

# **FEC's AND REDEMPTION GAMES**

## **Do You Know How To Tie Them Together?**

**By Frank Seninsky**

Family Entertainment Centers are opening at the rate of 200 to 300 per year. This is a boom industry. Yet, after only a year or two in business, some FECs are on the brink of closing. What could they do differently-and can they make a comeback?

If owners and hopefuls understood more about their business, they could avoid the mistakes that can cost thousands of dollars. Most failing FECs can be turned around with a little help. educational and sometimes financial. First, they must quickly change their operating practices.

I contend that all FEC attractions must not only be tied together in discount packages but also that they need to be upgraded or changed every six months to present a new look. If they are not changed, the FEC loses its allure and the repeat customer base quickly declines.

Alpha-Omega Amusements & Sales works directly with more than 75 FECs. The company either supplies coin-op games on a revenue-share basis with full service. or sells. leases. or provides technical staff training on games, and offers marketing and management consultation services. From this database of existing FECs, I have developed operation models for maximizing total revenue.

### **BEGIN WITH THE BASICS**

What exactly is an FEC? We define it as an indoor facility with more than one attraction, where groups of area residents (usually families or birthday party celebrants) go to spend leisure time (two to two and onehalf hours) on a repeat basis.

Eighty-five percent of the typical FEC's customer base is located within a five-mile zone. A repeat customer is one who visits the FEC 15 to 20 times a year. Most centers range from under 10,000 square feet up to 100,000+ square feet. Common attractions include soft play, iron rides, batting cages, bumper cars and boats. battery go-karts, laser tag. bowling, roller skating, ice skating, food service. party rooms. miniature golf. motion simulators. and games.

These criteria may not be allinclusive, but they serve to eliminate amusement parks, arcades, movie theaters, bowling centers with games, and even the larger arcades with rides and attractions located in tourist markets (i.e., boardwalk) from the FEC classification.

A true FEC needs to have enough attractions to draw customers on its own merit, and fulfill their two-hour leisure experience at a competitive per capita investment value. Per capita spending (per cap) is what a customer spends on himor herself during a single visit. For example, if a movie ticket plus popcorn and a beverage runs \$9.00 in the local area, your FEC needs to keep its price for two hours of amusement in the \$9.00 range to be competitive. FEC per caps usually run between \$7.00 to \$12.00. depending also on average household family income. The management of a well-run FEC will make sure its customers get an exceptional value for their per cap. My theory is to give them at least one and one-half to two times what they spend in "perceived value." Before we delve into the concept of perceived value, first let's learn more about redemption games.

### **REDEMPTION GAMES**

Almost all FECs have coinoperated games and kiddie rides. I do not consider these attractions, even though they can generate 30 to 40 percent of an FEC's total revenue. Never count on a family deciding to visit your FEC just to play the games. Families go to an FEC for the other attractions; they play the games because the games are there (i.e., on impulse) or because the FEC program starts them on playing the games through discount and promotion token packages.

The redemption (ticket-dispensing) games and, to an extent, the other coin-operated games, are one area where most FECs (especially the smaller sized ones) are not realizing their full revenue potential. Many profitable FECs generate one-third of their money from games and work very hard to make sure that the other twothirds is earned by their other attractions.

Customers quickly tire of games, so new games need to be brought in monthly. Video games must be changed or rotated at a minimum rate of ten percent per month ( i.e. one out of ten)Redemption games should be rotated at a minimum rate of five percent per month. The positioning of the games should be changed at least every two weeks! Only a few top game operators put this much effort into their FEC locations-and I don't think any FEC ever incorporated this constant changing

of their game layout as part of their business plan.

It's a shame, but most FECs don't put nearly enough thought into their choice of games, the game layout, or the individual redemption game ticket-payout percentages. Some children's centers just add redemption games and let them sit in a room by themselves. Is it so difficult to see why their games don't earn well?

Redemption games are integral to giving your FEC patron a perception of good value for money spent. That is what FECs are all about-value. Marketing basics tell us everyone wants to think they got a bargain. The more attractions you have, the easier it is for you to deliver that perceived value.

### **VALUE PRICING YOUR PACKAGE DEALS**

Discounting game and ride tokens as part of your total pricing for party, group, or value packages is a must. Your goal is to have a third of all tokens issued as discounted tokens. The remaining two-thirds can be sold at regular prices through bill changers.

For example, in an FEC with three rides, games, and a soft play system, discount package "A" for \$6.95 could include: two hours of soft play time (value \$4.00), four ride tokens (value \$4.00), 12 game tokens (value \$3.00), and a beverage (value \$1.00). Total value: \$12.00. Each customer will most likely spend an additional \$2.00 during this visit, split as \$.50 on games and \$1.50 on food. If you are satisfied that this amount of "play" will fill the two to two and one-half hour requirement, then a package like this is a good one for you to consider. Ride times and game play times can be increased if you need to provide more play time.

Now let's get more creative and put together an activity bracelet package "B" that gives unlimited soft play and rides, along with the game tokens and a beverage, for \$7.95. Parents will place different values on this package, depending on how much they think "unlimited" is worth and on how many times they think their child will ride and how much time he or she will spend in the soft play unit. Let's say that one parent thinks this way: unlimited soft play (value \$4.00+), three ride experiences times three rides per child (value \$9.00), 12 game tokens (value \$3), and beverage (value \$1.00). Total value: \$17+.

Which package would your customers choose? Package "B" would be my choice. No patron should ever purchase just one attraction in your FEC-not if you can encourage them to spend an additional \$1.00 up front and give them a better added value for doing so. You can enhance your perceived value by putting a higher value on the "a la carte" attraction purchase.

For example, one operator posted a sign setting his soft play price at \$5.00 for two hours. Right below this notice, he lists his first package, priced at \$5.95, which includes unlimited soft play, two ride tokens, eight game tokens, and a beverage, for a total perceived value of \$10.00. He does not ever expect patrons to pay \$5.00 just for two hours of soft play. Customers automatically spend the additional 95 cents to receive the added value perceived as \$5.00 of "free play," even if they're short of time. Instead, they take any unspent tokens home and save them for a future visit.

Just remember how the perception that two hours of soft play was worth \$5.00 became established in the previous example. It was the owner who took charge: he did not leave the decision entirely to chance or impulse.

### **DISCOUNTING TOKENS**

I believe in discounting up to one-third of all tokens by a full 40 percent- and applying the same reduced pricing to all the other attractions and food, for all parties and group events. Using this approach, you can create two lists: one for all your direct costs for a child in a party, and the other to reflect the value the person booking the party receives for each item.

Here is an example:

An FEC can make very little per cap, but could probably count on some additional spending per child for more games and rides than a package included. However, each child received a taste of what this sample FEC offered. If he or she had a good time, and the parent feels good about the value received, there is a 65 percent chance they will come back. If they had an exceptional time (the FEC was clean and safe, and the food was great), there is a 95 percent chance these patrons will return. Just look at the 50 percent increase in future business possible if you invest effort in giving your guests a terrific experience!

Another method of delivering added value is to package your attractions into a deep-discount ride and attraction bracelet that permits a customer to go on all the rides and attractions as many times as they desire. We know one FEC that does this

(game tokens are not included in this package) and wants to further discount bill-changer tokens.

Such an approach produces a high perceived value for the ride bracelet, while lowering the perceived value of a game token and therefore reducing the perceived value of every other package that includes tokens. This will probably shift revenue more toward the rides and attractions and eventually lower the game revenue. If a game operator is involved in this particular scenario, I would predict that the quality and number of Games and the frequency of their rotation would gradually have to be decreased as game revenue falls. As a result, I think the overall quality of the FEC would decline.

### **KEEPING TABS ON REDEMPTION GAMES**

Customers will not continue to play a redemption game that is not working perfectly; they will feel cheated if the score tallies less than it should and a lower number of tickets is awarded. On the other hand, a redemption game that malfunctions and awards too many tickets will instantly become the most popular game in your FEC.

Following a routine for maintenance and rotation will keep your redemption games reliable revenue producers.

Armed with these insights on how the perception of value can enhance revenues, take a new look at your pricing and the role played by redemption games.

### **FAMILY ENTERTAINMENT CENTER**

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