



LOCATION BASE

How To Expand In A Tough Economy

Before you expand an amusement business in this economy, the first step is market research. The initial questions are: What niche can I dominate quickly? Where can I operate most efficiently by using my existing infrastructure? What kinds of locations are out there (that are different from the type in which I currently specialize) that could be more profitable? What new kinds of equipment might be worth adding to my portfolio that can offer return on investment in 12 months or less?

Some of the best ways to get this intelligence are to attend several trade shows in different industry market sectors, outside coin-op, and join the Chambers of Commerce in the areas in which you are considering expanding.

Once you discover a viable industry sector, become a member of that sector's association (if dues are affordable) and find a way to ex-

hibit or co-exhibit at one of that sector's national or regional trade shows, or at least attend the event, make as many contacts as possible and qualify the best as new business prospects.

For example, I recently made more than 800 new contacts by exhibiting at the Association of Children's Museums trade show. Two carnival shows in Florida yielded more than 1,200 new contacts. Not all will become my customers, but some new business will definitely result.

Another great networking tool to grow your contacts into entirely new sectors and regions is LinkedIn, the Web-based social network. This past year, I accumulated more than 1,000 connections; now I'm mining the people that my connections are connected to. It is simply amazing to me how this tool can expand your horizons and give you great ideas for new markets.

Another tactic is to provide a small non-amusement service to locations (see my VT column, April 2011: *How To Make Money In Today's Amusements Industry*). Eventually you can get the amusements, too.

Over the past 30 years, adding redemption games to high-traffic locations has been very successful. Recently we've seen a huge upswing in providing prize or redemption equipment in locations that have previously been video-based. Often, such games average 500% of videogame earnings. (Try adding a crane or even an ICE Cyclone to a hockey arena with "hockey tape" as the prize.)

By the way, one tactic I don't recommend is "location-jumping" or trying to "steal" locations that are already serviced by other operators under exclusive contracts. Both for ethical and bottom-line reasons, better ROI typically comes from expanding into brand-new kinds of venues and sectors that have never before had amusements.

Fighting over existing venues usually isn't worth it. Even if a non-contracted location is unhappy with its current operator, such competition generally triggers a bidding war over commissions – or sometimes, unjustified investments in new equipment. The only economic exception is if the venue is an A or A+ location and then it becomes a business decision (i.e., the bidding war or investment might be worth it).

Once you have identified a possible new market sector or region and made some contacts, the next steps are identifying some promising specific targets (individual locations or chains) and fully understanding that market segment's business model. That means researching the individual location and the specific owner, learning about their business, etc., so you are not coming in cold. It also includes getting their business and personal email addresses.

Key questions at this stage include: what is a retail store's gross revenue/sq. ft.? How does this translate into net revenue/sq. ft.? How can a machine that takes up "X" square feet generate better revenues? How can per capita spending increases go directly to the bottom line (after cost of sales is subtracted)? How would keeping the kids occupied with amusement game or attraction "Y" while Mom shops, in-



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crease Mom's spending per capita by "Z%" in the targeted location?

Before meeting the prospect at his or her place of business or yours, spend several weeks, months or even a year "preparing the ground" by sending them helpful information. It could be useful tips about insurance, financing or any business topic. Include your company name, tagline, services provided and a list of your newly acquired businesses in their sector.

Consider this a form of advertising, keeping in mind the old adage that a potential buyer must see your "ad" or company name about a dozen times before your brand registers.

For certain kinds of locations or prospects, you need a good website, so that if your emails and insightful help got noticed by the prospect, he will visit your site to learn more about you and your company. Just this week, probably 200 prospects visited our website after I sent them an email article. Eventually I'll drop them an email asking what they learned from our website and if there is any other help I can provide. This approach may not work with some location types, but it generally makes it much easier to close deals.

Operators should routinely assemble letters of recommendation from current accounts. Compile the best quotes in one marketing piece. Send them out at least quarterly. Include a "letters and recommendations" section on your website, accessible from the homepage. In the old days, we did this with "snail mail" (hard copies sent via the post office). Today it's done with colorful email blasts.

Company newsletters, earnings reports and brochures explaining your operation's unique services are great PR tools. For example, we sometimes highlight our policy of guaranteeing a certain amount and frequency of game rotations per year. We rotate games anyway, so we might as well put it in writing.

Again, all of this is not about "location jumping." It is about developing new kinds of locations. These days, everything from retail stores, restaurants, sport centers, exercise facilities, mall food courts, zoos and aquariums to science museums are suddenly interested in adding amusements and other new revenue streams.

The tough economy is not only reducing cashbox revenues in some traditional game locations; it is also making nontraditional locations more receptive to working with amusement operators. For example, *The Stinger Report* recently noted the current explosion in consumer gaming where public space meets pay-for-play. This could become another profitable amusements opportunity.

Some operators advertise for new business by putting their names on the sides of their trucks. Others avoid this, believing it could invite theft. One alternative could be paying other types of companies to put your company name, phone number and website on their vehicles.

By now you should be ready to walk into a

targeted location and meet face to face with the owner/manager and make the best possible first impression ... or the worst. Ironically, making a "strong" first impression is more important than making a "good" first impression. If you just walk in, brag about your great services and hand them a brochure, it will probably be tossed in the trash 10 seconds after you leave.

Above all, you must surprise the prospect. Get them out of their mental ruts. Confound typical expectations of what operators will say. For example, if a location owner is in that 90-day window when he's no longer tied to a previous operator, you might say: "You're making about 20% of the earnings from your equipment that you should be." (But if you're going to say something "critical" about how the owner runs his location, make sure to say it in private.)

Another provocative tactic is to enter an FEC, give the owner your business card and say: "I've just visited as a mystery shopper and I know that you're busy -- so if you want to know more, call me tomorrow."

Then walk out. Of course, what you just said must be true and accurate. If you get that call the next day, it will be because the owner is really interested in learning why you said that and in improving his business.

Some owners will get upset, because they are unwilling to admit their businesses can be improved. My advice is not to waste any further time and move on. Your time is very valuable -- to you, at least. On the plus side, you're guaranteed that every offended location owner will tell many others, "Do you know what that guy had the nerve to say to me?" Your name will spread like wildfire.

Getting the prospect's attention is half the battle. Years ago when I was building my route, I used to make up "funny money" -- huge oversized \$1,000 and \$500 bills in wild colors with our company logo in the middle, contact information, and the words GUARANTEED INCREASE. Then I'd walk into

the location and tell the owner: "If you sign with our company, we will guarantee you will make X amount of dollars more than you are currently making." Then I would hand them that amount in "funny money" and walk out.

It always made an impression. Soon, many locations around town were calling us. This also proved to be a great way to get higher commission percentages. Each owner quickly recognized that receiving a higher commission rate did not help him end up with more money at the end of each year.

Eventually we would sign a contract to provide operating services and promise that earnings increase in writing, along with a performance guarantee that if we didn't get those results by the end of the year, we'd write them a check for the difference and for the total amount of the "funny money."

Getting through to the decision-maker by phone, mail or email can be challenging. Back in the 1980s, I tried reaching one CEO for months -- calling, mailing and faxing, but not getting through a wall of secretaries, leaving dozens of messages with no return calls. Finally, I sent a certified letter promising to pay him \$1,000 for listening to my presentation for just 15 minutes. The day after the letter was received, the CEO called me to set up an appointment.

We met the following week. He looked at his watch and said, "You have 13 minutes remaining." Our meeting ran more than two hours. Finally he agreed to give me 22 revenue-sharing accounts over the next few years. In addition, he refused to accept the \$1,000 check -- but he said it did get his attention. He admitted that he felt good about someone considering his time was worth \$4,000 an hour.

Basically, going after new kinds of locations is a lot like going fishing. You have to use the right bait or the right lure; you do a lot of casting and reeling in with no fish on the end of the line -- but when you land a fish (small, medium or the big one), you find yourself smiling for weeks. Happy fishing!

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Frank Seninsky, President

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