

Choosing Attractions For the Millennium

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Having just returned from the AMOA/Fun Expo show in Las Vegas, I had the opportunity to view many of the newly released and soon-to-be-released games and attractions slated for our industry. I'm sure many of you were there as well, perhaps with the intention of researching and selecting new additions to your facilities. Now is a perfect time to evaluate the performance of each current attraction at your site and establish an upgrade and rotation plan aimed at increasing awareness of your facility, and in turn, boost revenues. The key naturally, is to choose new games and attractions that are capable of generating greater revenues without detracting from current attraction usage and investment returns.

When my firm selects attractions for our clients' facilities, we look at several variables to determine the most appropriate fit. In short, we examine attraction cost, lifespan, residual value, capacity, throughput, square footage allocation, market appeal, synergy with existing offerings, anticipated maintenance expenses, labor and safety requirements, and potential revenue generation. Sound like a lot of variables? Frankly speaking, if you're not carefully examining each one of these, you may not get what you bargained for. Negotiating the best deal on what proves to be your worst attraction can mean more than lost capital - it can indirectly hurt guest attendance and forever alter the economic stability of your center. To reduce the risk of selecting the wrong attraction, or an improperly-sized one, consider utilizing the following evaluation criteria:

Criteria One: Attraction Cost, Lifespan, and Residual Value

In the last three years alone, our industry has seen such significant improvements in technology that many of the earlier versions of certain attractions, particularly virtual reality systems, are now completely obsolete and carry no market value. Most concerning is that the price tag of many new units is so high that one selection mistake can financially damage a small or medium-sized operation beyond repair.

Let's say you're interested in an attraction that carries a retail value (new) of \$100,000. After accounting for freight and installation, this amount may increase to \$105,000. If you've chosen to finance the purchase over five years at market rates, the overall cost is closer to \$134,000. Breaking it down over a 60-month period, the attraction would only have to generate \$2,200 per month to cover its fixed costs. Sounds achievable, right? But will it last for 60 months? Will guests still find the attraction enticing after even 12 months? If patron interest in the attraction declines at your facility, is there a market for it at another entertainment venue? What are used versions of the attraction selling for, and how much real depreciation has been experienced on these units since their in-service date? If the attraction's anticipated lifespan is only twelve or twenty-four months, can it generate sufficient revenues to recoup the initial investment and provide an appropriate rate of return?

Perhaps the most effective solution might be to select an attraction that has been maintaining its value well in the marketplace, operate it for a defined period of time, and then liquidate it before its market value has greatly eroded. Funds recovered from this sale can then be reinvested into another new attraction, thereby allowing the rotation cycle to continue.

Criteria Two: Capacity and Throughput

As we all know, games and attractions come in all shapes and sizes. Choosing the correct size, however, is necessary to insure that the attraction meets its performance targets. An attraction with a guest capacity that is too small may be unable to meet the needs of patrons during the facility's peak periods, while an attraction that is oversized will appear "empty" most of the time and reduce the guest's perceived enjoyment level. Even more concerning is the unnecessary use of capital spent on an oversized attraction that could have been partially diverted toward other improvements or upgrades at the facility.

The trick is to fully understand your facility's average attendance levels during peak, shoulder, and off-peak periods and anticipate how these patrons will be entertained during their stay. For instance, if your "star" attraction seats only two patrons at a time (capacity) and the ride cycle averages 4 minutes, that attraction's "throughput" is 30 patrons per hour. If a guest's average stay at the facility is 2 hours, will he or she be one of the 60 "lucky" riders? Sure, there are other offerings within the facility, but your guest may have driven ten miles for the opportunity to sample this key attraction, only to be turned off by the long cue line streaming from the attraction's turnstile gate. If too many of a facility's attractions fall into this limited capacity category, patrons are likely to become frustrated quickly and seek an alternate entertainment venue that offers a more acceptable attraction density arrangement.

Make no mistake about it, cue lines of moderate size are perfectly acceptable. In fact, games and other offerings can be placed nearby to entertain guests while they wait and in turn, increase per capita spending. However, do not assume that "theme park-sized" lines will work in an entertainment center, as the length of stay in these two types of facilities differ markedly, and therefore demand different tolerances.

Criteria Three: Square Footage Requirements/Lines of Sight

Once a potential attraction has been found, it's time to examine the amount of space that is necessary to safely operate it within your facility. This will include floor area for not only the attraction, but any related power supplies, cueing lines, safety equipment, and servicing areas. Is sufficient room currently available within the confines of the facility or will construction be necessary to achieve proper placement? Is the proposed floor location capable of supporting the attraction's weight and will a patron's line of sight to other areas of the facility be maintained after the install? I've walked through many projects where a selected attraction appeared over-sized for the site, and served to cannibalize sales from other attraction offerings. In one case, the fire inspector was so concerned about patron flow around the attraction that he refused to provide a certificate of occupancy until modifications to the facility's layout were performed. As you can imagine, an "emergency" layout change almost always looks like an afterthought and commonly detracts from the appearance and functionality of the center.

Criteria Four: Matching The Target Market and Integrating With Existing Attraction Offerings

When it's time to upgrade, replace, or compliment the attraction lineup, it's critical that the desires of the targeted consumer be carefully considered. If the facility has enjoyed success by appealing to the 4 to 9 year old age groups, be certain that the new proposed attraction can be used by these same guests. Does the attraction require the user to be of a minimum height or weight? Are the unit's buttons or interactive devices too complex for your target market to understand? Does the new attraction's experience detract or lessen a patron's desire to partake in any of the other attractions at the facility? If so, the new attraction may simply siphon revenues from other attractions without increasing guest spending patterns.

When selecting indoor rides, consider those that offer variable speed controls, which will allow the operator to adjust velocity levels according to the needs of the riders. For instance, a party group of five year olds may feel more comfortable at a moderate speed, while a group of pre-teens might prefer a faster pace. Units which offer adjustment controls for levels of difficulty will also accomplish this same purpose, and help to expand the user age groups beyond the current boundaries.

Criteria Five: Maintenance History and Servicing Requirements

While new attractions can be exciting for your guests, they may prove to be nightmares for your staff. Computer controlled hydraulics, interactive monitor screens, high-current electric motors, and other advanced features may require frequent maintenance or replacement by trained technicians. Where will you obtain parts? Will the manufacturer still be producing parts for your unit in three years? If factory service becomes necessary, at what cost?

It's best to discuss your potential purchase with other facility owners or industry experts that have operated the proposed unit and can comment on its reliability and service history. After all, the most exciting attraction on the planet can only earn revenue if it actually works - consistently. When an attraction fails frequently, a guest's confidence level begins to diminish exponentially, and soon the unit's level of usage declines as patrons seek more reliable alternatives. While you're at it, check the manufacturer's warranty coverage to confirm that major componentry and systems will be covered for an appropriate period of time. If the warranty appears to be limited in scope or length, negotiate improved terms or "test" periods with the manufacturer before purchasing.

Criteria Six: Labor and Safety Requirements

Safety is perhaps the most important objective in any entertainment center. Guests can be severely injured or even killed by a failure to inspect or operate an attraction according to the standards established by the manufacturer. With this in mind, examine the presence of safety features on any new attraction and determine your staff's ability to properly adhere to their use. Many attractions require two or more staff members to operate or to direct patrons entering from cue lines or exiting from the attraction's cars, capsules, or playfields. Consider this additional cost before committing to the purchase of an attraction, keeping in mind that the same number of staff members may still be necessary during the facility's slower operating periods.

While examining the unit's safety aspects, also inquire with your insurer about its impact on your facility's insurance coverage. Will an additional policy rider be necessary to support the attraction? Should greater liability and employee negligence limits be obtained? How will the addition of the new attraction affect the facility's premiums and will safety inspections be required by the city, state, and/or insurer at multiple times throughout the year? Covering these bases now

will prevent several unwanted surprises later.

Criteria Seven: Potential Revenue Generation

Adding new or different attractions to a facility can really help to draw new patrons to the facility as well as increase the frequency of visits by existing patrons. The level of impact, however, must be measured to understand and monitor the full effect of such changes. Many times, the expectations of facility owners greatly surpass the revenue generation capability of some attractions, largely because the selected attraction(s) was not "matched" to the demographics of the facility's target market. As an example, I recently audited an entertainment center in the southeast where the average per capita spending level was about \$10.75. A new attraction was added by the owners at a cost of almost \$275,000, from which they were expecting a rise in spending to \$14.75, the level at which the investment would become feasible. When this did not occur, they called in the cavalry. Upon examination, the reasons were fairly straightforward: 1) the region's average median family income would only support an increase in per capita spending of about 15%, 2) the arrival of the new attraction served to halve revenues on two of the existing attractions, as guests saw little reason to experience lesser technologies, and 3) the placement requirements of the new attraction disrupted traffic flow to other areas of the facility and ultimately reduced spending in those areas.

To avoid learning these statistics the hard way, dedicate some time to understanding your market's spending potential and design your attraction portfolio and budget with these limits in mind. When done correctly, a new attraction can not only generate strong revenue, but actually enhance revenues generated from party and promotional sales, food concessions, and even other attractions. A little homework now pays big dividends later.

Conclusion

Selecting new attractions that are exciting to your patrons, easy on your wallet, and complimentary to your operation requires research, patience, and a solid handle on the intricacies of your entertainment facility. More and more facilities are entering into "test to own" agreements with manufacturers, complete with performance criteria requirements, to reduce the risk of a making a poor choice. Enlist the help of other facility owners and industry experts in an effort to gather as much information as possible, and then make the investment that comes closest to meeting both your financial and promotional goals. Good luck!

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