

Challenging The Norm

Gerald J. Merola, CFO
Amusement Entertainment Management, LLC

When was the last time you decided to take the road less traveled? You know the road, it's the one where there are no markings, no directions, and absolutely no guarantees that you'll get where you're going. Still, there are many folks who have an idea that differs from the norm, or a method of doing business that runs counter to the standards adopted within an industry. In fact, there's been so many great ideas over the last ten years that entirely new markets have been created from what once were none. One only need to look as far as the cellular telephone, on-line auctions, and televised media industries to see the revolution that has been created within these subsets.

Now take a look at the amusement industry. It too, has seen changes in product design, componentry, and venue style, but has it reinvented itself? Most folks would probably say "no". What the industry has done is to expand access to entertainment into markets that were never previously identified as having an entertainment focus. When I was a kid, museums were quiet places, much like the library, where you would go once per year to touch a dinosaur bone. Not so anymore. Between motion simulators and interactive games, museums are as much about entertainment as they are about learning. Ditto for space centers, science centers, and even city zoos. How has the increased exposure impacted the consumer? Well, for starters, most consumers that I speak with comment that their expectation levels are much higher than in the past. Even kids as young as 7 years old are looking for much more intense entertainment experiences than from a generation ago. Much of this is likely the result of the continuous availability of home entertainment sources, including video software, on-line activities, and even electronic toys that respond to human speech.

Keeping Up With The Jones'

As entertainment facility owners and operators, we're all acutely aware of the need to stay one step ahead of the competition - and certainly one rung ahead of our guest's expectations. But with the limited availability of new or exclusive entertainment components, how can you maintain a facility that is both fresh in appearance and captivating in entertainment experience? I believe the answer lies in the execution and perceived value rather than the componentry itself. Most metropolitan markets have multiple entertainment facilities within a 20-mile drive of one another. Each contain "staples" that consumers have grown to expect - motion simulators, carnival style rides, redemption games, and perhaps go karts or rock climbing walls. So why do consumers favor one facility over another? One reason might be the "feel" that an entertainment facility generates to provide consumers with a more inviting appearance or the availability of unique specialty offerings such as arts and crafts days, magicians, or "make-it-yourself" ice cream stands. None of these items are revolutionary by any means, but their presence seems to allow patrons to immerse themselves in the entertainment rather than simply experience it.

There's something to be said for "out of the box" thinking. For starters, if you offer something that becomes a real hit, you'll find that word-of-mouth will build your customer base faster than any marketing plan. Second, your patrons will label the facility as the market leader and feel compelled to check back often to see what's new. Innovation has always been looked at as the catalyst for making things tick, and amusement facilities are no exception. How about adding some special activities to your facility instead of the standard offerings within the industry? For years, amusement parks have been developing "home made" group games that are novel in approach but relatively inexpensive in execution. And why not? If it looks fun and most consumers understand the challenge of the game, chances are it will be a moneymaker. No, it doesn't cost \$80,000 to buy, nor does it have all of the bells and whistles of many of these expensive units, but it creates an opportunity for unique entertainment at low cost, which can translate into high perceived value to the consumer.

Measuring Value - From The Consumers Standpoint

Perceived value is sometimes hard to understand. Take redemption equipment as an example. Many parents often perceive the prizes offered at most redemption counters are at times a "rip off", in that the same toy could be purchased at the local WalMart for half the perceived cost. These same parents are reluctant to offer their children more dollars to spend in the games under the notion that it would be "cheaper" to actually purchase their child a prize instead. If this occurs in your facility, an imbalance is present in the amusement game operation. Under ideal conditions, the redemption games should be returning a reasonable percentage of reward to the game player (say, 25%) and the value of such reward (tickets) should exceed the user's perception. This is often done by purchasing prizes in bulk at 40-50% below retail levels and then maintaining this pricing schedule. By not marking up the cost of such prizes, the value of the tickets become more apparent to the player, thereby creating a higher perceived value. Now, the focus can switch to the joys of game play with the comfort of knowing that the eventual prize can only compliment the experience. In the end, game play increases and the

patron's entertainment experience per dollar becomes more enticing.

Remember To Keeping It Simple

Have you ever experienced a situation whereby it was simply too difficult to be entertained? I'm sure we've all waited in long lines at sporting events or even walked out of standing-room-only performances because of the lack of air, space, or a combination of both. It's hard to create an entertainment venue that doesn't suffer from these issues at some point in time, but there are ways of making it easier on your patrons. Recently, I attended the New York Auto Show at the Jacob Javits Center in New York City. As an annual attendee, I've grown accustomed to the long lines at the ticket windows (particularly on weekends) and learned to purchase my chili dog from the street vendor before stepping foot into the exhibition hall. This year however, a friend alerted me to the Javits Center's on-line ticket purchasing option. By purchasing tickets on-line, you save 10% of the ticket price and there's no waiting at the ticket window, so I decided to give it a try. Sure enough, the computer registration segment took a total of 4 minutes in my home, including the printing of my tickets on regular printer paper. Off to the convention hall I went. When I arrived, there must have been at least 1,000 people in the lobby, waiting at perhaps 10 different ticket windows. As for me, I just navigated myself through the chaos, found the "E-ticket Check In", got my hand stamped, and hit the show floor before you could say "Lamborghini". The lesson I learned was an good one - if you make it easy for your patrons to pay, they'll focus more of their energies on having a great time instead of complaining about the expense and hassle of enjoying themselves.

Don't Be Afraid To Be Different

There is no law that states that an entertainment facility must contain specific components. Sure, there are general philosophies regarding attraction mixes that help to insure solid investment returns, but there's always room for a little creativity. Consider this section of the facility your "wild card". Offer something unique to your geographic area, and if possible, rotate the events so that there's always something new happening. When it comes to entertainment, consumers love change, so use this offering as a running billboard for all sorts of fun events. While it might add a bit to the labor bill, there's much to be gained from the notoriety of offering some zainy, one-off events in which the entire family can participate. As a general rule, happy people are spending people, so the happier we can make the patrons, the better off we'll be.

If your facility needs a boost in both attendance and revenue generation, why not experiment a bit? Sometimes it's the little things that can make a big difference. To this day, I still recall a unique group game idea pioneered by one of our FEC clients that carried a total build cost of \$840,000, R&D expenses included. That particular unit generated over \$50,000 in one year. No need to pull out the calculator - the ROI was off the chart on Day One.

[Return to top](#)
www.AEMLLC.com