

## Resurrecting A Winner

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Given the broad level of development in the entertainment sector over the past ten years, it's no surprise that the maturity of the industry has resulted in the closing of many facilities, or the outright absorption of others into the hands of more stable competitors. Those facilities that have made timely reinvestments and kept a close eye on operations have successfully weathered the test of time, while others have not been as lucky. Many of the less fortunate have seen their revenues sharply decline upon the arrival of high-power competition, who have entered their markets with deep pockets and fresh attractions. Weakened from these competitors, the stand-alone FEC owner has neither the capital nor the credit availability to fight the battle head-to-head. Are the only alternatives those of closing the doors or selling out? No!

Personally, I like competition. Competition is what makes us work faster, achieve higher standards, and maximize our performance. Lack of competition leaves us running at 85%, with little attention spent on planning for the future. Think you can't compete? Think again. My firm services more clients that are "comeback kids" than outright winners. Why? Quite simply, many of these clients saw the opportunity to buy centers that had fallen off the pace, and invested their time and talent into reversing the trend. The result can be a well-designed, well-executed center that achieves triple the returns, because it was purchased for a third of its original cost!

Can every failed or failing entertainment center be revitalized? Frankly speaking, no. To be successful, several of the key attributes must already be in place such as a) location, b) appropriate size and physical infrastructure, and c) supporting demographics. If these three items are present, there's an excellent chance that entertainment can be re-established on the site, provided of course, that an effective marketing program is implemented to alert consumers of the changeover. As of the current date, a few of our clients are in the process of retrofitting former Discovery Zone locations for use as multi-attraction family entertainment centers. The majority are located in high-traffic, high-density areas near the "rooftops" (i.e. - residential areas) and each is zoned acceptably for further expansion of the physical structure.

### **THE ROAD TO RECOVERY...**

Retrofitting is one thing, revitalizing is another. What if you're an existing entertainment center owner that is experiencing sluggish or declining sales and are under constant threat by the competition? Well, the first step is to diagnose the core problem. This is most effectively done by an independent trained eye, whose goal is to examine the operation, compare it to the competition, and identify the weaknesses and lost opportunities present within the facility. When it comes to maximizing revenues and fending off the competition, there are a few key areas that demand extra attention. They are:

#### **Attraction Selection**

Patrons come to an entertainment facility to be entertained. If the level of quality of entertainment is not on par or a notch above that of your competitors, these same patrons will leave your facility as quickly as they entered. There simply is no substitute in this industry for quality attractions. As an example, if the amusement games at the facility are not what's "hot", then it's time for some immediate changes. If the facility budget won't support the purchase of new games, then consider leasing or revenue sharing games through an experienced game operator, as 50% of revenues from a first-class game line-up is almost always better than 100% of revenues from a lackluster one. Game revenues may also be suffering as a result of poor or infrequent service by the facility's technicians. Here too, the use of a game operator can boost revenues by improving the operating efficiency of the games, allowing them to earn at their greatest potential, while at the same time improving the patron's perception of the facility.

The functionality and cleanliness of the other attractions should also be subject to scrutiny. A ride that's become a constant maintenance problem or eyesore needs to be swapped out and replaced with a new or newer unit. Check the capacity of the rides as well - can the facility support the demands of its patrons on a busy Saturday, or are dollars being lost by not providing sufficient entertainment "slots" during the small window of time that patrons are on site?

Note that attractions alone won't drive revenues, but rather must work in harmony with a strong guest services program, well-designed marketing plan, and careful expense controls.

#### **Promotional Packaging & Value**

Here's a topic that truly defines the differences between the many entertainment options in the marketplace. The common thread between most of the national competitors is their consistent use of multi-tiered promotional programs that increase consumer value through package pricing. Creating strong value in the consumer's eyes is not always easy to do, however, it is essential for continued success. Visit the regional competitors' locations and compare their attraction packaging to your own. Are they providing more entertainment per dollar than you? What makes their facility stand out from yours? Is it the theming or million-dollar story line? Is the redemption center stocked with a more enticing array of prizes? If your facility can't compete on quality or quantity of attractions, determine which areas it can compete on, and use these as the basis for the facility's marketing program. Over the years, I've noticed that a few of the big chains that possess the nicest attractions have, at times, offered the worst levels of customer service. Ask any patron and they'll tell you that the experience wasn't worth the hassle created by unresponsive and unsympathetic staff members. If you're going to compete, do so by offering the highest level of customer service you can. Don't just say it - do it. Staff members are not always born with terrific public relations skills; however, it is an art that can be taught through frequent in-house training sessions.

### **Fixed and Variable Cost Controls**

"Lean and mean" is the secret to weathering the tough times and capitalizing on the good times. I like to look at everything as falling into two categories: "profit centers" and "cost centers". Attractions and concessions are typical profit centers, while real estate taxes and trash removal are cost centers. From my perspective, employees are profit centers, as their contributions to customer service will directly impact the facility's ability to generate repeat business. When a facility begins to get into financial trouble, the first reaction seems to be to reduce staff. Certainly, a lower payroll liability will save money, but what will it do to improve revenues? Attacking the problem from this direction may prove to deteriorate revenues even further, as guest satisfaction levels will likely decline. If customer service is lacking at the competitors' facility, perhaps this is an area where your facility can compete. As humans, we're all creatures of habit - if we're treated well and have a great experience, we're more likely to spend money and come back with greater frequency. To coin a phrase from the television show Cheers, "...be glad there's one place in the world where everybody knows your name, and they're always glad you came.."

The real targets of cost cutting measures need to be centered in the non-income producing areas, such as utilities, rent, bank debt, insurance, office expenses, and general supplies. Turning off the lights or setting back the thermostats when rooms are not in use can cut energy bills by as much as 20%, while repackaging bank or private loans (sometimes with improved collateral packages for the lender) can reduce monthly payments and/or interest rates, and free up cash flow for attraction upgrades. Commercial insurance policies are also worthy of analysis, as below-average claims projections for the insurance industry, coupled with fierce competition, has resulted in very aggressive pricing between carriers. And don't be fooled by your agent's comments that "workmens comp rates are the same everywhere" because they're not. Certain carriers have negotiated higher upfront discounts in various states than others, and can pass these savings on to their policy holders. Finally, every paper clip and sheet of copy paper does count- the photocopy industry claims that every 1 in 4 copies ends up in the trash. Every dollar saved from the office expense budget is one more dollar that lands on the bottom line. Controlling expenses is just as important as generating revenue, but is often the most overlooked area.

### **Marketing Strategy**

Sourcing the best attractions in the world and training your staff to be the friendliest and most efficient in the industry will all go unnoticed without a marketing plan that consistently targets the correct consumer. Marketing boils down to two components: "the message" and "the delivery". The facility's message must be clear and to the point, and identify what makes your facility the regional standout over all others. Why are your birthday parties the best? What's great about your super-saver package? What are guests saying about the experience at your facility (put them in quotes!)? The delivery must be designed to target the ultimate decision maker. In the case of birthday parties, the decision maker is probably the mom or dad. Rather than randomly solicit the surrounding market, invest in some quality software that is capable of tracking your guest attendance and their respective preferences. For instance, our firm uses a newly-developed redemption software that records the name, address, and birth date of each redemption prize winner and also tracks their merchandise preferences. Every one of these individuals, in addition to every birthday party attendee, receives promotional specials sixty days prior to their own birthdays. After a while, your facility will have formed a birthday club, which continues to not only grow over time, but improves in level of repeat business in subsequent years. Personalizing these mailings and following up with telephone contact can help your facility really stand out from the rest and solidify, in the patron's mind, the facility's desire to "go the extra mile".

### **An Eye To The Future...**

Most importantly, once the decision has been made to dig in and rejuvenate a facility, don't forget to layout out the future plan as well. Once the ball is rolling, its critical that the same mistakes not occur twice. Set realistic targets at six-month

intervals and examine the facility's progress at each point. These targets should include attraction changes, floor layout adjustments, personnel training, marketing penetration success levels, utilization of newer technologies and systems, and adherence to cost containment plans. The more you look, the more you'll find. Taking the first step, though, is the hardest of all. The road may not be paved, but at least it's cut!

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