

Customer-izing for Success



The secret to success in the FEC industry is using a guest-focused facility design strategy that caters your target market.

by Randy White

Few of us enjoy planning; we want to get things done. However, without planning we risk making mistakes up front that can cripple or kill our business later. This is the second in a series of articles about how to be successful in the FEC market. Through this series, future FEC operators will begin to understand that creating a guest-focused facility is essential. The following guidelines are tailored to small parks and family entertainment centers.

DEFINING QUALITY

Architects might measure quality by innovation of design. The head of a construction company might say quality is bringing a project in on time, within budget, and with a minor punch list. An advertising agency might point to a full house on opening day. Novelty, budgets, first-day gate receipts—all are important pieces of the puzzle. All beside the point.

The only definition of quality that matters is the one that comes from your guests. The fanciest, trend-setting building or the splashiest grand opening won't keep the doors open in the long run. To develop a successful FEC, you have to know

what your guests need, want, and expect. And then you give them more.

GOOD VERSUS EXCELLENT

Successful FECs depend on repeat visits from guests in their trade area. Quality, as guests define it, determines whether these visitors come back. If you've delivered quality, you've delivered value to your customers. That means they feel like the experience was well worth what it cost, and you'll see them again.

One national service company surveyed more than 100,000 customers over several years, and found a significant correlation between how customers rate a business and whether they are willing to come back or recommend the business to someone else. This is nothing new. Everyone knows that if customers have a lousy experience, they're gone. The real news is that even a good experience isn't good enough.

The survey found that only 62 percent of customers who gave a business a "good" rating were willing to return or recommend it to others. However, 95 percent of customers who rated a business "excellent" said they

would return or recommend. Clearly, achieving a standard of excellence means roughly a 50 percent increase in repeat business and word-of-mouth advertising (Figure 1). Today, the difference between excellent and good can mean the difference between Number 1 and Chapter 11.

This concept is the basis for building market share. Figure 2 illustrates the fates of three competitors, assuming that each starts with an equal market share. The model defines a satisfied guest as one who would return or recommend, and each of the three competitors was assigned different levels of quality. You can see that, over time, the business with the highest percentage of satisfied customers comes to dominate the market—an outcome that remains consistent no matter which percentages are plugged into the model.

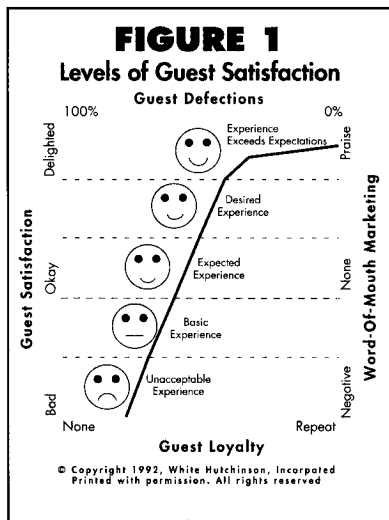
You cannot relax even if your FEC is the only one in your trade area. In this case, your competition is the guest's alternative leisure choices. They may decide to play pool in a friend's basement, find a comfy chair and watch television, or take in a movie at the mall.

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Studies on the Profit Impact of Market Strategy, a database of thousands of businesses, have shown that the most important factor affecting a company's performance is how customers perceive its products and services. Perceived superior quality results in price premiums, market expansion, and increased market share—and lower costs due to the economics of volume.

The studies also found a direct correlation between market share and profitability.



Businesses that dominate the market with more than a 50 percent market share enjoy rates of return on investment more than three times greater than small-share businesses (Figure 3). Quality pays off.

RISING EXPECTATIONS CHALLENGE FECs

As you prepare to open an FEC, realize that you face a challenge from theme parks, restaurants, and related entertainment businesses—many with hefty budgets. These businesses are raising guest expectations of service, variety, cleanliness, convenience, value, and comfort.

With a smaller budget, how do you develop an FEC that will give the big boys a run for their money? You put your effort where it counts the most—into planning that, in the eyes of guests, will determine quality. These factors include the following:

- The physical environment
- The sensory experience of atmosphere, which includes sights, sounds, smells, flavors, physical sensations, comfort, aesthetics, and the visual and

psychological ambience of the facility

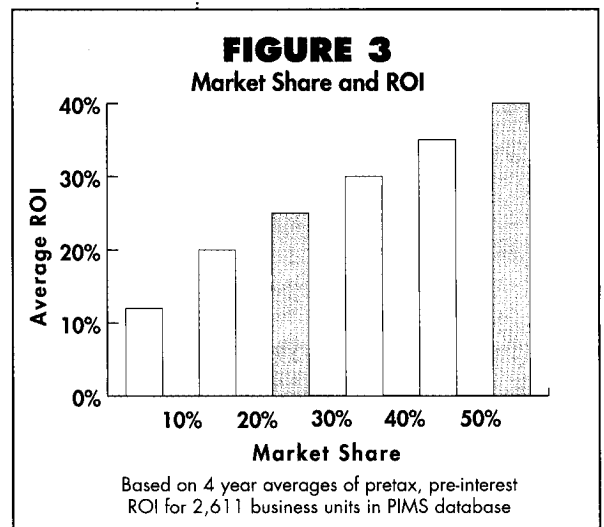
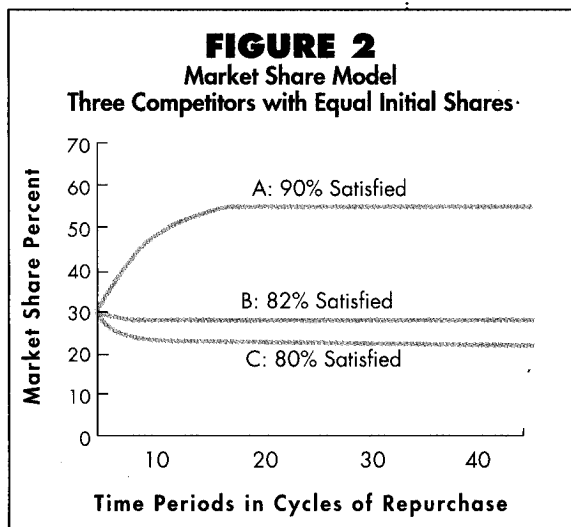
- Interaction between employees and guests
- The procedures guests must go through
- Goods, whether guests purchase, consume, or take temporary custody of them
- Guest emotions, which are critical to them wanting to be active participants in “making” fun
- Money—what the experience costs

Guests don't separate the tangibles from the intangibles when they rate an overall entertainment experience. What matters is that they feel that they received excellent quality and felt the experience was worth more than the price they paid.

CUSTOMER-IZED DESIGN

The only way to satisfy guests is to focus on them throughout the design process, from the physical facility, to the mix of recreation, to operations and marketing. That means finding out what guests need, want, and expect.

White Hutchinson of Kansas





City, Mo., a consulting agency for FECs and amusement parks, calls this design and development process “strategic guest satisfaction” (Figure 4). By determining guest needs, wants, tastes, values, and expectations, the firm creates an FEC that exceeds customer expectations.

Most, if not all, of the variables that determine how profitable your facility will become are determined by decisions you make during the design phase. Design consumes only about 8 percent of total FEC development costs. However, it controls up to 80 percent of the cost over the life of the FEC. Figure 5 shows the FEC design/construction cost influence level curve and illustrates the impact of design on the success of an FEC. Design is more than deciding what kind of building you want. It also includes the creation of the processes that delight guests.

THE VOICE OF THE GUEST

Find out what guests want before development, or they

will vote with their feet—and their wallets—later. Many FEC projects ignore or rush through market and consumer research, relying instead on the tastes of the owners, architects, and designers. Market and consumer research is one of the most important investments you will make in your FEC, yet it usually costs less than 1 percent of the total project.

Customer research includes focus groups, consumer panels, and one-on-one interviews. Market research includes identification of trade areas, demographics, competitive analysis, identification of market segments, and statistical surveys and cross-tabulations of representative customer populations to establish participation rates. (For more about market research, see “Secret of FEC Success: Know Your Market,” *Family Entertainment Center*, Fall 1992, p. 32.)

Imagine a restaurant where you could go to celebrate your 10th wedding anniversary, where your neighbor could take the family after a day at the zoo, and where the construction crew by your office could grab a quick lunch. Can't see it? That's because it doesn't exist. You can't be all things to all people, all the time.

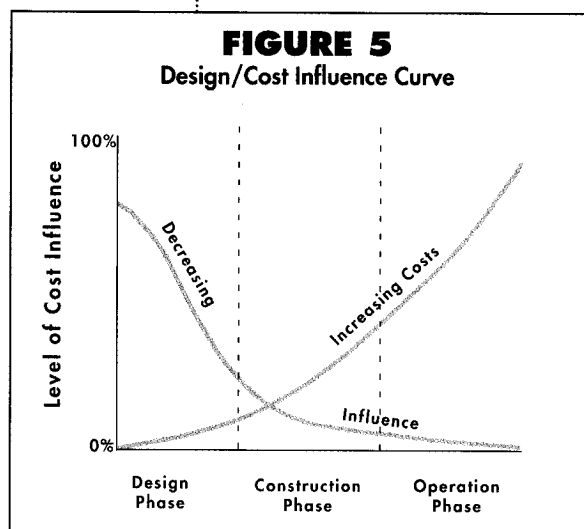
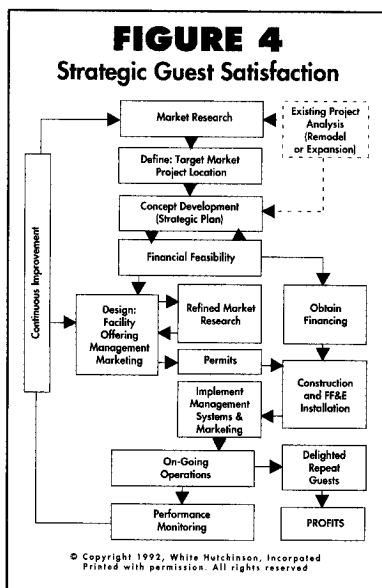
Research in the service industry shows that focusing

on a select few customer segments translates into higher performance. An FEC cannot create superior guest satisfaction for a few segments while trying to meet the diverse needs of many. To prosper, an FEC must focus on the most promising segments of the population in its trade area.

Focus shows which segments contain the most desirable customers, then it allows customer research into the needs, wants, tastes, values, and expectations of these market segments. Using this research, design your FEC to the preferences of your target guests.

Before the design phase begins, become familiar with all potential market segments in your areas, then identify which groups are the best match for your FEC. Once the schematics of site and floor plans, decor, and operations processes are developed, they can be shown to research participants in focus groups or consumer panels, or in less formal settings for comment.

As potential guests enter into



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the process, they help shape the product. On many of White Hutchinson's FEC development assignments, the company sets up panels of members from different guest segments and consults with them continuously during the design phase. In effect, the company makes them members of the design team, and their efforts help create profitable facilities.

FOCUSED ASSORTMENT

Market segments for FECs are often defined by age, socioeconomic, psychographics, lifestyles, and group affinity. Once you've found the best market segments for your FEC, you can provide goods and services tailored to their needs. So what you lose in breadth you recoup in depth, making your most promising guests extremely happy.

This technique, called "focused assortment," lets you deliver the broadest in-depth assortment of goods or services to a narrowly defined segment of guests. Examples of focused assortment include Jungle Jim's Playland chain and American Adventures in Atlanta, Ga., both targeted to preteen children accompanied by their parents; or the Dave & Buster's chain tailored to upper middle-income, middle-aged professional adults.

How does this affect the mix at a small FEC? Let's say you want to attract families by promoting togetherness, emotional experiences, and interaction among members. The game room and redemption prizes then would require a different mix, selection, decor, and design than if your target audience were teenagers.

Focused assortment is equally important for large FECs, which can provide a large assortment of attractions with a clear focus. These FECs attract their market segments and generate the length of stay, per capita expenditures, and repeat business they need to succeed. Focused assortment also can boost an FEC's staying power, thus reducing the impact of current and future competition. ●

Next Issue: Design and Development

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