

Profiting from Redemption in an FEC

"Priming the Pump"

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The key to a successful redemption operation in your family entertainment center (FEC) is to start building the demand for redemption prizes among your customers by encouraging them to play your redemption games. This is especially important if your customer base is from the ages 2-12. Including several game tokens (yes, you must operate on tokens) as part of every package, group event, birthday party and discount promotion is the best way to get some redemption tickets into the hands of your customers.

We include tokens with these promotions for two reasons: 1) to increase the "perceived value" of all your packages; and 2) to "prime the pump" or "whet the appetite" of your customers for playing redemption games and collecting tickets for prizes. These two aspects will increase your chances by more than 50% of turning these first-time customers into repeat customers. Remember, the main reason FECs perform birthday parties and advertise discount packages is to bring in lots of first-time customers. Your real profits are made when these customers have a great time and come back again and again. Redemption plays a major role in this cycle.

Let's concentrate on birthday parties and talk about events for adults in another column. Birthday parties are your big opportunity to teach both kids and their parents (and even grandparents) what they can expect in the way of fun and activities at an FEC. And this includes teaching them how to play redemption games and what collecting tickets is all about! If you structure your party so that the kids have fun and the parents feel they have received good value for their money, you are on your way to having a successful operation.

Structuring Your Party

How you plan and time your party activities can help or hinder your redemption operation. For example, if you give out only two tokens to each child as part of your birthday party package, that would be too few for that child to win enough redemption tickets to generate any interest. All that child could possibly get is a few low end "slum" items, which may make that child happy. But you can bet that when he or she shows their parent(s) what they won, they have just greatly reduced your chances of that parent giving their child additional money to play the redemption games and also reduced your odds of getting a repeat customer. If your party activities include too much time spent on other activities and not enough playing the redemption games, or if you just let the kids wander around aimlessly, you've lost out again. In other words, to get the maximum return out of a birthday party, your right hand has to know what the left hand is doing.

Here is an example that can really bring home the point of providing structure. I watched two young brothers approach their mother after they had attended a birthday party at an FEC, each asking for more money to play games. The younger, showing a wide smile, proudly displayed a handful of tickets that he had won playing the games. The mother asked her other son where his tickets were. His reply was, "I was playing video games. They don't give any tickets." The mom's body language and facial expression clearly revealed that she was happy with the son who received something of value (in her opinion) for his tokens and was disappointed with the son who didn't have any tickets to show for his tokens. I operate video games in FECs and they do well, but for birthday parties, I would like to see each child play more redemption and less video. There is also the positive interaction of parent and child playing redemption games to consider.

The average birthday party should last 1-1/2 to 2 hours. You must allow a certain amount of time for each of several activities: playing in the soft play, doing additional activities (rides), eating, opening presents, singing "Happy Birthday", eating the cake, playing redemption games, redeeming tickets, etc. Don't spend so much time for any one activity that the kids get bored or lessen their chance of wanting to do that activity on a return trip. Your aim is to give the kids a taste of several different activities at your FEC so that they will want to come back for more. A poor choice would be to just let them spend all the time in the soft play unit, which some might do if no one alerts them to all the other fun they are missing.

Training Party Hosts

Your party hostesses are crucial to both your party operation and your redemption operation. Part of their training should include how to play the redemption games, how to teach the kids how to play them, how the redemption center works and to help the kids choose their prizes (when kids are caught between several choices and are holding up others). Kids must be

informed that they don't have to redeem the tickets they have won today, but that they can save them and add them to tickets won on the future visits for a bigger and more valuable prize. This is important even though most smaller children want "instant gratification" and will use their tickets immediately. Some children will save their tickets, and, even better, the parents have also overheard this important point about redemption and may choose to teach their children the lessons of budgeting and saving.

All this should be in addition to the training the hostesses receive on how to run the party. If the party hostesses aren't tied into the redemption program, I predict that some of the tokens will walk out the door in the pockets of those kids and end up in the bottom of their toy chests (and that's if the tokens ever make it home).

That brings up something I want to say about the tipping of party hostesses. I see many FECs and sometimes I find situations where the kids are just running around and the party hostesses are busy talking with the parents and trying to get that tip at the end of the party. You may want to consider maintaining a no-tipping policy and making up the difference yourself to those hostesses who do a great job. Remember, your party hostess plays an important role in generating future business for your FEC.

Pricing of Parties

Now that you've learned to think of birthday parties as part of your redemption operations and as promotional events too, you might take another look at how you are pricing your parties. Remember, a lot of the parents will be shopping for price, but will see only the visible retail benefits they are receiving, not your invisible costs.

A party has both visible and invisible costs and each are viewed differently by you (the owner) and by the parent who books the party. Your visible costs are: food (your cost \$1.75-\$2.00), paper goods (party hats, paper plates, forks, napkins, table cloths), salary of the hostess (est. at \$.50/child), gifts, token commission to operator and one that many forget to include, ticket cost, the cost of the prizes redeemed. There may also be an invitation and mailing cost. Your invisible costs are the salaries and advertising costs involved in doing birthday parties, your costs of providing the activities such as softplay at greatly discounted rates and the cost of walkaway tokens.

The perceived value of the price per child from the parent's perspective should be 1-1/2 to 2 times what your costs are. If you are charging for example, \$9.95 per child, the retail value of the party should look to the parent like she or he is getting \$15 or even \$20 of value, depending on the birthday party competition in your market. The parent will add up the retail price of the food, the value of the game tokens at regular purchase prices, the a-la-cart cost of going into the softplay unit, the cost to purchase the ride tokens or tickets. They may or may not add in the value of the hostess, the paper goods or the gift the party child receives or any other discounts you provide. They most likely will not take these values into account and certainly will not count the redeemed prizes (that is, not until after the party). That is why providing a good number of game tokens is critical!

Here is a good way to make extra money out of birthday parties. A party requires invitations. Offer to handle the mailing of invitations to guests for a nominal fee like \$1 per child. You will then receive a mailing list. Offer a special prize or discount if the list also contains the birthday of all the guests. This is how you develop your mailing lists for future party business.

[Return to top](#)
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