



# Before taking that leap of faith, check with the experts at AEM

**T**here is an old children's hand game that goes like this: Here's the church, here's the steeple, open the doors, and see all the people. Long before those doors can open in real life, a trail of research, paperwork, and evaluation must take place. For an amusement facility, it is not enough to have the idea and interested investors. To travel the path from concept to reality requires a road map that only a good consultant can provide.

The idea is only the beginning. A feasibility study must be undertaken first to determine the viability of the proposed project. For best results, an industry consultant should enter the picture as early as possible to help take the proposal from the earliest stages to the grand opening.

One such experienced consulting firm is Amusement Entertainment Management LLC (AEM) of East Brunswick, N.J., an Alpha-Omega company formed in 1996. Principals are Frank Seninsky, president; Joe Camarota, secretary/treasurer; and Jerry Merola, chief financial officer.

Merola has been a contributing columnist for *Play Meter* since April 1999. He has tackled subjects ranging from feasibility studies to revenue-sharing and from creating an effective operating agreement to choosing attractions for the millennium.

Merola and AEM have extensive domestic and international experience and have

compiled one of the most comprehensive games and attractions databases to document real-world performance results and earnings capabilities. Before joining Alpha-Omega,

Merola logged 10 years in the commercial banking industry. If you are planning a visit to your local banker, Merola is the man you want to walk in with.



The AEM team, (l-r): Jerry Merola, Frank Seninsky, and Joe Camarota.

**Advanced planning is crucial to any business venture. Part of the planning includes the expertise of a credible consultant with real-world experience.**



AEM provides a myriad of services: architectural design; feasibility studies; game and attraction sourcing, purchasing, and reselling; business and marketing plan creation; operating and performance audits; and facility upgrading and revitalization.

AEM has clients ranging from 10,000-square-foot facilities up to megacenters like the new BarCode at Times Square in New York City, N.Y., and RexPlex in Elizabeth, N.J. RexPlex is a 180,000-square-foot complex that features sports entertainment, high-tech attractions, and upscale restaurant with banquet capabilities.

Instead of Merola's regular "Consultant's Corner," *Play Meter* decided to interview him this time around.

**In what types of projects has AEM been involved?**

AEM has been involved in projects of every magnitude, from single-store entertainment venues right up

to the merger of the 52-store Malibu Grand Prix/Mountasia chains. In the latter project, we were charged with the responsibility to integrate the two different businesses to create a cohesive, unified business format, a process that took in excess of one year to complete.

AEM was retained by an investment firm that had recently acquired the two chains and utilized our industry experience to establish investment budgets, performance targets, and asset acquisition strategies. The result was a revitalized and streamlined entertainment center chain that raised the bar for entertainment standards in many markets across the United States, particularly those in which the SpeedZone concept was initiated.

**Are there any misconceptions regarding consultants?**

Probably the biggest misconception is that all consultants specialize in the same areas, when in fact most

have a specific niche in which they excel. For instance, at AEM our focus continues to be from the operational perspective, as the Alpha-Omega Group of Companies are submersed in the amusement and entertainment marketplaces daily. Our recommended courses of action are always based on actual performances, as this hands-on approach limits the chance for error while offering factual performance trends that the client can touch and feel.

**At what stage of the project should an owner or developer hire a consultant?**

We always recommend that a project developer seek an experienced consultant right from the outset. By using a consultant, project feasibility can be established early in the process, before costly and irreversible decisions have been made. This early phase of project analysis helps to set the standard for the project and creates a "virtual road map" by which the project will follow through completion.

**Do you often get calls about a project in mid-stream?**

Absolutely. We encounter clients in various stages of development, although, in recent years, we routinely begin most relationships during the early stages of concept development. In other cases, our firm has been retained upon determination by a developer or their lenders/investors that the proposed project is no longer making forward progress.

Many times we note potential concerns with attraction selections, equipment sizing, facility location, or its target market (or lack thereof). AEM typically designs facilities from the inside out, so that each of these critical items is well matched to the project's objectives, and therefore capable of competing successfully in this marketplace. Other times, an inadequate amount of emphasis has been placed on the facility's overall entertainment capacity and its patron

**BARCODE/GALACTIC CIRCUS NEW YORK CITY, N.Y**

Situated in revitalized Times Square, the 25,000-square-foot, multilevel urban entertainment center is the brainchild of Australian firm Entertainment Development Group (EDG), which successfully launched the concept in Melbourne.

For the North American project, AEM was the lead consultant for researching, selecting, and purchasing appropriate equipment from games to motion simulators and from billiards to operational control systems. AEM also coordinated equipment installation and monitored operations during the early periods.

The facility is divided into two separate areas: BarCode, a nightclub concept geared toward the adult market, and Galactic Circus, a family-oriented area with mid-way-style games, a well-stocked redemption center, and much more.

**MTV Drumscape by Devecka is one of the attractions at the Galactic Circus/BarCode in New York.**





throughput, which, if left unaddressed, would limit the project's ability to ever reach the intended revenue and return targets. A poorly developed concept has a very short life cycle, as today's consumer has high expectations and demands a high level of value.

### What are some of the common pitfalls in facility planning?

**1. Facility access.** Many facilities are constructed without a refurbishment plan with respect to attractions, rides, and games. As such, access paths, delivery entrances, and future power considerations were not planned, thereby limiting the ability to rotate entertainment components easily without excessive cost.

**2. Failure to create an appropriate electrical grid.** In most cases, there is a severe underestimation of power requirements from project engineers. Many of the new attractions require substantial three-phase power deliveries to operate, and most new games, particularly the simulators, need dedicated circuits to prevent brownouts and, ultimately, damaged circuit boards. Placement and access ports must also be reviewed before walls are sealed and floors are poured.

**3. Completely missing the target market.** Developers may have a preconceived notion of who the targeted customer will be, how a facility should be themed, and where it should be located without fully understanding the demographic composition of the marketplace. Some find out too late that the number of patrons that fit their age targets pale in comparison to patrons in other age groups. In other cases, physical restraints, such as bridges or road networks, may prevent certain members of the regional population from visiting a facility.

**4. Improper game balance.** Even if a developer relies solely on the trade periodicals' winning picks for rides, attractions, and games, too much of a good thing can oftentimes hurt revenue potential and return on invest-

ment. If the entertainment components are not properly blended together, they may actually cannibalize each other. The same applies if attractions of similar style or seating capacity are selected, which might result in a patron not choosing to experience all available attractions, or worse, leaving the facility because the cue lines are unacceptably long.

**5. Making too large an investment in non-income producing areas of the project, such as theming.** In recent years, many new developers and clients have had a desire to compete directly with their Disney and ESPN Zone competitors with respect to theming. However, this truly becomes a very expensive proposition, the return for which may never be appropriately realized. AEM has always focused on establishing a niche for the client facility, by which he or she can effectively compete.

We have observed many projects over the years where too many development dollars were siphoned off to the theming budget at the expense of

the attraction budgets. In reality, though, the attractions and concessions build the foundation for repeat business from patrons. And while theming is an important part of any project developed today, it cannot be at the expense of a sound entertainment program.

**6. Underestimating the amount of capital required to adequately develop entertainment facilities.** Many project concepts were initiated two or more years before the actual implementation date, utilizing cost estimates that were available during that time period. Unfortunately, many development costs have increased in recent years, such as construction expenses and attraction offerings. These anticipated cost escalations must be incorporated in the planning phase so that an adequate cushion is available to absorb rising market costs.

**7. Stalled development.** A consultant can greatly assist project development by carefully coordinating the critical aspects of the project. Too

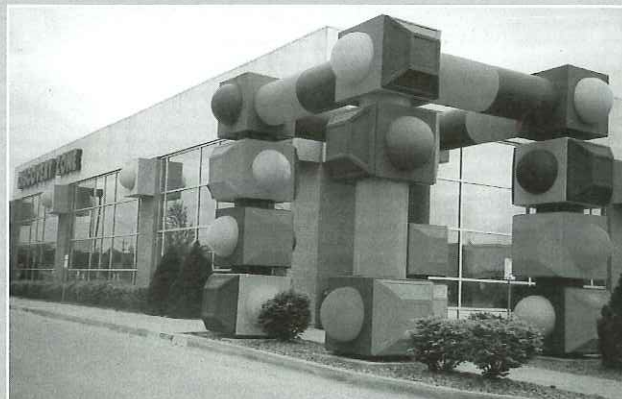
## PLAY CENTRAL STATION

## OVERLAND PARK, KAN.

Can a former Discovery Zone (DZ) site get a new lease on life as an entertainment destination? AEM is in the process of helping to make that happen with a new floorplan and interior that follows a futuristic space station design.

The facility, which is located at the Rosana Square shopping center, bills itself as "The Funspace" for kids. The new concept adds live video to an indoor kiddie park for children ages eight and under. Parents will be able to see their children performing and competing for prizes in a minitheater. The center will also sell high-tech smart toys and educational games and puzzles.

Other features include radio-controlled car races at the RC Rally and the Kid Koncierge, where parents can drop off their children for supervised play in a secure location. Attractions will include bumper cars, a Music Zone of three music-based attractions, a family Himalaya ride, videos, and redemption games.



DZ sites contain much of the infrastructure needed to convert to family entertainment.



many projects have been bogged down by local approval delays, unforeseen legal issues, and, most commonly, funding dilemmas, the latter resulting from lenders being unclear or uncomfortable with the research that has been performed for the proposed project.

**8. An inability to adequately answer the questions of would-be investors.** Investors expect straight answers and supportable conclusions. This becomes increasingly critical in today's market, where a typical investment portfolio can easily achieve 20 percent without the risks associated with a start-up enterprise. Here's the area where up front research pays off, as a knowledgeable developer is probably 10 times more likely to obtain investor financing than his less advanced counterpart.

### What is a common shortfall in most projects?

In many cases, the principals are so excited to enter the marketplace with "bang" that much of the

enhancement budget is blown at the get-go. We've encouraged our clients to earmark funds for future reinvestment down the road, broken out in six-month increments. This permits the facility to change with the marketplace, without sacrificing other much-needed resources, such as quality staffing and facility maintenance.

### What else does a consultant bring to the table?

The consultant brings an industry of knowledge to the table—what has succeeded, what has failed, and what has yet to be seen and tested. Most importantly, the consultant brings the framework for establishing revenue and operating costs budgets, and helps to position the product for success.

In many cases, a capable consultant can represent the client in many ways, from lending assistance to product beta testing and business development. AEM has been providing these services to many of its clients over the years, including sev-

eral new game manufacturers. Often we've been asked to assist in the development of their business strategy, improve the quality of prototype products, and educate their lenders on the plan for successful rollout of new products.

Currently, we're involved with a few such manufacturers in varying degrees, such as Photerra (makers of the FotoZap e-mail sticker booth), Devecka Enterprises (makers of the Drumscape), Dynamic Visions of Canada (makers of the Orion VR system), Atlantis Cyberspace (makers of the Abyss VR attractions), and StriCor (makers of the new Renegade Racers motion platform).

When working with a manufacturing client, the first thing we look at is matching the product to the ultimate user. We work closely with the manufacturer to make sure that the ultimate design and format will be well-received by the industry, so that instead of "dumping" a product on the market, the market creates demand for the product. Other aspects of our manufacturer relationships include safety evaluations, entertainment quality ratings, maintenance cost reductions through the elimination of common "real world" design flaws, and ultimately the determination of a price point that can be fully justified by its earnings.

### What goes into game selection?

A lot of time and patience! AEM looks at the game component as a portfolio, that is, a series of units that work in unison to create a successful entertainment package. Our goal is always to create a high level of value and entertainment for the player, which means blending games of various styles and experiences together so that each one is played with frequency. This in turn can boost per capita spending in the game areas.

Simply picking the top industry performers will not allow this balance to be achieved, but instead a careful matching to player preferences within a particular market will typically

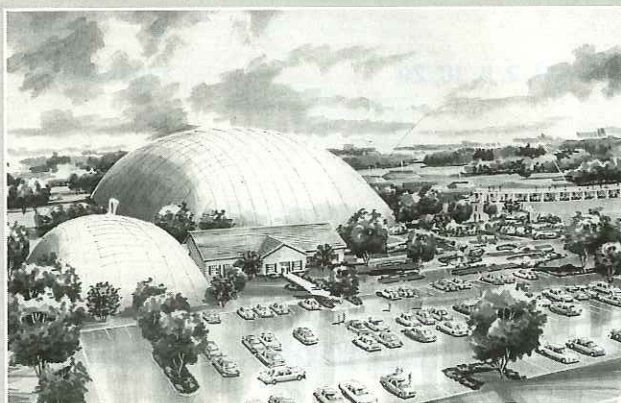
## DOME ON THE RANGE

## SWANSEA, MASS.

Considered a leisure golf and entertainment facility, Dome on the Range will include a 62,500-square-foot air-supported dome over an indoor driving range with 50 tees, an outdoor range with 60 tees, an 18-hole golf course, and a 15,000-square-foot family entertainment center with rides, games, food concessions, multilevel soft modular play structure, bumper cars, motion simulators, and an open-air meeting and party area.

Other aspects of the project are a golf pro shop, a 5,000-square-foot clubhouse, and the Larry Nelson Golf School. The combination of FEC attractions and golf elements are expected to make the facility attractive to the entire family.

AEM worked on the feasibility study for the project and selected and budgeted for attractions and support components. AEM is coordinating construction, equipment installation, staff hiring, and staff training.



An artist's rendering of the new leisure golf and entertainment facility.



achieve the desired results.

### What other factors besides games can influence a facility?

Operating formats and attraction packaging play a big role as well. Value packaging enhances the guest experience by encouraging the use of multiple attractions instead of simply using the attractions best known to the patron. Packaging that encourages experimentation offers the guest more reasons to return to the facility at a later date and ultimately creates a more well-rounded experience.

No matter where you go in our society, chances are that a retailer is offering a package discount. We're conditioned to shop this way, as the more you buy the lower the perceived unit cost per item. Let's face it, patrons want value, so why not create a "price buster special" that offers three rides, 10 game tokens, and a slice of pizza for \$9.95 (a \$13.95 value): By encouraging patrons to make their spending decision right up front with a value package, it's entirely possible that the facility can hit its per capital spending target as customers walk in the door.

### What are the major stages of development for entertainment centers?

*Phase 1.* Determine the feasibility of the concept in a defined marketplace. That includes the ability to have the project approved for use by local municipalities and the EPA (Environmental Protection Agency). Also, determine the feasibility of financing raised through investors or third-party, debt-based financing.

*Phase 2.* Develop the master plan. Here we look to identify all the component parts necessary to create a functional facility, including budgets, attractions, game selection, ancillary equipment, construction cost estimates, lighting plans, electrical plans, interior fittings, theming, and signage.

*Phase 3.* Develop the operating plan. This is where we establish the standard operating procedures for the

facility. We establish training protocol, identify the number and type of staff members and managers necessary to operate the facility, and create promotional packaging and a cost control and containment system.

*Phase 4.* Monitor construction development. This involves overseeing the construction and fit-up of the structure, installation of the games and attractions, and a mapping out of the support systems (which might include debit card systems). Most importantly, the time line has to be managed to insure that the development process remains on target. Quite often, we're asked to develop a time plan for the project's lenders, who will use it as a basis to disburse funds and initiate repayment schedules. Time is always critical, yet it is one of the easiest areas of which to lose track.

Often, a project's projections rely on cash flows generated from strong seasonal periods, which help to balance out the rest of the year. Missing

such a timetable can have a detrimental effect on both the front end and back end, as the facility is then never able to "catch its breath." Conversely, opening a facility too soon may display unwanted quirks and substandard performance that might otherwise be remedied through an adequate "dry run" period.

### Are projects sometimes scrapped?

One project that stands out in my mind was a new client that was introduced to us through his local bank, which recommended professional development assistance. As a newcomer to the industry, our client was a bit naive in identifying the project's true risks and potential market exposures.

During the course of our feasibility work, we determined that our client's selected project site was housed within a retail complex anchored by a well-known major chain store. This had been his major reason for select-

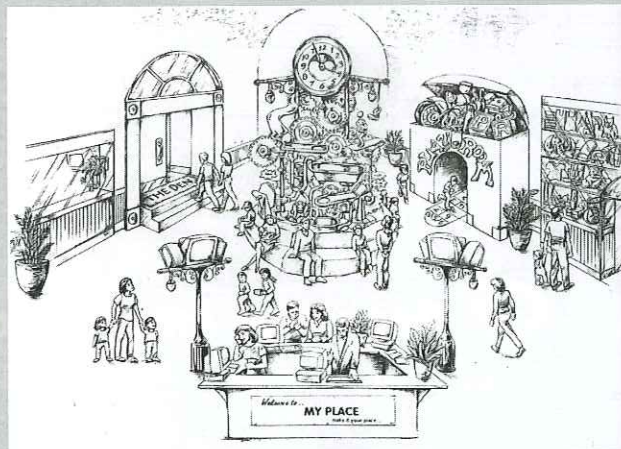
## MY PLACE

## SUNRISE, FLA.

The planned 25,000-square-foot facility will feature special areas for children and adults to do fun things together and apart. Special children's areas will be offset by separate adult areas (bar, upscale food concept, and adult performers such as comedy stage acts).

Kids can be kids, adults can be adults, and when both sides are ready they can join together in family-oriented activities, even making fresh-baked bread together. A wristband program is part of the security plan so that no child leaves the premises without their parents or guardian.

My Place will not only incorporate entertainment attractions, but also offer crafts and other unique activities such as a giant jumping bed (every kid's dream). The slogan for the facility is: "Welcome to My Place. Make it Your Place." Rides and games will be parent- and kid-friendly.



**My Place will combine entertainment with crafts and unique activities.**

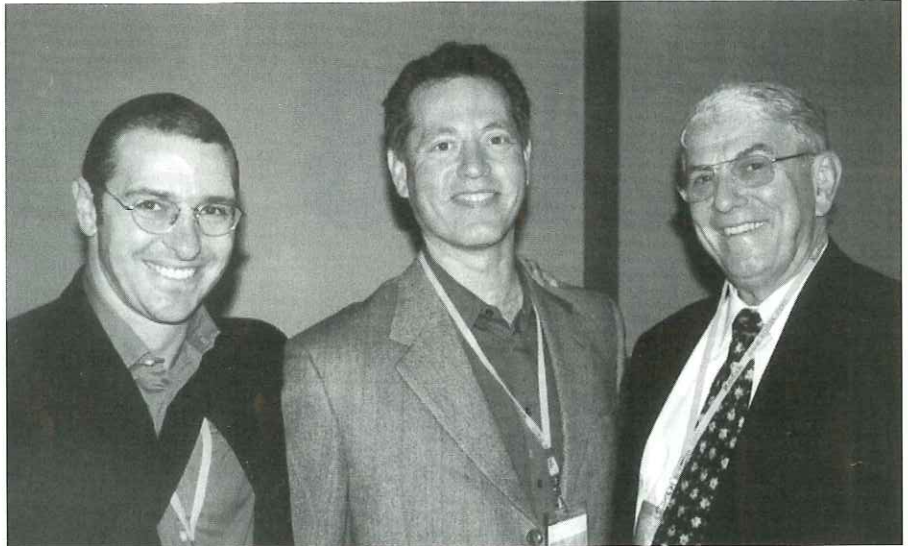


ing the location. We were initially pleased to learn that an interstate off-ramp was under development a short distance away, which would improve access to the site. As we inquired further, we discovered that the major chain store had negotiated an option to purchase the corner property occupying the intersection, and had intentions to close its existing store.

This in turn would have left our client's proposed building space by itself. Fortunately for our client and his bank, a \$3.5 million mistake was averted, thanks to a little bit of research. To this day, we can joke about the "what ifs" of this site with the knowledge that it has remained dormant to this day.

### Do you have some general recommendations?

Whether you choose to utilize an industry consultant or opt to handle



From left: Michael Schreiber of EDG and BarCode, Frank Seninsky, and Malcolm Steinberg of Leisure and Allied Industries in Australia.

project development on your own, please do your homework! The time and effort will be repaid tenfold, and the knowledge gained will position

the product for success. Always perform a feasibility and market study before committing to a building lease or attraction purchase contract. Do step back and really examine your goals and objectives, and solicit opinions as to whether they are achievable.

We gauge our success on our client's success. For that to happen, our clients, and their projects, need to be winners.

### Do lenders understand entertainment facilities?

Even sitting here in the year 2000, the majority of lenders in the marketplace do not understand entertainment facilities. They understand industries that are well documented from an historical, financial perspective. That's something that does not apply to the amusement industry. It is imperative that any project that requires financing be designed around a master plan that can be clearly understood, quantitatively and objectively, by a lender.

This is not a cookie-cutter industry, and there is no cookie-cutter formula. Every project and concept is entirely different. Once this is recognized, then the importance and the need for a consultant becomes clear.

## Amusement Entertainment Management, LLC



*"In the End, The Best  
Consultant Always Saves  
You More and Costs  
You Less"* Frank Seninsky, President

- Project Feasibility Studies
- Architectural Design & Theming
- Game and Attraction Sourcing, Purchasing, and Resale Services
- Business & Marketing Plan Creation
- Facility Upgrading and Revitalization
- Operating and Performance Audits

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## Are international projects different from domestic projects?

Domestic and international projects vary in design and content. Most recently, we provided consulting assistance in the creation of Galactic Circus and BarCode, two extremely impressive concepts developed by our client, EDG Entertainment Pty. Ltd. of Melbourne, Australia. In these projects we were able to match our client's objectives with game equipment and attractions capable of reaching the right targets.

Interestingly, some game equipment that was performing well in Melbourne had proven to be poor performers in the North American marketplace, particularly in the Northeast region. I believe our firm was selected because of its hands-on market knowledge, which allowed us to recommend a portfolio of entertainment components best suited for the Times Square venue.

In working with one of our Middle Eastern clients, we had to be careful that the country's religious codes were not violated by selecting equipment that met the standards of local culture. As an example, any game brandishing a mallet would violate the religious beliefs of the target market, so AEM was careful to first research and understand the culture before offering recommendations. As we stand today, more than half of our clients are located outside of North America.

## Do you have a favorite project?

It's a project based in Sunrise, Fla., still under development, that answers the crucial question of how to improve family relationships between parents and kids. The project from the get-go has been designed around this central theme of bringing families together with family-oriented activities designed to promote interaction.

The facility is known as My Place.

The demographics of the site are such that the typical age groups work out consistently with the targets for the project, which is to be located just outside the Sawgrass Mills Mall, which receives 25 million visitors a year. My Place will offer a food and entertainment experience that appeals to both local patrons as well as visiting families and grandparents.

Another notable project is Play Central Station in Overland Park, Kan., being developed in a former Discovery Zone (DZ) site. The concept, developed in concert with our client, is a testament to the flexibility for modification of DZ sites, of which there are about 300 nationwide. Most are between 10,000 and 20,000 square feet and contain much of the infrastructure from which to complete the conversion to family entertainment.

## What do customers want in entertainment today?

During the last few years, there's been a shift in the demand and the expectation for entertainment, particularly in North America. Our current economic forecast reports continued growth in consumer confidence, mirrored by continued growth in disposable family incomes. However, today's consumers are much more knowledgeable and have greater expectations with respect to entertainment selection.

The advent of high-end technology in virtually all facets of consumer living has raised the bar for the entertainment industry several notches. Consumer expectation is high, and if you have not met the standard, these same patrons will likely take their business elsewhere. Staying on step ahead of the competition is what it's all about. ▲

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