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VIDEO GAMING TERMINALS

A Good Bet for Illinois C-Stores

by Michael Adkins

For years, c-store owners have supplemented their fuel sales with other products, drawing customers into their stores to earn additional revenue. A relatively new revenue stream for the industry — video gaming terminals — could have the potential for strong growth and profit.

Under the Video Gaming Act of 2009, video gaming terminals (VGTs) are permitted in licensed Illinois businesses and can be played by customers 21 years of age and older. VGT operators, such as IPMA/IACS member Illinois Gold Rush, have begun partnering with businesses throughout the state to help them through the approval and licensing process.

THE HOUSE RULES

According to David Miltenberger, senior vice president for Illinois Gold Rush, there are a few basic

requirements that all applicants must comply with to be considered for a VGT license. "They've got to be in a city that has opted in to allow video gaming, as about 85 percent of Illinois' cities have; they cannot be within 100 feet of a church or school; and the ownership cannot have a felony record," he says.

To see where your city, town or village stands on allowing VGTs, check out the IGB's "Municipalities Prohibiting Video Gaming" list at www.igb.illinois.gov/VideoGaming/prohibit.aspx.





When dealing with a company offering to put VGTs in your c-store, make sure to confirm that the business is a licensed terminal operator. You can ask to see the operator's license, or check the IGB's "List of Licensees under the Video Gaming Act" at www.igb.illinois.gov/VideoGaming.



In addition, the Illinois Gaming Board (IGB) prohibits VGTs from being located within 1,000 feet of an organization licensee under the Illinois Horse Racing Act of 1975 and within 1,000 feet of the home dock

of a riverboat licensed under the Riverboat Gambling Act, according to the board's "Frequently Asked Questions regarding Video Gaming," although the document states that the IGB may waive these particular restrictions in certain circumstances.

Once these restrictions have been cleared, Miltenberger says, applicants can attempt to qualify for a license under one of three classifications:

- Businesses with at least a 3-acre parcel of land that sell an average of 10,000 gallons of diesel or biodiesel per month (defined by the IGB as "truck stops")
- Any for-profit business that has an on-premises pour license for alcohol
- Any fraternal or veterans organization that has a national charter

Currently, Miltenberger says, Illinois Gold Rush has about 40 client locations up and running with VGTs, and the company is working with nearly 200 locations seeking licensure. The first Illinois VGT locations went live late in 2012, and there are more than 2,000 locations that have VGTs now, Miltenberger says.

The most challenging business classification under which applicants can attempt to gain licensure is the one for truck stops, Miltenberger declares. "[The IGB is] adamant about the 3-acre requirement and the one for 10,000 gallons of diesel per month," he says. "We're actually working with a lot of convenience stores that don't qualify as truck stops to try to help them get a pour license to qualify that way."

WHAT YOU PAY TO PLAY

Once a business has qualified as a potential location for VGTs, the cost of entry is minimal, Miltenberger observes. "The only thing they pay before they get their license is to be fingerprinted, which costs about \$53," he says. "The license fee per location is \$100. So, for about \$153, they can be up and running." This does not factor in additional fees that individual cities may charge, Miltenberger notes, adding that these annual fees can range from \$25 per VGT per year up to \$250, but most Illinois cities currently charge no such fees.

Under its arrangement with client businesses, Illinois Gold Rush pays for each VGT, and it handles installation, maintenance and all money to and from the machines. Winners are provided a ticket with the amount of their winnings, which is fed into a self-serve on-premises machine that will pay out the amount of money owed. This means the only requirements for c-stores are space and power for the machines, as well as a direct line of sight between a cashier above the age of 21 into the VGT area and a physical barrier to prevent customers under the age of 21 from entering.

In addition, if a location isn't earning revenues from its VGTs once they are in place, Miltenberger says, Illinois Gold Rush can work with the business to remove the ter-





minals at no cost. "This gives locations the opportunity to try video gaming at a much lower risk than other industries they can be in," he points out.

CASHING OUT

The odds of having no revenues from VGTs appear to be low, however. Having just five VGTs in a c-store can earn revenues of \$60,000 per year for c-stores on average — a significant amount for a revenue stream that requires no upkeep or maintenance from the c-store or its employees. According to the *Convenience Store News* 2013 Industry Report, the average c-store had a pretax profit of \$46,006 in 2012 — meaning the average c-store could potentially see a 130 percent growth in annual pretax profit with the presence of VGTs, all with virtually no effort required on the part of the ownership or staff.

Of course, savvy c-store owners can maximize the profits they gain from VGT customers by taking the time to understand their particular needs, Miltenberger states. "People who stay longer in stores playing VGTs tend to eat more and drink more in the business," he says. "C-stores that can accommodate these players with robust foodservice programs, clean bathrooms and other amenities can keep players playing longer. We've seen some locations that cater to these players earning extremely high numbers in

net revenue per month — well above the average. Offering customers good service and quality product can really benefit this product segment."

Getting the word out about VGTs is key to drawing customers in, and Illinois Gold Rush assists its clients with signage, marketing campaigns and other programs, as well as constantly rotating in the newest and top-performing games from manufacturers.

PLACE YOUR BETS

VGTs are making gaming a much smarter and more profitable bet for c-store owners. "If [c-stores] haven't looked into video gaming, we hope they'll check it out," Miltenberger says. "It's not the illegal gaming of the past. It's a world-class industry that Illinois businesses can now be a part of — and take full advantage of to boost their bottom lines."



For a full rundown of requirements under the Video Gaming Act of 2009, as well as listings of approved licensees and the full text of the law, visit www.igb.illinois.gov/VideoGaming.