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Profitable Birthday Parties: Reasons to Celebrate

by Fred Nash

Remember the days when a birthday party meant mom baking a cake from scratch and inviting some of Junior's friends over to run around the back yard and sing "Happy Birthday"? Today's mom, most likely, has neither the time nor the inclination to bake a cake from scratch, and Junior's little gathering of friends is probably a pretty elaborate affair that has been "outsourced" to a local family entertainment center where the kids are fed, entertained and cleaned up after, and all mom has to do is write a check (usually a pretty big one).

Birthday parties have become a big business. A recent article in Parenting magazine reported that almost half of the parents surveyed spent over $100 (not including gifts) on their child's most recent birthday party and nearly 25 percent spent over $200.

Today increasing numbers of ice skating facilities are learning three key points about birthday parties, namely that birthday parties are:

• Highly profitable – gross margins on birthday party pack-ages are well above 50 percent, with many centers having gross margins in the 70-80 percent range.

• Rapidly growing – every year more parents choose to "out-source" their children's birthday party experience and frequently are choosing more expensive party packages than ever before.

• Attract new customers – the party "multiplier effect" means each party typically leads to several additional parties from guests who are first-time visitors to the facility. After all, nothing makes a better first impression than a birthday party.

In today's economic climate, every business is looking for new revenue streams. Birthday parties can be an important source of new or increased revenue for your arena. Because birthday parties are so profitable, one party for 12 kids can easily generate over $100 in profit. When you multiply that kind of profit by a healthy volume of parties, the numbers can quickly become significant. For instance, with many arenas able to host 20 to 30 parties per week, that $100+ profit per party translates to over $10,000 in additional profit per month.

This two-part article provides the information you need to understand the birthday party business and to help you capture your share of this very attractive and growing business. In this article, we analyze the results of a recent national survey of more than 100 ice skating centers across the country and examine common birthday party myths that prevent arenas from tapping into their party profit potential. This survey's response rate, almost 20 percent, indicates skating centers' strong interest in the birthday party business. In an upcoming issue of the EDGE, we will highlight the best practices of some of the leading providers of ice skating parties and share the secrets of their success.

There is no such thing as a typical ice skating arena. The more we looked at the survey numbers, the more we realized that if we tried to use them to paint a picture of the average arena, we would end up like the misinformed gentleman who put one hand in boiling water and the other in ice water, because someone told him on average he should be comfortable. When analyzing the survey responses we would do well to remember Mark Twain's famous observation referring to the games people play with numbers: "There are lies, damn lies and statistics."

With this in mind, there are still some basic numbers that are well worth paying attention to. The

first is pricing. Ultimately, your party revenue and profitability will be determined by the price of your party package. Consequently, understanding pricing is key to improving party profitability.

Responses to our pricing questions were literally all over the map, with some skating centers charging more than $20 per person for their parties. Other centers, primarily municipal facilities, charge only $3, with one center charging the rock-bottom price of 50 cents per person. In general, we found that about 75 percent of skating centers charged in the $5 to $15 range, with most charging somewhere between $8 and $12 for their primary party package. A significant number (almost 15 percent) charge over $15 per person.

Myth # 1: Parents only want the lowest cost party.

A key finding was that the arenas that charged the most for their party package focused on providing the most value to their customers, while arenas with very low prices were focused on holding down their customers' costs. Unfortunately, providing low customer costs leads inevitably to low party profits and sometimes to unhappy customers.

The most successful arenas focus on value, not cost, because they understand that parents are not buying a product (where cost might be the only criteria) but rather an experience where cost is just one of many factors that include convenience, quality, peer pressure, appearance and most importantly, FUN. In other words, these facilities know that parents will happily pay more for a party package they think is a good value for them, their child and their guests. After all, if these parents truly just wanted to save money, they could choose to have their birthday parties at home.

Myth # 2: Parents think money is their scarcest commodity.

Low-priced party packages are focused on saving mom money, when what she may be most interested in is saving time, minimizing frustrations, and maximizing her kid's party experience. Low-priced packages typically include little more than admission, skate rental and use of a party room. Mom still needs to arrange for a cake and other food and drinks, buy invitations, place settings and decorations, decorate the room, entertain the kids, and clean up the mess.

High-value packages, on the other hand, provide one-stop shopping for today's busy parents. One phone call buys them a complete party package that includes food and drink, custom-printed invitations (complete with directions to the party), skating-themed decorations and place settings, and treat bags for the guests. On the day of the party, mom gets to sit back and enjoy the party, because someone else takes care of decorating the room, serving the food, entertaining the kids, and cleaning up after all the fun. By spending more money, she saves time and frustration and puts herself in a position to actually enjoy rather than simply survive her child's party.

Myth # 3: High party prices lead directly to high party profits.

Selling value is the key to birthday party profits. Parents will willingly pay higher prices for packages where they perceive high value for themselves and their kids. Successful arenas sell value, not price, by demonstrating that their party value is much greater than their party price. One way to do this is by putting a dollar value on each component of your party package (invitations, admission, skate rental, food, drink, paper supplies, etc.), so parents can see for themselves how much they are saving by buying the complete party package.

The simple rule of thumb for party profits is: The more value you put into your parties, the more profit you will get out of them. Party package value (of which price is just a component) determines your profit potential. Party profits are determined by the difference between the value your customers perceive in your party package versus the actual cost to you of providing that value. In other words, the more value your customers perceive, the more party profits you will receive. The more customer value factors you can include in your party package, the higher the prices you can

charge and the more profits you can earn.

Myth # 4: Given all the party options these days, there is not that much demand for ice skating birthday parties.

The number of parties hosted by skating centers in a year runs the gamut from one party or less per week to 30 to 40 times that many. Centers like the Atlanta Ice Forum and Bridgewater Sports Center host more than 40 parties a week during the winter months. Through our survey we found that more often it is not customer demand that holds down the number of parties a center hosts, but rather the amount of time, energy and attention arena management is willing to devote to birthday parties. The law of supply and demand certainly holds true in this case. Customer demand naturally flows to those facilities that supply high-value parties for their customers. Conversely, those arenas viewing birthday parties as too much work or not worth the effort tend to see fewer parties and few party profits.

Myth # 5: We have to have a party room to do a big party business.

It may sound obvious, but you do not need a party room to have a party. While party rooms certainly have some advantages, many skating centers do a very good party business using the tables in their snack bar. It is great to have special party rooms, but if you do not have them, just remember that your rink is the ultimate party room. Kids don't come to an ice skating birthday party to be cooped up in a party room – they come to skate and have fun!

Hosting parties in a public space like the snack bar can help market your facility's party program by exposing everyone in the vicinity to the infectious excitement of a skating birthday party. Parents are usually the only ones who miss having a party room. Their concerns can be addressed by providing them a free cup of coffee, a comfortable place to sit, and a secure location to store the party loot.

Myth # 6: We do not have enough space to have any more parties.

Given how profitable the party business can be, it is well worth using a little creativity to find ways to create more space for parties. If your party rooms are full, one simple idea is to use the snack bar or other public areas for additional party space. Think outside the box. With a little imagination and the right attitude you could host a birthday party in the bleachers or better yet in the penalty box. Sometimes spaces can be rearranged to maximize their profit potential. Perhaps moving your skate room or coat lockers will enable you to increase seating and grow your party business.

Another approach is to focus on creating more time for parties. You can't create more time in the day, but you can create more time in the day for parties. Skating centers are extending their time for parties by creating special Friday evening (5:00-7:00 p.m.) and Sunday morning (9:00-11:00 a.m.) "party-only" sessions. Some centers shift demand by offering special discounts for parties on off-peak times and days.

If your party tables can seat 10 kids, then each table is worth at least $100 per party. A table that seats four parties per session should be worth $400 or more. Party tables are easily your facility's most profitable real estate and certainly the least expensive to maintain. An easy way to turn $100 tables into $400 tables is to restrict parties to a half hour per table (or party room). Arenas that allow party groups to use their tables for more than 45 minutes are literally leaving money on the table by unnecessarily tying up their valuable party real estate. Remember, the kids are there to party. They do not want to sit at a table any longer than they absolutely need to, usually just long enough to scarf down some cake and open their presents.

** Fred Nash, president of Korte Paper Company, is offering a free gift to any ISI member who contacts him after reading this article. Based in Fort Wayne, IN, Korte Paper is the leading supplier of skating birthday party supplies. Fred can be reached by phone at 800-777-9051 or by e-mail at

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