

Your profits are buried in the details



Jerry Merola

Economic recessions can provide unexpected opportunity, if you know where to look, and conquer your fear.

It comes as no surprise that when times get tough, business owners start paying attention to the details. While nobody enjoys a recession, the fact is that tough times force all of us to work harder, and in turn, work smarter.

As an individual who audits entertainment businesses for a living, I'm often amazed at the high levels of waste and lost opportunities present within this business segment—all easily solved, and all within the control of current management.

During the good times, all of us know we could be doing a better job of tightening the belt, but somehow it doesn't seem to matter. It's only when fear arrives—specifically the fear of failure—when we begin to take these matters seriously.

fully thin the herd.

Welcome to the current day: rising costs, stressed out guests, and employees' personal lives in turmoil. Is this a recipe for success? Probably not, but each of these conditions is solvable, the key is to have a plan—a good plan.

Taking a “day-to-day” approach to a long-term problem doesn't offer much of a solution. Instead, it's probably best to acknowledge where you're currently at—the good and the bad—and set a foundation by which to build from.

WIN IN A LOSING MARKET

When economic recessions hit, most business owners predict bad news ahead. They cut staff, reduce inventories, restrict spending, and curtail capital investments—all worthy tar-

“Tough times force all of us to work harder, and in turn, work smarter.”

RECESSION IS GOOD

No, I haven't gone crazy—at least not yet! However, I have lived through two prior recessionary periods (1991-1992 and 2002-2003), and learned a tremendous amount from each experience. Believe it or not, recessions force us to become better administrators, better trainers, better negotiators, and better marketers. Our instincts tell us to work harder to maintain the performance and lifestyle we grew accustomed to during the glory days.

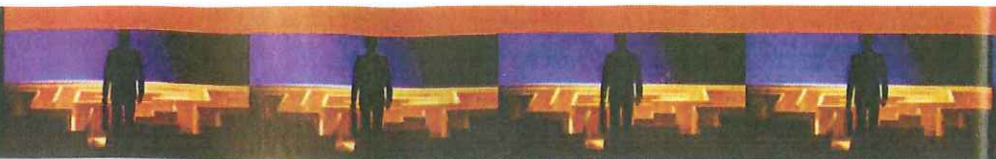
While the rules associated with “survival of the fittest” still apply, few can argue with the realization that not everyone in the world was meant to be a business owner or entrepreneur. To that end, recessions serve to right-

gets, for the most part. But business owners also do something else: They stop planning ahead, and become inefficient. And, in turn, they miss opportunities that should have been theirs.

To win, we've got to seek out opportunities in a down market, not wait for them to materialize on their own. We've got to be innovative in finding new ways to do things, particularly elements that can reduce cost or improve guest appeal. And we've got to train—train anyone that plays a role in your business—on how to win.

GLIMPSE AT THE FUTURE BY STUDYING THE PAST

The longer we live, the more we learn. Seriously. For me, these nagging



recessions are starting to look almost predictable.

The path is well traveled: Markets rise well beyond expectation. Markets crash. Consumers lose investment value they never actually had. Gross national product shrinks. Prices fall, speculators arrive, and suddenly, it's a whole new ball game.

The pendulum eventually swings in the other direction; the only question, essentially, is "how long will it take?" Once we become confident that the world can and will return to a more normal mode, our planning instincts begin to return.

Hindsight is always 20/20, right? We all recognize that the large majority of business success stories, regardless of industry, were launched when economic conditions were at their worst. After all, at that point things can only get better.

A quick study of the 1992 and 2003 economic pullouts reveal remarkable levels of investment by entrepreneurs who seized an opportunity while their counterparts sat on the sidelines. Some might say that these entrepreneurs took on plenty of risk. After a while, though, it becomes clear

"Recessions force us to become better administrators, better trainers, better negotiators, and better marketers."

that the real risk takers were those who were market followers, investing during periods at which the markets were already at record highs.

ADAPT TO WIN IN ANY MARKET

Adaptability is everything these days. To that end, our entertainment business models need to consider changing conditions for our guests, our employees, and our regional markets. What worked last year probably won't cut it this year. Reducing operating expenses is certainly worth the exercise and energy, but you can only cut so far, and so deep.

Instead, more energy needs to be placed on expanding market share, bonding with guests, and shoring up our infrastructure. Now's not the time to put off maintenance or upgrades; instead this is the opportunity to show

guests, employees, and competitors that we're here to stay, and ready to win.

Don't forget about those loyal "regulars," all of who are feeling the effects of this economic downturn in their own right. Now is the time to go the extra mile to surprise them in simple yet effective ways. Let them know that you care, and be generous where you can. These "good neighbor" acts of kindness ring much truer when times are tough, and generate impressions that run far beyond those produced during the "fair weather" days. You should base decisions on long-term principals: While some may hurt in the short run, you will have positioned yourself to take full advantage of the glory days when they return.

WHEN WILL THE RECESSION END?

The recession ends when you say it does. It's really that simple. Stock markets rise and fall based on speculation. Business forecasts are based upon how consumers "feel." In essence, when we're collectively ready to move ahead, we will. Who's going to be first?

I'm feeling ready. How about you? ▲

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).

Amusement Entertainment Management, LLC



*"In The End, The Best Consultant Always
Saves You More And Costs You Less"*

- Feasibility Studies □ Layout, Design and Theming
- Game and Attraction Sourcing, Purchasing, and Resale Services
- Business & Marketing Plan Creation □ Facility Upgrading and Revitalization
- Operating and Performance Audits

12 Elkins Road, East Brunswick, NJ 08816

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