

PART DESTINY, ALL SUCCESS

Chicago parts house has grown from a one-man, two-phone operation to a trusted coin-op brand

"To control your own destiny, you have to be vigilant when it comes to quality control," declares Tom Happ of Happ Controls as he gives a tour of the Chicago-land parts house's sprawling 100,000-sq.-ft. campus in the industrial suburb of Elk Grove Village. Happ supplies parts and components to all three tiers (operator, distributor and OEM factory sales) of four major industries — amusement, gaming, interactive kiosks and vending. The firm also provides product to some unique industrial clients like snowplow makers.

Happ makes approximately half of the goods they supply onsite at their Elk Grove Village headquarters. "We also use our manufacturing capabilities with some of the items we distribute for other suppliers," Tom continues. "We are constantly re-sourcing goods, looking for the best price and quality, and continually testing both the goods we make and the products we distribute. But if we have chronic problems with a particular supplier and can't find a replacement, we can often just make it ourselves."

In fact, Happ makes more than 17,000 different products, mostly from start to finish, although they do contract out heavy industrial work like injection molding and metal stamping — largely because it's cheaper to use a third-party contractor in the nearby industrial parks that surround Chicago's O'Hare airport. As products come off the line in Happ's factory, they are



Distribution Facility, Elk Grove, IL



Manufacturing Facility, Elk Grove, IL

inspected by one of the firm's six quality control auditors, who serve as the last line of defense in what is an impressive array of quality control procedures. It's a process that begins even before the first prototype is made, as engineers run new designs through extensive computer modeling stress tests, and continues with extensive on-site testing of all prototypes that come out of the engineering department. "We want to make sure that if one of our products fails, it fails here in this building before it ever leaves our doors," Tom says.

Happ Controls, which also has a 13,000-sq.-ft. office in Las Vegas and an overseas operation based in Kent, U.K., has 230 domestic employees and will likely post upwards of \$45 million in



Las Vegas, NV



Kent England

U.S.-driven sales this year. Roughly 60% of the company's sales are so-called distribution goods (a third or more of which



Tom Happ shows off the firm's redesigned trackball unit, which they developed through focus groups with dedicated game players. It's a upgrade to the 20-year-old Atari design.



Q.C. rules! As part of their vigilant focus on quality control and product reliability, Happ staffers are hard at work testing prototype parts designed by the engineering department.

Happ makes), while OEM sales account for about 40% of the company's gross sales volume. Boasting a sales force of 45, Happ's inside and outside sales pros work in teams to cover specific regions of the U.S. The European business is run as a separate distribution entity, including staffing and bookkeeping, with the U.K. office employing only limited assembly and light manufacturing capabilities.

Happ's core products include coin doors, optical guns, trackballs, illuminated push buttons and driving controls and joysticks. But anyone who has ever paged through their massive catalogs (for amusement, gaming and vending) knows that both within these product categories and in many other areas, there is a universe of variation.

The firm was founded in 1986 by Tom's father and company topper Frank Happ, who purchased what had become a diversified parts supply business from U.K.-based Coin Controls. In fact, Frank started the U.S. Coin Controls office when he was lured away by the company from the Wico parts supply house, where he handled marketing duties.

Frank got his original start in the business working as a route man for a large Chicago vending operation. Frank's initial charge for Coin Controls was to open a U.S. office to sell their coin door products, but as the video boom slowed, he began to diversify, making and handling many other products. "He started out with a tiny office and two phones,



Happ Controls, the Chicagoland parts powerhouse, stocks more than 35,000 individual parts and components, all specially coded for ease of picking and shipping.



Here's a wide-angle look at Happ's two coin door production lines. One is producing Happ's own door, the other Happ's recently acquired Coin Controls line from Wells-Gardner. The two lines will be slowly integrated over time.



The shipping department moves more than 500 packages a day and stay open until well past the close of business hours in order to ensure that afternoon orders go out the same day.



Happ Controls recently diversified into the assembly business, producing video kits of the Atari game *Area 51/Site 4* as well as a unique coin-op massage chair, seen here.

one red and one black, on his desk," Tom recalls. When Coin Controls, looking to get back to its core business, directed Frank to look for a buyer for this new, diversified company, he need only look in the mirror to find one. He signed a two-year non-compete on handling coin doors and never looked back.

Growth Through Value

Happ's growth has been characterized by the firm's evolution from simply supplying individual parts to its growing role in providing more fully articulated sub-assemblies that integrate any number of its own products and ultimately provide more value to the end user — be it a manufacturing company or operator.

As we tour the Happ facility, Tom points out a classic example. A casino game maker that used to simply buy illuminated push buttons from Happ now sources the entire control panel that houses the buttons from the parts house. "We are able to do this kind of work because we are a fully integrated manufacturing company," explains Tom. "It not only helps generate sales, but it also helps ensure the quality of the product as well as the speed with which the customer is able to source their components."

Happ's growth has even led to a new niche in product assembly, both for other firms (including a company that has hired Happ to build out a run of Japanese-developed coin-op massage chairs) as well as Happ's recent effort at producing *Area 51/Site 4* kits through a separate license with



Factory staffers are hard at work producing illuminated push buttons for amusement and gaming units. They are produced entirely on site at the Happ factory in Elk Grove Village, Illinois.



Tom Happ and marketing manager Wayne Segedie show off Happ's line of amusement products. The company also produces goods for the gaming, interactive and vending industries.

Midway Games.

Late last year, Happ acquired Midway Games' service business, moving the entire operation from its former home in Lake Bluff, Illinois, and building a special troubleshooting and repair laboratory under their own roof to handle the new business. Happ handles board level repair and testing, even going so far as to test out newly repaired boards in built-out Midway game cabinets brought over from the former Midway parts and service facility.

In an ironic turn of events, Happ also acquired Well-Gardner's coin door division late last year, the same business Wells-Gardner had previously bought from none other than Coin Controls, the same U.S. business that Frank Happ had originally founded after leaving Wico.

According to Tom Happ, a major sea change in the way the company does business occurred more than half a dozen years ago when they struck an agreement with WMS Industries to produce numerous sub-assemblies for the game *Revolution X*. Williams had experienced a number of quality control problems with their previous title, *Terminator 2*, and was looking for a way to limit mechanical failures. "Since then," says Tom, "we have been doing a lot more value-added work, as opposed to just selling individual parts and switches to game makers."

Over the past 18 months, Happ has also pursued a major revamping of one of its key components: their trackball. The company has gone so far as to hold focus groups with top players of the popular *Golden Tee*

games, and they are now sponsoring live *Golden Tee* tournaments as a way of promoting this new product. "The players really prefer our trackball," notes Tom.

Streamlining Operations

Amidst all their success, Happ's most impressive achievement, at least to an outside observer, is the culture of efficiency that seems to rule the entire operation. An order received by phone or online is usually picked, packed, shipped and invoiced within a couple of hours; Happ shipping staffers work until after 8PM to make sure that even afternoon orders are filled the same day.

Moreover, a highly structured internal tracking system allows sales staff to follow

each order every step of the way, from the time the picking list is printed out according to warehouse location (everything is bar-coded and tagged) to who picked the order and when it was shipped. As products are invoiced, the company's inventory database is automatically updated as well.

Happ buyers, who are segmented into specialized product categories, are also able to tap into this gold mine of information, using a special demand forecasting system to determine future quantities of product. Some items that only move occasionally are not kept in stock, but for the most part Happ stocks what they sell. "Efficiency is important because it allows us to move more goods," says Tom. Happ generally processes over 500 orders a day.

Equally impressive is Happ's online



Happ Controls is a fully integrated manufacturing facility that produces both individual parts and more complete components and sub-assemblies for factories and operators.

presence — both their public website, which can handle e-commerce sales, as well as their intranet site which allows key staff members to see everything that has and is currently happening as part of the company's daily operations. Happ's entire product catalog, as well as repair and service manuals, are available on the company website. The company owns 26 different domain names encompassing many of the diverse products it sells (e.g. *handtrucks.com*).

Happ employs two full-time Web technicians, who also rely on the company's extensive marketing department and information services to provide website content and intranet data to keep customers and staff up to date on product and sales information. Several years ago, Happ also launched its ehapp program, which allows customers with a company account to order online and view all of their transactions, not unlike major online retailers such as



Frank Happ (right), Wayne Segedie (left) and Louie Rummenigge (second from left) visit with Leonardo Parra of Mexico at their ASI 2002 show booth.

Amazon.com. And perhaps most impressively, the entire system was developed in-house by Happ Controls.

Most recently, Happ has added a new section to their home page focusing on new products, which has helped drive new customer sales. "Our online sales are small but growing," said Tom. "The website's real value is the way in which it helps increase the speed at which we can deliver information. It's instant."

As they begin their 16th year in business, with two recent major acquisitions under their belt and a number of unique projects underway (including their new assembly business), Happ is continuing to look for ways to add value and grow their market share. When asked about more game deals, Tom says they will continue to look at opportunities as they arise but declines to comment on any specific deals that might be in the works. From the outside, looking in, we predict more good times ahead for a

business that has found its success by always looking for new markets and always striving to offer their customers more.

To learn more, contact Happ Controls, 106 Garlich Drive, Elk Grove, IL 60007; phone 847/593-6130 or 888/BUY-HAPP; fax 847-593-6137 or 800-593-HAPP; website www.happcontrols.com; email info@happcontrols.com.

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