2018 VR Arcade
White Paper

springboard VR

TABLE OF CONTENTS

springboardVR

SpringboardVR is a station management, game launching and content distribution platform for location-based VR that transforms the customer experience. Whether you're thinking about starting a VR Arcade, or running a large location-based VR center, SpringboardVR can help.

INTRODUCTION

Using data from 400+ locations using SpringboardVR, we compiled a list of top VR locations and spoke with their owners to understand what they've done to be successful in the VR industry. We also partnered with university researchers to conduct an in-depth 110 question survey of over 150 Arcades on our platform. We were able to connect survey results with backend data to see what the top Arcades are doing compared to the baseline average. Based on what we've learned, we provide some recommendations and best practices on how to run a successful VR Arcade.

THE FOLLOWING ARE OUR TOP 9 RECOMMENDATIONS FOR RUNNING AND GROWING A PROFITABLE VR ARCADE.

PRICING

SWEET SPOT = $25/HOUR

Depending on the regional pricing (country, city size, etc) this number may vary. But the big takeaway here is that many Arcades have too few headsets and are charging too much to see sustainable growth. Your hourly price needs to drive people to come back multiple times a month instead of multiple times a year. Based on data we've found that's more in the $20-$25/hour range, not the $45-$60/hour range. Based on the survey data, profitable Arcades report having a minimum of 8 stations. Focus on a price that drives repeat business. What is the most you could charge per hour that someone would be willing to come back more than once a month? For the majority of our customers, that is in the $20-$25/hour range. What you need is lifestyle pricing, not novelty pricing.

.01 THE CHALLENGE

Until recently, no real data existed on pricing for VR Arcades. Most VR Arcades made up pricing based on guesses and/or by looking at other Arcade pricing. Many Arcades began charging $45 an hour or more. This leads to one-time novelty customers who never come back to play again. Past a certain hourly price point, VR is just too expensive for people to do regularly. Attracting one-time customers is expensive (marketing wise) and even worse, eventually the pool of interested customers runs out. And without repeat customers… the business tanks. In the early days, Arcades were charging nearly $1 per minute. Today, profitable Arcades are charging sub $0.50 per minute.

.02 THE SOLUTION

Focus on pricing for repeat customers.
After looking at extensive survey and backend data, and talking to dozens of Arcades, we're recommending focusing on a ballpark pricing of $25 an hour. Depending on the regional pricing (country, city size, etc) this number may vary. But the big takeaway here is that many Arcades have too few headsets and are charging too much to see sustainable growth. You need enough headsets and a low enough price point to get people coming in and coming back multiple times a month. Based on the survey data, profitable Arcades report having a minimum of 8 stations.

ASK YOURSELF, WHAT WOULD I PAY TO COME PLAY VR EVERY FRIDAY WITH A FEW FRIENDS? WHAT WOULD A FAMILY OF FOUR PAY? LOOK AT OTHER OUT-OF-HOME ENTERTAINMENT OPTIONS IN YOUR AREA (LASER TAG, BOWLING, THEATERS, ETC) AND THINK ABOUT PRICING COMPARABLY.

PROFITABLE ARCADE STATISTICS AND FACTORS LEADING TO REPEAT BUSINESS:
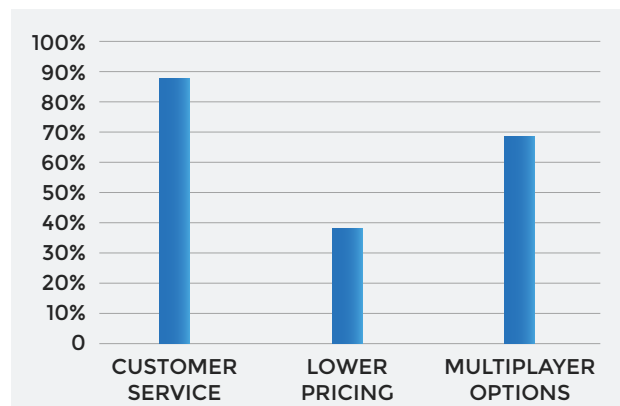
92% Do NOT offer a premium booth option

81% Do NOT offer a membership program

9.38 Average group events per month

MARKETING

SWEET SPOT = FREE DEMOS. GETTING PEOPLE INTO A HEADSET IS THE BEST MARKETING BANG FOR YOUR BUCK.

The biggest challenge facing the VR industry is that no one knows what VR is. Free demos – getting people into a headset is the best marketing bang for your buck. Free demos do not have to be constrained to your establishment. Take VR to the people. Setup a mobile rig and hire someone to run demos in public places (think colleges, concerts, libraries, etc). There's a strong chance that organizations will start paying you to bring out your mobile rig.

.01 THE CHALLENGE

Marketing VR is difficult. Until they've been in a headset, people don't get it. Photos or videos of people playing in VR doesn't communicate what it FEELS like to be in VR. Customers waving around controllers don't look too cool. All that adds up to expensive marketing. You have to spend a lot of money to get a single new customer through traditional marketing.

.02 THE SOLUTION

Demos, demos, demos.
The best marketing for VR IS VR. Give people that first experience you had and they'll become customers. Not in a high traffic area? Get out into the community and get people into headsets where they are at. College campuses, music events, blood drives, holidays… give people a taste of VR in person and they are going to want more. Nothing draws a crowd like a crowd.

> **GREAT CONTENT TITLES FOR DEMOS? TRY RICHIE'S PLANK EXPERIENCE, SPACE PIRATE TRAINER OR BEAT SABER ON THE SPRINGBOARDVR CONTENT LICENSING MARKETPLACE.**

PROFITABLE VR ARCADE MARKETING STATISTICS:

Social media is ranked highest in terms of results

61%
Offer food & beverage and consider it very important

20%
Offer alcohol

PROFITABLE LOCATIONS:

MALLS   FREE-STANDING

CUSTOMER DEMOGRAPHICS

Families with kids   Gamers   Novelty Seekers   Teenagers
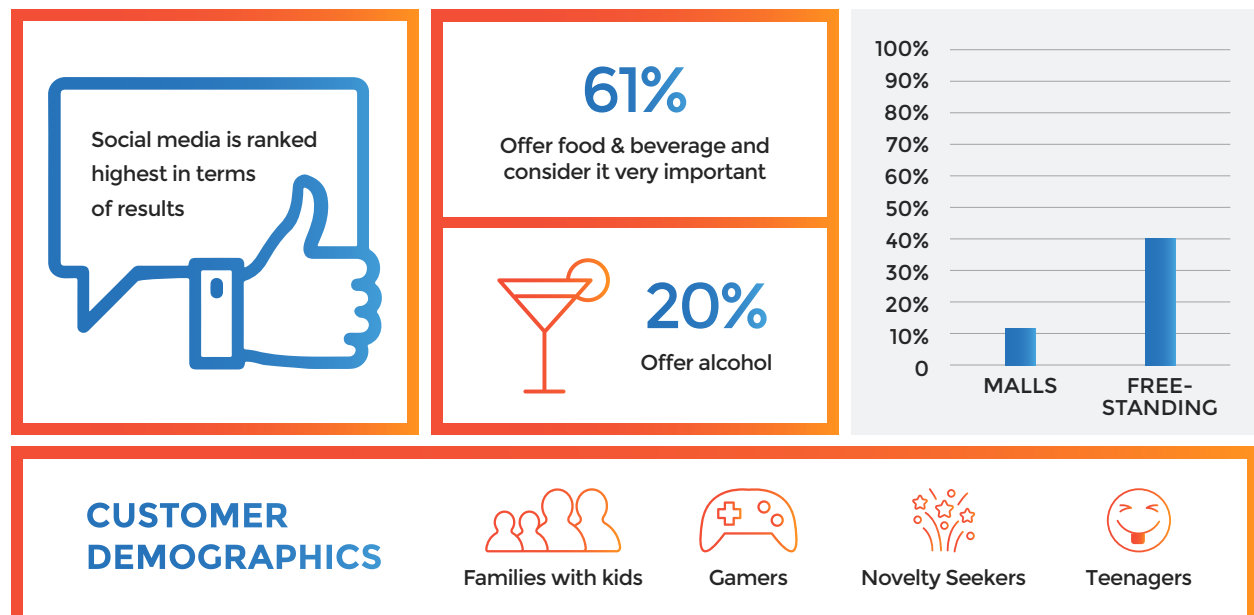
CONTENT LICENSING

SWEET SPOT = FOR CONTENT LICENSING COSTS TARGET 15% OR LESS OF THE RATE YOU CHARGE HOURLY.

Backed by data, the titles that consistently top the charts for VR Arcades have proven what types of content is most desired and enjoyed by the average VR Arcade customer. 69% of Arcade respondents reported that having multiplayer options is a leading factor in driving repeat business. However, there are exceptions. If one of your most requested and most played titles is more expensive than 6¢ a minute, we recommend that you ensure your additional revenue justifies the additional licensing expense.

.01 THE CHALLENGE

Content licensing is expensive and if you don't watch your costs, it can become a problem and prevent you from being profitable. When you think about your content licensing costs, and how that plays into your percentage of monthly revenue, every penny matters. It may seem silly to be so strict about targeting 15% or less, but at just 2 cents less per minute, the average Arcade saves $3000 a year!

.02 THE SOLUTION

We recommend you focus on keeping your content licensing cost at 15% or less of what you charge hourly. Based on our recommendation of $25 an hour, that means focusing on content titles that are 6 cents a minute and under.

($25 * .15 = $3.75 an hour / 60 minutes = $.0625)

VISIT THE SPRINGBOARDVR MARKETPLACE AND SORT BY PRICE PER MINUTE. THE MARKETPLACE CAN BE FOUND ON OUR WEBSITE AT: WWW.SPRINGBOARDVR.COM/MARKETPLACE

VR ARCADE CONTENT LICENSING STATISTICS:

15% Keep licensing costs at 15% or less of the rate you charge hourly

69% 69% of Arcade respondents reported that multiplayer options is a leading factor in driving repeat business

34 CONTENT TITLES
On average, profitable Arcades have a library of 34 content titles

Vast majority of respondents prefer Price Per Minute.

PRICE PER MINUTE

MONTHLY

82% use Price Per Minute   41% also use Monthly

NUMBER OF HEADSETS

OUR RECOMMENDATION = MINIMUM NUMBER OF 8 HEADSETS.
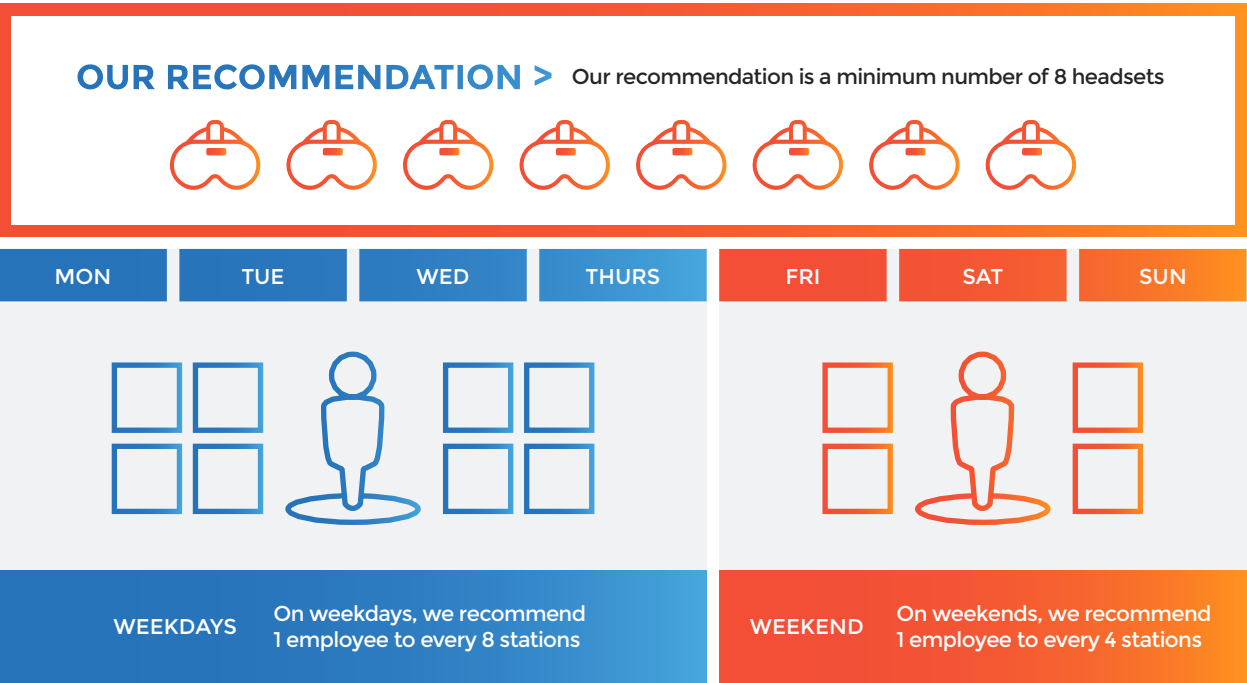
.01 THE CHALLENGE

Like movie theaters, weekdays will be slow and you'll make most of your money on the weekends. Also, you'll have a certain level of overhead (rent, employees, utilities, etc) that you need to cover. Too few headsets and you won't be able to generate enough income during busy times to pay the bills.

.02 THE SOLUTION

Based on our data, we recommend having 8 or more headsets. 8 is the number of headsets that can be managed by one or two employees* and can fit into a standard size retail location. This number gives you enough headsets to make good money on the weekend AND handle birthday parties and events. Many Arcades that have reported profitability have 12, 15 or even 30 headsets at their location, and this keeps them busy on the weekend.

*EIGHT HEADSETS MANAGED BY ONE OR TWO EMPLOYEES IS ONLY POSSIBLE WITH A VR ARCADE MANAGEMENT SYSTEM LIKE SPRINGBOARDVR. START YOUR 30-DAY FREE TRIAL TODAY!

VR ARCADE NUMBER OF HEADSETS STATISTICS:

OUR RECOMMENDATION > Our recommendation is a minimum number of 8 headsets

MON	TUE	WED	THURS	FRI	SAT	SUN

WEEKDAYS On weekdays, we recommend 1 employee to every 8 stations

WEEKEND On weekends, we recommend 1 employee to every 4 stations

RENT/OVERHEAD

OUR RECOMMENDATION IS TO KEEP YOUR RENT AS LOW AS POSSIBLE (OBVIOUSLY). AVERAGE RENT COSTS ARE INCREDIBLY VARIABLE DEPENDING ON GEOGRAPHY.

.01 THE CHALLENGE

Other than employee salaries, rent is usually the largest monthly expense for VR Arcades. If your rent is too high, you'll never manage to break even. Many Arcades assume that by spending more on rent in a high traffic area (like a mall) they won't have to worry about marketing or sales. This couldn't be farther from the truth. Foot traffic will get you some customers, but won't drive profitability. The type of person who is shopping at a mall isn't necessarily your ideal customer and may not be looking to spend an hour in VR.

.02 THE SOLUTION

Keep rent low as possible. Assume that your core customer base will be "destination shoppers," meaning that they drove to your location specifically to play VR. Many Arcades that have chosen mall locations for the foot traffic have realized that they aren't seeing the sales they expected, and the high mall rent prices and restrictive hours (many malls require you be open every day all day) make it very difficult to become profitable. Mall locations CAN be quite successful when VR Arcades focus on training their staff in sales techniques and offering free demos. Profitability comes when your Arcade becomes a "community center" and you see repeat customers multiple times a month. Regardless of whether you are in a mall or not, the key here is thinking about your VR Arcade as a destination location (like a laser tag center, Dave and Busters or a trampoline park).

PROFITABLE ARCADE LOCATIONS BASED ON OUR 2018 VR ARCADE SURVEY RESULTS:

11.63%	Located in Malls
39.53%	Free-Standing Locations
4.65%	Kiosk Locations
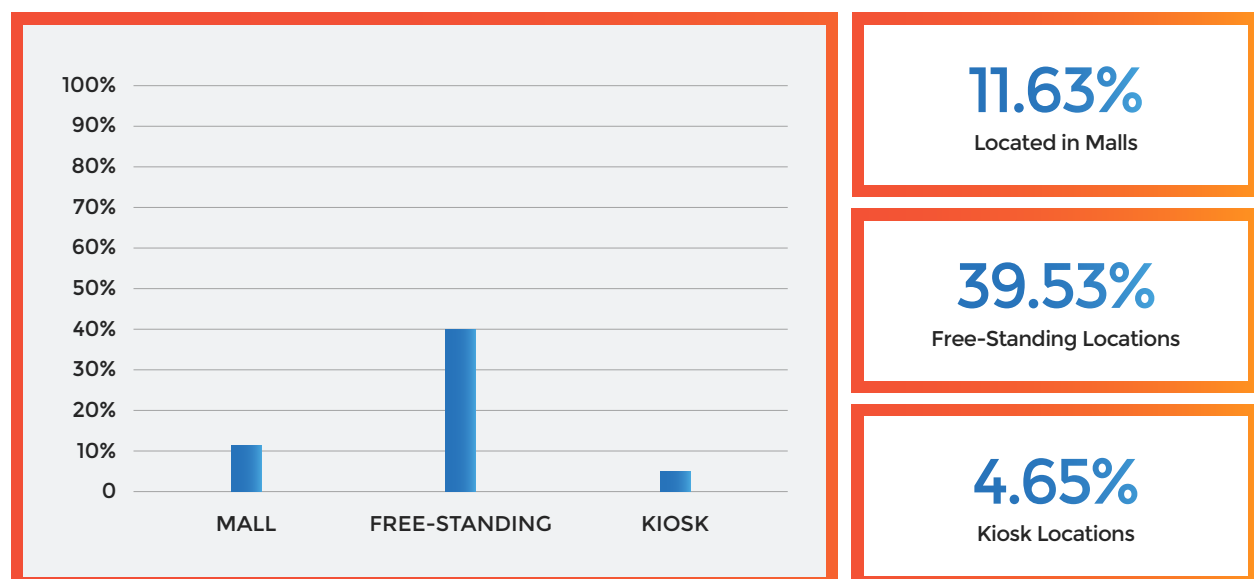
RECOMMENDED HARDWARE

WHILE THERE ARE MULTIPLE HEADSETS AVAILABLE ON THE MARKET TODAY, THE HTC VIVE HEADSET IS BY FAR THE DOMINATING HEADSET IN THE VR ARCADE SPACE.

While there are multiple headsets available on the market today, the HTC Vive headset is by far the dominating headset in the VR Arcade space. If you are not sure what type of VR-ready PC you should purchase, we recommend the HP EliteDesk 800 G4 Workstation, a fantastic build from our partner, HP, a company that has strongly supported the LBVR space from the beginning.

HP EliteDesk 800 G4 Workstation specs:

8th Gen Intel® Core™ i7 8700 processor

NVIDIA GTX 1080 graphics

16GB of RAM

256GB* SSD and secondary 2TB* Hard Drive

*For storage drives, GB = 1 billion bytes. TB = 1 trillion bytes. Actual formatted capacity is less. Up to 36GB of system disk is reserved for system recovery software.

EMAIL HPSMBVR@HP.COM AND ASK FOR THE SPRINGBOARDVR-APPROVED SYSTEM*

*Not available in all regions

HARDWARE & EQUIPMENT STATISTICS:

30% have had to send in a headset or controller for repair

70% perform repairs on their headsets and controllers on their own

95%
95% are using HTC Vive headsets

37%
37% are planning to upgrade to the HTC Vive Pro headset

57%
57% are NOT using HTC Vive Business Edition

EMPLOYEES

SWEET SPOT = A MIX OF TECH-SAVVY, EXPERIENCED IN CUSTOMER SERVICE, SALES BACKGROUND EMPLOYEES.

.01 THE CHALLENGE

Two big problems here.

1. You need employees that can both troubleshoot a broken headset AND sell VR to a first-time customer.

2. You can't afford to have as many employees on the floor as you may need.

Your station to employee ratio is key. Too many employees and you won't make a profit. Not enough employees to take care of customers and you'll lose customers over time.

.02 THE SOLUTION

1. Who to hire: Focus on hiring employees with a customer service/sales background. You need bright, helpful employees who know how to sell. Customers don't know what VR is. **They need to be sold.** A well trained, sales-ready employee will pay for themselves many times over. Don't fall into the trap of hiring inexperienced staff just so you can save money by paying them minimum wage. Hire workers who are tech-savvy and good with people, not just warm bodies. You'll lose more revenue from a lazy employee than you'll spend on an additional salary for a great sales-oriented employee.
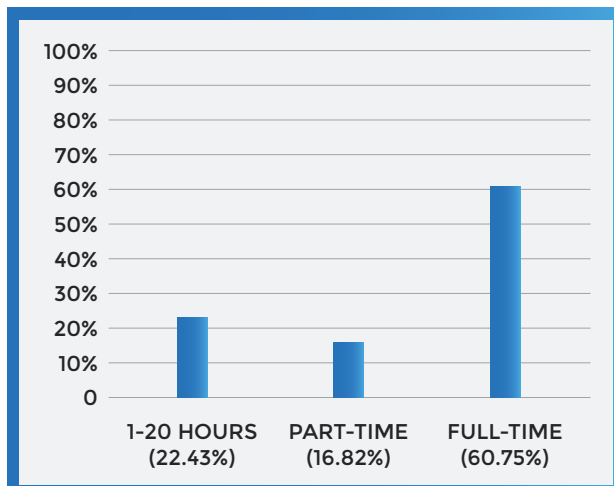
2. Employee to station ratio: If you are using an Arcade management tool like SpringboardVR, we recommend the following:
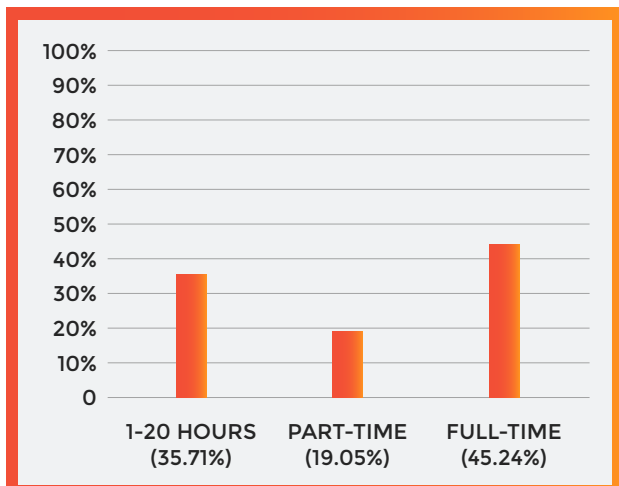
Weekdays: 1 employee for every 8 stations
Weekends: 1 employee for ever 4 stations

USE A VR ARCADE MANAGEMENT SYSTEM LIKE SPRINGBOARDVR TO SIGNIFICANTLY REDUCE LABOR COST.

AVG HOURS/WEEK WORKED BY OWNER: CUMULATIVE OWNER RESULTS

AVG HOURS/WEEK WORKED BY OWNER: PROFITABLE OWNER RESULTS

COMMUNITY CENTER

VR ARCADES ACTING LIKE "COMMUNITY CENTERS" ARE STAYING BUSY DURING THE WEEK AND THE WEEKEND.

.01 THE CHALLENGE

VR Arcades face the same problems that many out-of-home entertainment spaces face, not enough customers during the week and not enough stations on the weekend to reach profitability. Even if your VR Arcade is busy on the weekends, if your store is sitting dead all week it'll be hard to make ends meet and thus reach profitability.

.02 THE SOLUTION

VR Arcade customer demographics are rather broad, which is why it is important to view your VR Arcade as a community center. Think of your VR Arcade as a community center that happens to have VR to expand your income streams.

How can you serve your community with VR?

VR Arcades that are doing this well are focusing on using their space for after school science labs, K-12 field trips, wheelchair accessible entertainment, corporate team building, and more. Think beyond just merely gaming in order to expand your income streams.

> **WANTING TO ADD AN EDUCATIONAL ELEMENT TO YOUR VR ARCADE? EDUCATIONAL CONTENT WILL BE AVAILABLE THROUGH THE SPRINGBOARDVR MARKETPLACE IN THE VERY NEAR FUTURE!**

IDEAS AND WAYS TO EMPHASIZE YOUR VR ARCADE AS A COMMUNITY CENTER:

After School Science Labs	Accessible Field Trips	Corporate Team Building	Birthday Parties & Events	VR Camps & Coding Classes

95% — 95% of customers have never tried virtual reality. Profitable VR Arcades tend to spend time with every first-time customer getting them familiar with VR.

SETUP/TURNKEY

IF STARTING A VR ARCADE FEELS OVERWHELMING, AND YOU WANT A PROVEN & TRUSTED GUIDE, USE A TURNKEY SETUP PROVIDER.

A turnkey solution is not for everybody. However, there are certain benefits to turnkey solutions, including: installation, training, marketing services, business & financial modeling, on-site technician visits, and more! We recommend talking to a turnkey provider before you decide to jump in on your own. At the very least, asking a few questions and hearing insight will help you understand the landscape better.

.01 THE CHALLENGE

Starting a VR Arcade is full of unknowns. It's a relatively brand new industry and retail in general isn't very forgiving. Many operators don't have the cash to spend a year or more learning the ropes of the trade.

.02 THE SOLUTION

If the thought of designing the stations, purchasing the right equipment, ordering the right materials, building out the stations, setting up the headset and base stations, and hoping it all works is giving you anxiety, don't sweat it! Instead of learning all of the mistakes the hard way, you might consider working with a turnkey provider who can help you go from empty storeroom to profitable VR Arcade in a matter of months.

LOOKING FOR A PROVEN TURNKEY SOLUTION? WE RECOMMEND THE X POD, FROM OUR PARTNER EXIT REALITY, FOR FEC OPERATORS & PROSPECTIVE ARCADE OPERATORS.

Exit Reality

SERVICES TYPICALLY OFFERED BY TURNKEY SOLUTION PROVIDERS:

Hardware	Installation	Training	Maintenance & Support
Content Consultation	Biz/Financial Modeling	Infrastructure & Build Out	And More!

CONCLUSION & DISCLOSURES

With the right business plan, the right tools, and the right information, running a VR Arcade can be a profitable endeavor. We're proud to share that the majority of VR Arcades on the SpringboardVR platform are at break-even or better and we're tracking millions of minutes every month from VR Arcades in 40+ countries.

Why does that matter?

Because VR Arcades are shaping the future of the entire VR industry. Millions of people will try VR for the first time in an out-of-home location and the battle for mass consumer adoption is being fought one customer, one VR Arcade at a time.

SpringboardVR is a station management, game launching and content distribution platform for location-based VR that transforms the customer experience. Whether you're thinking about starting a VR Arcade, or running a large location-based VR center, SpringboardVR can help.

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