

Pricing and Delivering It Right

**Article Written By: Gerald J. Merola, Chief Financial Officer
Amusement Entertainment Management, LLC**

No matter where you look in our society these days, every wholesaler and retailer seems to be pitching "value and service" as the key reasons for selecting their products. Does everyone really offer the best value and service? In most cases, consumers have become impervious to such claims, often resulting from experiences that are the exact opposite of the assurances provided. When was the last time you called your credit card company, only spend ten minutes sorting through a series of electronic options? When you finally found the desired selection, "real human", you were put on hold for another ten minutes. Clearly there is something amiss in the formula when even the most mundane exercises become cause for frustration.

Enter the world of entertainment. In the public's eyes, this is the one sector of society where folks can get away from the red tape and actually enjoy themselves. Whether they can accomplish this is a function of how effectively an entertainment facility develops its recipe for fun. Put yourself in your patrons shoes. You've worked hard all week, paid the bills, helped with the homework, and cleaned the house. Now it's time for some fun. During many of the summer months, the first thought is that of an amusement or theme park. During the fall, winter, and spring, attention turns to the many entertainment centers that span coast to coast. Walk into any theme park today and you'll notice a format that has proven quite effective in keeping patron satisfaction indexes high and perceived value indexes right where they belong.

Encouraging A Strong Spending Level

Upon entering any of these parks, the patron is asked to make a decision, which is to essentially to pay an admission or "gate" fee. Included in this price is the unlimited use of all of the major attractions as well as the many events and shows that are typically offered throughout the season. Often, I have visions of riding every ride ten times and attending every performance available throughout the day. Suddenly, that \$30 or \$40 gate fee starts to seem justified, as I've purchased an entire day of fun. By the end of the day, I've spent a bit more money on food for the family and partook in a few fee-based events throughout the park. All told, I probably spent an additional \$10 per family member above the gate price, but walked away having had a great time and with plans to return again in the future.

Can an entertainment facility create the same level of goodwill in the minds of its patrons? Sure. One of the first tried-and-true methods is that of "package pricing". Similar in design to the theme parks, the packaging of attractions, activities, and even food allows a patron to get the financial decisions out of the way upon entry, leaving the balance of their stay focused almost exclusively on fun. But packaging is only one ingredient in the process. To be effective, each offered package must include a high level of perceived value, in most cases, 50% greater than the sum of its parts. For instance, allowing a patron to select three ride tickets, a 10-count bag of game tokens, a slice of pizza, and a small drink might typically carry a value of \$14.75. Purchased as a unit, the package price may be set at \$9.95. Why do this? The answer relates directly to a facility's per capita spending target. Let's assume that an entertainment facility has prepared its upcoming year's budget, which identifies the costs of doing business, including rent, labor, utilities, administration costs, and costs of hard goods sold. In that budget, the facility has also estimated its projected annual attendance, either based upon historical performance or upon a market feasibility study (if the facility is brand-new). From here, a per capita spending target must be established, which takes into account the spending characteristics of consumers in the marketplace, their historical spending performance at the subject facility, and their spending performance at competing facilities. By dividing total estimated expenses by the number of projected attendees, a facility can determine its "break even" per capita spending level. Naturally, the goal will be to comfortably surpass this number in an effort to maximize the facility's earnings and investment returns.

Formulating An Accurate Spending Target

Now that we know the average level of spending necessary by each patron, we can begin to develop package formats that are capable of achieving this goal. Why not just leave it to the patron to make their own selections? Quite simply, most patrons will probably talk themselves out of trying certain rides or attractions, as they'll be constantly weighing the retail cost vs. entertainment value argument at every stage, and in the end, spend less and do less than what a package would permit. As they're walking out to the car, they're reminded that the entertainment experience was just "ok", particularly since they didn't experience many of the attractions, and the value was "about average". No mention of a return visit here.

When my wife returns home from the wholesale shopping club store with a five pound jar of peanut butter and enough laundry detergent to wash our family's clothes for a year, it gets me thinking about value. Somewhere along the line, a regular knife won't reach the "one pound" mark on the peanut butter tub and be thrown out while half the laundry detergent will eventually be lost to a mishap in the laundry room, sending powder randomly across the floor. But ultimately, we'll remain convinced that we got the very best deal available and probably continue to buy these same products for years to come. What's the moral of the story? While entertainment center patrons may never experience every morsel of entertainment offered in a discounted promotional package, they'll feel great about the flexibility of being able to do so, and appreciate the value obtained. Those that maximize their experience at the facility (by using all of what's offered) are reminded of the fun they had without the burden of making financial decisions along the way.

It's All In The Delivery

Value without service, however, is still a losing proposition. There's nothing more frustrating than encountering unhelpful or unknowledgeable staff members, or an uncontrolled environment. Again, the theme parks do a tremendous job of insuring that their staff members always appear well-groomed, friendly, and helpful. Simple things like greeting guests as they enter the facility or helping a boy or girl to play a game, can each enhance the guest's experience and make them feel welcome. Consumers have become so put-off by poor customer service in recent years that most are willing to pay MORE for the same product or service, largely for piece-of-mind. If you're able to offer excellent perceived value and superior customer service, your facility will easily become a shining star, having delivered to two things that consumers value the most.

Start The Process By Building A Model

Before implementing a packaged format, take a close look at everything your facility has to offer. Consider packaging or grouping certain attractions or activities that are consumer favorites with a few "lower rung" choices to encourage your guests to experience items that they might not normally elect. Confirm that the value offerings and discounting method are consistent throughout the packages - such that the more expensive packages might include deeper discounts to further encourage higher levels of spending. Avoid over-discounting the facility, otherwise the peak operating periods, which will typically yield the highest revenue return per guest, will be diluted by such programs. Offer appropriately-priced packages during these peak periods but also offer "deep discounts" during off-peak or slow attendance periods to boost patron volume. Consumers won't abandon their visitation during peak periods but you might just encourage additional visits during those slower periods. Create a "preferred member" program that rewards guests with free attractions or food based upon the frequency of their visits and use of the facilities entertainment packages.

It's Never Too Soon to Improve Your Business

The Fall is now upon us, and most entertainment facilities are gearing up for a busy winter season. Now's the time to analyze the competition, evaluate your own business forecasts, retrain the facility's staff, and begin the implementation process. The next time your patrons walk in the door, they'll be greeted by a courteous staff member that can offer some very attractive entertainment packages that promote strong value. The best thing is, your guests won't have to buy the five pound size to get the deal of the century...

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