Fixing A Failing Business

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Now that it appears that the down tick in our national economy is here to stay, I won't be surprised when I hear that companies both small and large have opted to file for bankruptcy protection. On the surface, such a filing might seem justified, but in most cases, the failure of a business can be avoided if steps are taken during the first signs of performance erosion. This month's column will focus on a few telltale symptoms, along with potential cures, to maintain your business during difficult times.

Symptom: Revenues Take A Nose Dive

By far the easiest to spot, a decline in sales volume can be brought about by internal failures, external conditions, or a combination of both. If you're an operator, maybe you've noticed that your portfolio of accounts is earning at a lower level than previous years or that the number of accounts dropping from the portfolio consistently exceed those being added. If you're an entertainment center owner, perhaps you've observed fewer patrons coming through the doors or lower spending levels per visit from these same patrons. Most folks shrug off these initial signs as a temporary setback, but in reality they often represent a more serious condition.

Cure: Aggressive Marketing

Sometimes, you simply have to work harder. Many business owners have been fortunate in recent years in that the prosperity encountered throughout our society has filtered into amusement-based businesses through consumers that possessed economic confidence and a wallet to prove it. Not so these days. It's not that the mass populace has become unemployed - in fact the levels of unemployment are still remarkably low - it's that consumer confidence has plummeted to its lowest level in years. Getting these folks to spend money will take more than unlocking the doors and turning on the lights. Today, consumers need a reason to spend.

Those of you that were involved in holiday gift shopping this season probably observed the significant amount of discounting in the retail stores. On a few occasions I could have used a calculator to ascertain the true cost of a sweater that was being sold at 40% off its original price with an additional 15% in-store bonus discount and 10% store coupon. Oh, and free gift wrap. Thank God for computerized cash registers.

The operating posture within the retail sector offers an important lesson to all of us. Left alone, this holiday season would probably have been the ultimate dud of the decade, with consumers wary of the future and generally uncomfortable with the idea of spending. In actuality though, volumes and profits will be down, but probably nowhere near early estimates. How many of your family and friends commented that "the price/financing/opportunity was so good, I HAD to buy it." There's your reason.

Translation: enhance value to maintain sales. How can this be done in the amusement industry? Quite simply, actually. If you're an operator, why not tier your new revenue share bid proposals to give the client a bigger piece of the pie in the first or second year? This might give your company an edge over the competition, and in turn keep the staff employed, equipment rolling, and cash flow coming. As an entertainment center owner, now would be an ideal time to add some real value to those "value packages". The objective would be to keep the spending level the same but augment the packages to include additional activities, food, and events. Most of these additional give-aways have little or no incremental variable cost (after all, the lights are on anyway), but the patron perception improves dramatically. Everyone loves a value.

Symptom: Bills, Bills, Bills

Business expenses are a lot like death and taxes - it's an inevitable part of the process. While many business owners spend upwards of 33% of their time wrestling with expense issues, few actually do anything to improve the situation. Our business community and our society in general has developed a "must have" philosophy with almost everything. Those of you that have been in business for ten years or more might appreciate a comparison of your general ledgers from the beginning of the decade to the end of the decade. Take a look at the line item categories, particularly those identified as cellular telephones, automobiles, cleaning services, computer services, and the like. You might be surprised how significant these items have become. But are they really significant to the betterment of our businesses?

Cure: Thrifty Is In

When the going gets tough, the tough get going. Translation: when economic hard times arrive, the thrifty shall prevail. On the general ledger, they call them "line items" for a reason: it's time to delete some of them. The next best thing to increasing or maintaining sales revenues is reducing operating expenses. Most entertainment-based companies that my firm audits maintain expense budgets that are 20-30% bloated, a result of several prosperous years of strong sales volumes and high consumer confidence levels. Everything from lawn maintenance to insurance needs to be re-analyzed, re-bid, and reconsidered. You might be surprised what you find. Many businesses are going through exactly the same circumstances as you, and are willing to take less to maintain your business. Cleaning services, alarm companies, telephone providers, office supply vendors, and most merchandisers are all in the same boat. And the half day of phone calls can save you enough money to pay for the new advertising campaign!

Perhaps one of the toughest areas to control expenses is labor. It can also prove to be the most disastrous. Entertainment operators and entertainment facilities cannot survive without talented individuals that understand the business, its customers, and its operating cycles. While the termination of employees should be the last resort, there is much that can be done with the labor component that can greatly reduce its cost. The first option is to modify hours, with the part timers seeing a reduction in their weekly allocations across the board. Sometimes it's better to reduce everyone's hours by a small amount, while in other cases it might prove more worthwhile to significantly reduce one or two. Full time employees should be the last affected, as these typically have the greatest tenure, operating knowledge, and consistently, and prove more difficult to replace. Again, there are exceptions to this condition, such as the case with the proverbial "dead wood". If there was ever a time to retire the underperformers, this is it.

Symptom: A New Giant On The Block

As if the downturn in the economy isn't enough, sometimes you find yourself in a market where your worst nightmare has come true - a major competitor has just arrived. At the onset, things might appear futile, much like the local hardware store down the block from the sprawling new 95,000 square foot Home Depot supercenter. Competition can generally be regarded as 'not a good thing' but sometimes the cloud does have a silver lining. A business that is suffering from this type of condition finds itself at a crossroads - die a slow death or fight for survival. In the amusement world, just showing up for the battle is sometimes enough to shake the competition.

Cure: Invest In Your Future

Think you can't compete? Think again. If you know the market well and have been confident in its ability to sustain your enterprise, the logical choice is to push to maintain it. This often will require a makeover or refreshening to show John Q. Public that you're here to stay. If you've done a good job in the past of providing quality entertainment at a reasonable value, your patrons will embrace your new enhancement plans and generally remain loyal to the cause. Sure they'll visit your competitor but ultimately the real decision comes down to people and value. While you might not be able to afford the cost of a new double spiral roller coaster, you might be able to upgrade the bumper cars or amusement games. Simultaneously, you can also compete on the basis of price and value - give the patrons a better value than the competitor and find a way to let them know they're important to you. After all, the proprietor at my local hardware store always shakes my hand when I come in for one of those obscure looking plumbing fittings and offers to help load the car with the remainder of the articles I picked up during the visit. Sure I've been to the home center, but when was the last time anyone shook my hand or called me by name?

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