required to prepare a device for export to the United States (federalmogul.com).

- Invoice
 - Must include complete descriptions for all included parts
 - Must include harmonized Tariff Number (9504.30)
 - Quantity for each included item
 - Value of each item
 - Extended value for quantity of each item included in shipment
 - Country of origin
 - Currency
 - Incoterms (International Commercial Terms of the invoice) that dictate the transference of risk and cost negotiated between Sacona and the distributor
- Packing list
 - Must provide part numbers of all parts in the shipment
 - Should reference the pallet number associated with each part number (if there are multiple pallets in the shipment)
 - Must include net weight and gross weight of the shipment
- Bill of Lading
 - Must include a description of the goods
 - Must be signed by a company representative at the origin of the goods
 - Must include date and port of lading
 - Must include the number of pallets and packages
- Crate/Pallet requirements
 - Wood used must be heat treated to 56 degrees celsius for 30 minutes, or fumigated using methyl bromide

Foreknowledge of expected transportation costs will be critical for Sacona to make informed pricing decisions. Using the above information as a guideline should help the firm to judge and affirm the pricing recommendations in the following section.

Pricing and Service Support

Product Choice

Sacona desires to enter a new market directly, without licensing its technology to another brand, in order to build its own brand recognition within that market. Sacona is also focused on its live-action sports amusements products, which directly leverage the firm's mechatronics developments, a major element of its competitive advantage. Because of these goals, it is important that Sacona enter the market with an attractive, unique, attention-grabbing product that represents its strengths.

Based on similar offerings through nationwide distributors outlined in Section 4, it is clear that, while there exist other sports game products in the US arcade amusements market, none are quite as unique as Sacona's Dodge Ball. In addition to its unique mechanics and premise, the Dodge Ball product commands a substantial footprint in terms of facility floor space. These characteristics position Sacona's Dodge Ball as a product that can serve as an Entertainment Center's main attraction, creating a focal point within the facility to help direct foot traffic and allowing for the creation of spectacular marketing materials and venue designs.

Pricing

With an initial price of \$18,000 US and a total landed cost of roughly \$25,000 (including shipping and insurance, shipped Carriage and Insurance Paid [CIP] from Chennai, India to Seattle, Washington, US), a typical distributor's cost after a 20% markup will be \$30,000. Once the product enters distribution and is sold to an exhibitor it will generally sell at an additional 25% or \$37,500; this places Dodge Ball well below the price point of Skee Ball's "Nothin' but Net," which sells through Discount Arcade for \$48,995. If we consider these to be somewhat similar products, then we can be confident that Sacona's Dodge Ball product sold at or around the \$40,000 US price point will be competitive and compelling to the market.

Service and Support

In the arcade amusements industry, many manufacturers provide technical support for their machines during a warranty period of some kind, but most do not provide any assembly services for their units at the point of exhibition. Through direct conversations with BMI, we have learned that many manufacturers choose to make machines available *without* any warranty service at all, and sell it as an add-on or charge a per-incident fee to service customer issues. Because of the unique nature of the Sacona Dodge Ball machine, and the fact that it uses Sacona's self-developed mechatronics technology, it is recommended that Sacona provide both assembly services and a warranty period to the initial purchaser. Because distributors and operators may allow the unit to be leased, Sacona should also arrange for warranty packages for pre-owned machines that allow future owners to have access to the same levels of service and protection as the initial owners, at a higher price to compensate for higher risk of breakage as the machines age.

Sachin Bharadwaj says that the average assembly time for a Sacona product is 5.5 hours, which is a substantial time investment for an exhibitor; if a distributor does not provide these services using a skilled and specialized technical staff, the services can be outsourced to a technical support firm. Tech Support Today, a nationwide on-site technical support provider located in Boca Raton, Florida, can provide these services. They can be reached at:

Tech Service Today
4855 Technology Way
Suite 500
Boca Raton, FL 33431

800-973-2022

<http://www.techservicetoday.com/>

According to Paul Zogby, National Account Manager for Tech Service Today, the company charges a flat rate of \$105.00 per technician per hour and does not charge for the travel time it takes their technician to reach a client site. This would place the total cost of assembly services for a dodge ball unit at \$577.50, and the total cost, assembled, of the Dodge Ball unit to an exhibitor at \$38,077.50.

Today, Sacona provides 1 year of product support for each unit, which is factored into the unit's cost. Creating support packages in contract with a nationwide support firm such as Tech Service Today would enable a distributor to create financing and support packages whereby an exhibitor can finance a unit for a number of years, at a price that includes support and maintenance during the finance period. This allows the exhibitor to reduce their risk of ownership at a known cost.

For example, a distributor can offer the Dodge Ball game at a price of \$42,440, financed over 3 years at 2.5% interest. This price would include the initial 1 year of support, 2 additional years of phone support, and approximately 6 hours of maintenance per year at \$630.00 per year, marked up by 25%:

Item	Cost	Quantity	Total
Base Unit Sale Price	\$38,077.50	1	\$38,077.50
Additional years of phone support	\$1,000.00	2	\$2,000.00
Maintenance contract - flat fee	\$787.50	3	\$2362.50
Total Cost			\$42,440.00

At an APR of 2.5%, the monthly payments for the dodge ball machine would total \$1,224.88, and the total of all monthly payments would be \$44095.68. At a cost of \$2.00 per game, the Dodge Ball machine's break-even point would be at just over 20 plays per day. Additional support beyond the initial warranty period under an extended warranty contract should come at a slightly higher price to compensate for breakage risk as the machines age.

Promotion and Marketing

In order to get its products in front of its end consumers, Sacona must attract the attention of the downstream distributors whose channels those consumers--the owners and operators of arcade exhibition venues--will be using to procure machines for exhibition. Sacona will need to establish a presence within several channels in order to reach distributors. A comprehensive marketing strategy for Sacona should include:

- Presence at Trade shows sponsored by the arcade industry and related associations including the IAAPA Expo (<http://www.iaapa.org/expos/iaapa-attractions-expo/home>)
- Promotional events to generate community interest in the Sacona Dodge Ball game and exhibiting venues
- Digital marketing, including
 - A new website that exclusively features the Dodge Ball product, targeting the US market and leveraging dynamic web technologies such as HTML5 to produce a sleek interactive user experience
 - Search engine optimization - customizing Sacona's web page to help it to achieve higher rankings when potential customers use search engines like Bing, Google, etc. with related keywords
 - A targeted social media advertising campaign

Trade Shows

Based on 2016 registration data, over 19,400 qualified buyers attended the IAAPA Expo. It is the world's largest amusement industry trade show, and the 25th largest trade show in the US with more than 1130 companies exhibiting their products including Sega, Bandai Namco, and Benchmark Games. Operators and distributors are also present at the show both to display their lineups and to shop for new offerings. Presence at the IAAPA Expo will be important in order for Sacona to establish its presence within the industry.

Sacona's IAAPA Expo budget should include a minimum of roughly \$30,000 if it plans to display its Dodge Ball product fully assembled; booth space is \$59.50 per square foot and Dodge Ball is 208 square feet. 300 square feet of booth space would be sufficient to display the product and other promotional

items, and to provide meeting space for potential clients. Other expenses include hanging signage, tables, curtains, etc., and are also included in the \$30,000 estimate.

(IAAPA.org). To begin the process of obtaining a floor space and exhibit package, Sacona should contact Jessica Yan with IAAPA’s Asian sales office at +852-3796-2569.

It is common at trade shows to give away small items bearing the company’s name and logo; these promotional items typically range from baseball caps to coffee mugs to water bottles. One popular item at contemporary trade shows is phone chargers--because most of the trade show’s attendees are traveling and all have mobile phones, this is one promotional item that is

guaranteed to be used immediately and often. As shown here, a set of over 750 logo-printed universal mobile phone chargers can be purchased from 4imprint.com for less than \$5000 US at

<https://www.4imprint.com/tag/302/Tech-Accessories-and-Gadgets/product/133298/Travel-Techie-Kit>.

Select Product Color
7 color(s) to choose from!

White Black Red Blue Green

Selected Color(s): White : Black
 : Front of Pouch : Back of Pouch

Choose Your Quantity
For prices, enter the quantity you'd like or click and drag our orange 'i'.
Pat. 7,979,318

Quantity: 760 Price Each: \$6.11

Total: \$4643.60
You save \$1808.80 over minimum quantity pricing

Promotional Events

With a focus on B2B sales, Sacona will deal directly with amusement centers and arcade games distributors. As an entertainment product, however, Sacona’s Dodge Ball machine must generate demand among end-consumers. Sacona’s promotional events will be designed to create “trickle down” demand: end-consumer interest in the product that will motivate demand among distributors and exhibitors (Wroblewski).

These promotional events will be aimed at end-customers and will be organized at amusement centers, so space will need to be a consideration. The event should focus on one or two of each model of Dodge Ball machine--singles and doubles. The event's goal will be to draw as much foot traffic as possible, so it may be advantageous to schedule it during weekends or holidays.

The promotional events must be special and unique, allowing players to enjoy the machines and give feedback that Sacona can share with distributors and venue operators. While the opportunity to try out Dodge Ball generates player interest, a competition between individuals or teams will create spectator interest. During the competitions, the difficulty of the machines can be increased through consecutive rounds, with the winners being determined by total score. Video footage and user feedback from the promotional event can be used in generating advertising materials in trade magazines and online.

Advertising the promotional events should be done in local markets. This advertising should be in partnership with the hosting amusement center – e.g. through creating events on social media such as Facebook and Twitter--and through local media. By negotiating entry fee and other discounts with the hosting entertainment center, Sacona can further incentivize foot traffic. The following cost evaluation can be used in planning a promotional event:

Item	Unit	Price/Unit	Total
Product set-up	4	577.50	2310
Staff *(for three days)	3 (one per machine + one for general public)	840	4200
Staff Leader* (for three days)	1	3200	3200
Promotional Fliers	1000		84.99
Newspaper ad ²	1	400	400
Snacks (based on price from Walmart on chips, popcorn, and appetizers)	Depending on usual affluence – here based on 150 people	500	500
BackPack goodies ⁴	1.58	9	14.22
Bottle Goodies ³	4.19	9	37.80
T-shirt Goodies ⁵	9.10	3	27.30
Cap Goodies ⁶	3.96	3	11.88
Candy Box Goodies ⁷	11.08	3	33.24
Snack Goodies ⁸	1.74	9	15.76
Reserve allowance (for incidentals, etc.)			2000
Total (per event)			\$12,835.19

*<http://www.models4tradeshows.com/how-much-does-it-cost-to-hire-a-trade-show-model>

² Local newspaper, medium circulation (about 15,000), ¼ page ad

³ <https://www.geiger.com/grip-strip-aluminum-bottle-508780.aspx> - needs to be bought by 50, but can be used for every promotion event or trade show

⁴ <https://www.geiger.com/g-non-woven-drawstring-backpack-g-504475-11v.aspx> - needs to be bought by 100, but can be used for every promotion event

⁵ <https://www.geiger.com/g-hanes-tagless-comfortsoft-t-shirt-g-506455-01a.aspx> - needs to be bought by 36, but can be used for every promotion event

⁶ <https://www.geiger.com/classic-ball-cap-506337.aspx> - needs to be bought by 48, but can be used for every promotion event

⁷ <https://www.geiger.com/25-oz-mason-jars-with-salt-water-taffy-518152.aspx> - needs to be bought by 96, but can be used for every promotion event

⁸ <https://www.geiger.com/zagasnacks-sweet-and-salty-promo-snack-pack-bag-5-inch-518003.aspx> - needs to be bought by 300, but can be used for every promotion event

Digital Marketing

New Website

In order to appeal to potential customers in the US Domestic market, Sacona should consider a new website focused on the Dodge Ball product using sleek and fast modern web technologies like HTML5. Finding a way to keep the web site content fresh will be a major factor in generating interest; the promotional events will help to accomplish this. Individual and team rankings from each promotional event, video footage and pictures, and a list or map of upcoming events will help to make the site content “organic” and keep users coming back.

To gain access to expertise in web design, Sacona can partner with an American company like LSBS (<http://www.lafatewebdesign.com/>) or the Bold Media Agency (<https://actbold.agency>). Sacona can expect to spend roughly \$1500 on these services, plus roughly \$250 per year in web hosting fees to keep the site running.

Search engine optimization (SEO)

By using keywords in its web site data, Sacona can help to elevate its web presence by improving its position in search results when potential customers search for those keywords. For best results, Sacona should partner with a web design firm with expertise in SEO. Many of these firms operate under a monthly retainer model where the client pays a set rate each month in exchange for a set of services; these fees generally range from \$750-5,000 per month and depend largely on the size of the client and the specific services included. While hourly options do exist--generally on the order of \$100-300 per hour--for a company like Sacona, just building a web presence, the retainer model will give the most flexibility in experimentation and development of a winning strategy (DeMers 2013).

Firms that Sacona can reach out to for SEO services include: Victorious SEO and Go Black Bear SEO, both of whom specialize in SEO services (<http://victoriousseo.com/> and <http://www.goblackbearseo.com/>). Completing the project should take roughly 90 days.

Social Media Marketing and Targeted Advertising

Using social media marketing platforms and targeted advertising, including Google AdWords, Sacona can maximize the effectiveness of its online advertising dollars by zeroing in on potential customers with

specific interests. AdWords uses a bid system; companies commit to pay a certain amount of money per-click when their ad appears in response to a specific keyword search on Google by a potential customer. The company with the highest bid has their ad shown first and, if the customer clicks it, they pay their bid amount to Google.

Even if the Sacona machine is being sold on the market by a distributor, Sacona can direct those who click their ads online to the Dodge Ball game’s information page at the distributor’s web site, or to their own web page that can link to those distributor’s web pages.

Pictured here is the tool used in AdWords to specify what keywords should trigger Sacona’s ads (<http://adwords.google.com>). While terms like “arcade machine rental,” “arcade game rentals,” and “arcade rentals” may not be as popular as “entertainment centers” or “family fun center,” it is more likely that those who search for them will be looking to rent amusement machines and not looking for a place for their family to spend a weekend. This is a trade-off for Sacona; they will need to balance accuracy against volume.

Keyword	Search popularity ?
family entertainment center	1900
arcade machine rental	140
arcade rental	390
arcade game rentals	720
arcade rentals	390
entertainment centers	673000
family fun center	33100
kids entertainment center	1300

After choosing a set of keywords, Sacona will simply choose a per-click price they are willing to pay. By using Google Analytics and a dedicated web page for the ad campaign, Sacona can judge the effectiveness of their keyword and bid selections and adjust course as needed. It is recommended that Sacona begin their bidding at \$.05 and then adjust as needed based on performance; Sacona pays nothing unless their ad is clicked.

Adjust Your Ad Budget

How would you like to pay for this campaign?

Pay when someone clicks on your ad - cost per click (CPC)
 Select a bid (max amount you're willing to pay when someone clicks)

Suggested bid range: 2.36 - 3.31 USD, Minimum Bid: 2.00 USD

Pay every time we show your ad - cost per 1,000 impressions

Suggested bid range: 2.25 - 2.91 USD, Minimum Bid: 2.00 USD

What's your budget for this campaign?

We'll show your update as often as possible until you reach this limit.

Daily Daily budget must be at least 10.00 USD.

Your campaign's actual daily spend may be up to 20% higher. [Learn more.](#)

LinkedIn also has a targeted advertising product, which, according to WebMarketing123, is a highly effective platform for B2B marketing. Much like Google AdWords, there is no risk to Sacona unless the ad is clicked. This platform comes at a higher cost--cost per click (CPC) is \$2 USD and daily minimum per campaign \$10 USD. This should, however, prove to be a

profitable marketing channel and should be worth devoting \$500 to on an experimental basis (Rajeck 2014).

The proposed marketing budget below encompasses all the recommendations presented here, and should be considered as a model for Sacona’s entry into the US arcade amusements market:

Item	Cost	% of Proposed Marketing Budget
IAAPA Expo	\$30,000	56%
Promotional items for expo	\$5000	9%
1 weekend promotional event	\$12,835.19	24%
New web site*	\$1500	3%
Search Engine Optimization Services	\$3000	6%
Targeted / Social media advertising*	\$1,000	2%
Total	\$53335.19	

**Sacona should budget for \$250 minimum per year in web hosting costs and be prepared to adjust monthly expenditures in targeted advertising based on success*

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