

## A business formula for the future



Jerry Merola

*Look beyond the troubles of the recent past and recognize the opportunities of 2009. Give your guests added value, and make notable improvements to stand out in the entertainment crowd.*

As we wound up our affairs for 2008, many of us looked back on the year as one filled with all sorts of challenges. From the collapse of the national housing market to the implosion of the financial services sector, almost no one escaped unscathed. As if these two elements weren't bad enough, we layered on a healthy dose of unemployment and a near freezing of consumer spending. But that was 2008.

We need to look at 2009 as the opportunity that it truly represents. After all, we're in the industry that *Kiplinger's* refers to as nearly "recession proof." That's right, the entertainment sector is highlighted alongside other notable industries, including education, health care, law enforcement, utility and energy providers, and senior services professions.

Does this mean that we're on easy street during these tough economic times? Well, success is what you make of it. While we can't assume that our industry won't feel the effects of a worn-down consumer and an over-taxed financial system, we can conclude that new investments in the entertainment sector have a greater-than-average chance of producing positive results.

**BET OR HOLD?**

The U.S. economy looks a lot like a Blackjack table lately. Invariably, someone will win, but few can predict exactly who. There are clearly bets to be made, but no one wants to be the first, in fear that the unknown will somehow further deteriorate their financial fortune.

So we wait. We wait until the world collectively tells us that it's OK to be the entrepreneurs that we previously were. Isn't it interesting that exactly two years ago, few on this earth would

have felt uncomfortable about investing in blue chip stocks or mortgage-backed securities? Yet today, we're scared to death of them.

If history repeats itself, as it often does, the 2008-2009 time period will prove to offer the best opportunities by which to invest in almost everything, from stocks to infrastructure. Development and asset costs will probably never be lower; experienced, high-quality labor will never to be more accessible; and government approvals will never come easier.

While the media often touts our current debacle as the perfect storm, which is inherently bad, the reality is very much the opposite for the entertainment sector. We finally have an economic platform available to us that will allow new and existing entertainment proprietors to expand their businesses at lower cost than one or two years ago. In essence, the market has "reset," allowing investors and entrepreneurs to once again get in on the bottom floor.

**UNDERSTANDING THE RECESSION CONSUMER**

The American consumer is acting quite predictably in our current recession. If holiday retail sales in 2008 were any gauge, consumers shifted their preferences toward the "sale" rack. They also saved themselves millions of dollars by purchasing products from Internet retailers, the large majority of which are not subject to sales taxes.

There's a big difference between "cutting back" and "doing without." During the Depression, most Americans "did without." In the current recession though, "cutting back" is the new trend.

Many folks won't buy a new car this year, nor will they splurge on a



new couch or European vacation. Those are the luxuries. Instead, they'll travel less and stick closer to home. They'll look for value in everything that they purchase and participate in. They'll clip coupons and take advantage of free offers.

***"Now is the time to consider upgrades and enhancements to your entertainment portfolio."***

In the end, the savings that they enjoy won't make up for the losses in their 401ks, but they'll feel more responsible about managing their finances, and in turn, more justified when seeking personal indulgences.

#### **ENTERTAINMENT ON A BUDGET**

Paying full price for anything is so *last year*. After being beat up for most of 2008, the 2009 consumer expects a discount. In fact, anything priced at "retail" without a 20-percent-off sticker affixed, is fair game to collect dust.

It's not about inherent value, but it is about consumer perception. As entertainment operators, we possess the perfect platform by which to respond to these recession-battered consumers.

Much of what we offer, save for the food and retail product concessions, contains little or no variable cost. So, a free game or free ride really equates to a few pennies of electricity. But the offer—the incredible value—generated by such giveaways can yield big returns, as value seems to be the only motivator sufficient to get consumers out of their easy chairs. In 2009, if you want to sell it, it better have a healthy discount associated with it.

When it comes to marketing, don't

be afraid to tell the truth. But do it in such a way as to ease the consumers' level of stress. How about offering an Entertainment Center Stimulus Package? For example, "Recession Buster Saturdays", or a "Consumer Bailout Special?"

Let your guests know you care, give them some extra value, and enjoy the benefits of knowing that they appreciate your acknowledgement of the issues that they're facing. Spread the word through use of coupons, Internet incentives, and direct mailers.

Now more than ever, it's critical to keep your business name in front of the consumer at every juncture. Every birthday party matters, every corporate event is essential, and every opportunity to exceed a guest's expectations is absolutely required. Consumers have a choice, and as such, we want them to vote "yes" for entertainment.

#### **CREATE YOUR OWN UPSIDE**

Unless you're absolutely convinced that our world will never return to prosperity, now is the time to consider upgrades and enhancements to your entertainment portfolio.

Now's the time to be a standout in your marketplace, as every improvement that you make will easily be noticed by your guests. After all, they're not expecting it, but they'll surely welcome it.

Entertainment is a market-maker industry, and one of the few that can dig our economy out of the ditch. Restoring consumer confidence and self-worth is one assignment that we can take on, one guest at a time. ▲

Jerry Merola is the CFO of Amusement Entertainment Management (AEM) LLC, a subsidiary of Alpha-Omega Amusements. He has conducted feasibility studies in almost all regions of the United States and Canada. He can be reached at (732)254-3773; fax (732)254-6223; e-mail (profitwizz@aol.com).



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A division of Alpha-Omega Amusements, Inc.,  
12 Elkins Road, East Brunswick, NJ 08816

Contact Frank Seninsky or Jerry Merola at  
(732) 254-3773, e-mail us at  
fsceninsky@aol.com, Profitwizz@aol.com  
Or visit our website at  
www.AEMLLC.com



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