

THAT'S EATERTAINMENT!

*Everything you need to know about combining entertainment
and food service to build profit and repeat business*

by Randy White

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We all have friends like this. Bubba's idea of haute cuisine is a big ol' sack of frozen something from Costco, microwaved on high until it's good and dead. He thinks ketchup is a vegetable, and so is pickle relish. He's pretty sure he ate spinach once, but it was hard to tell under all that Velveeta. A balanced meal? It doesn't make his TV tray tip over.

Is Bubba a great guy? Of course he is. Do you love him like a brother? You betcha. We're not gonna try to talk you out of that. But we do have a question: Did you really have to put him in charge of your food service?

If that ticks you off, you better strap yourself in because it gets worse. We're also going to suggest that the only location-based entertainment (LBE) venues that will be profitable in the future are those that draw guests because of, not in spite of, the chow. And we're going to tell you to never, ever, under any circumstances, even the most extreme duress, call it a (gasp!) snack bar.

If you think we're exaggerating, we're not. To give you a sense of how bad most LBE chow is, consider the fact that even shopping malls can boast higher food sales.

They'll eat anywhere but most FECs

Visitors to malls spend significantly less time there, but significantly more money on food and beverage (F&B) than guests at most LBE venues. In fact, many LBE guests plan their visits to avoid grub so foul it'd make a school cafeteria cook pack up her hairnet and slink home.

Research by the International Council of Shopping Centers found that in 2006, visitors to enclosed malls spent an average of \$8.40 per visit on food and beverage (F&B). That's an impressive per capita expenditure considering that not every shopper makes a F&B purchase and many shoppers do not visit a mall

with the intention of making a F&B purchase. That same research found that the average mall visitor spent an average of 77 minutes in the mall per visit.

There is no nationwide research on the average per capita expenditure for visitors to location-based entertainment venues (LBE) such as family entertainment centers (FEC). Our company's analysis of many existing FECs, however, indicates that the average F&B expenditure is probably around only \$2 per person. Yet, the average length of stay is longer than at a mall, anywhere from 20% to 50% longer, from 1.5 to 2 hours.

Instead, people walk out the door rather than belly up to the snack bar. The less time guests are in an LBE, the less they will spend, not just on F&B, but also on entertainment. At mealtimes, many LBEs are nearly empty because potential guests visit restaurants instead.

We're pretty sure we know why they don't eat there

After extensive research that taxed our organizational capacities to the utmost, White Hutchinson Leisure & Learning has confirmed an hypothesis developed over years of hands-on study and analysis: The reason that people don't eat at most LBEs is because the food is skank beyond belief.

Most snack bars would fit just fine in a 1950s bowling alley, and we suspect we've been served frozen burgers of about that vintage. The snack bars and concession stands have a boring selection of food that aspires to mediocrity, served by unenthusiastic staff with a bland presentation and a seating area with plastic furniture in a setting that's one small step above a truck terminal. Big surprise, then, that most guests leave LBEs with money in their pockets that could have become additional revenue and profits.

We believe there are two probable explanations for why LBE owners embrace such lousy food and beverage service:

- The owners and management are intimidated by food service, or
- They consider food service a necessary evil.

We refuse to consider that LBE owners might actually like the grub and think it's what their paying customers prefer. This would be almost as scary as Thanksgiving dinner at Bubba's. ("Turkey fingers, anyone?")

This prevailing attitude toward food service is costing LBEs plenty. Those LBEs who've learned to use food service to their advantage provide lessons for even the most skeptical LBE owner.

Poor chow damages all LBE revenues

What these LBEs don't realize is they are not only losing potential food service revenues, they are also affecting their overall attendance.

There is one reason a quality food-and-beverage offering positively affects attendance: Socialization and food and beverage go hand in hand.

Most LBE guests visit with a group of family or friends. Entertainment is often secondary to their desire to get out of the house and socialize. When the F&B component is missing or miserable, people stay until they get hungry then go elsewhere. Why visit, or visit often, if the LBE fails to meet *all* your requirements?

A poor food service offering also negatively affects a guest's image of an LBE. The LBE can have the greatest entertainment in the world, but a poor food service component results in a lower image of the entire experience of visiting. A guest's overall rating of an LBE is the sum total of all aspects of their experience and is rarely more positive than the weakest component.

Not everyone plays, but everybody eats

A quality food-and-beverage offering can drive attendance at an LBE much higher than achievable by the entertainment alone. Destination food drives frequency. People eat out many more times than they go out for entertainment. In fact, the average American eats out over 200 times a year. To capture a piece of that pie requires an F&B offering that is itself a destination. Guests will come for the food, and while there, spend on the entertainment. It's the complete opposite of the traditional LBE formula of treating the entertainment as the anchor and the food as the impulse. When properly executed, the combination of food and beverage and entertainment takes on a unique synergy, where the resulting attendance exceeds what either one alone can achieve.

How does that work? Let's look at you, for example. Yes, you. In the last month, how many times did you go out for a meal? How much did you spend, total? Okay, now think about entertainment. How many times did you go out solely for entertainment? How much did you spend just on that? If you're like most folks,

you spent a lot more and went out much more often for food than you did for entertainment. By offering food that is itself a destination, an LBE can tap into BOTH the entertainment and food budgets of their market.

The synergy of combining food and entertainment is not new to the LBE industry. In fact, it's been around for more than 30 years. *Dave & Buster's* is one of several examples.

Back in the early 1980s in Dallas, Texas, Dave Corriveau owned *Slick Willy's World of Entertainment* that adjoined James "Buster" Corley's restaurant named *Buster's*. They both noticed that customers were going back and forth between their two stores, so one day they decided to cut a hole in the wall between their businesses. Sales increased for both, and the formula for *Dave & Buster's* was born.

The first *Dave & Buster's* opened in 1982 in Dallas and is still operating successfully. Since then, 49 additional *Dave & Buster's* have opened throughout the country. They are highly successful, achieving average sales of more than \$200 per square foot. Even discounting the alcoholic beverage sales, 17% of total revenues, their sales exceed \$170 per square foot. Many LBEs, especially traditional indoor FECs, are lucky to achieve sales of half that.

Chuck E. Cheese's is another example of the winning combination of food and entertainment. In 1977 Nolan Bushnell created the first *Chuck E. Cheese's Pizza Time Theatre* in San Jose, California, which combined token-operated rides designed for small children, redemption games, an animatronics show, and that staple of every Stateside kid's diet — pizza — into a one-stop destination.

Since then, *Chuck E. Cheese's* has grown to be a successful chain of more than 500 consistently profitable locations achieving average sales of approximately \$150 per square foot. With the exception of a few cinema chains, *Chuck E. Cheese's* is the largest operator of location-based entertainment facilities in North America.

The restaurant industry looks at CEC as a pizza restaurant or a pizza-and-games concept. CEC is the world's 22nd largest restaurant chain and the 5th largest pizza chain based upon sales. Their 2007 revenues were \$781 million. Food, which includes a large part of birthday party revenues, represents 67% of sales, games 30% and merchandise 3%.

Perhaps the oldest indoor FEC in the country is *Enchanted Castle* in Lombard, Illinois, a Chicago suburb. It started as a restaurant with a few games and a nice party room in 1983 and through a series of expansions has grown to 50,000 square feet. *Enchanted Castle* features a 600-seat sit-down family restaurant with three dining rooms offering food made to order. Harold Skripsky, the co-founder and owner of the facility up until 1998, attributes the restaurant as being an essential component of the successful formula.

There are other examples of successful LBE food and entertainment concepts, including *Peter Piper Pizza*, *Jillian's*, and *GameWorks*. In 2001 *GameWorks* came to the conclusion that one of the reasons their facilities were performing poorly was the lack of a quality F&B component that matched their targeted market, so they have rolled out new concepts featuring a destination mid-scale restaurant which they are continuing to tweak. Even Disney has jumped on this bandwagon with *ESPN Zone*.

Perhaps the fastest expanding food and fun concept is the family pizza buffet-entertainment center. PBECs are a new super-category that bundles together existing categories of family entertainment, pizza buffets and salad/pasta/healthy food buffets into a new dining and leisure destination offering. This is very analogous to what *Home Depot* and *Lowe's* did when they combined hardware, lumberyards and garden shops into a new super-category. PBECs do for the family market what *Dave & Buster's* did for the young adult market.

Buffet restaurants have proved themselves to be very popular with contemporary families. Successful chain restaurant examples include *Golden Corral* and *CiCi's*. PBECs combine the best of the buffet concepts with pizza, the most popular food for children, and add in family entertainment to create a unique and appealing family destination.

PBECs appeal to contemporary American families with the following features:

- One-price all-you-can eat buffet offering a wide selection of freshly-prepared pizza, salad selections, pastas, soups, baked potatoes and other meal choices, plus drinks and desserts that appeal to both adults and children (neither has to compromise their menu selections for the other).
- No wait to get your food, especially important for families in today's time poverty society.

- The food and fun is offered in an inviting, family environment that is conducive to family members enjoying time together.
- Affordable buffet pricing offering a good family value—around \$9.50 - \$13 for adults and less for children.
- Wide selection of pay-as-you-go family entertainment.
- The opportunity for the family to dine, socialize and have fun together as well as come together with friends for celebrations. This appeals to today's time-pressed families as they can multitask dining, fun and socialization.
- Four or more different themed dining rooms with seating for 350 to 600 that broaden the demographic and family appeal.

The first FBEC was a 7,000 square foot Mr. Gatti's buffet restaurant that added 5,000 square feet of games in 1987 in Victoria, Texas. Since that time, Mr. Gatti's has opened several dozen *Gattilands* (smaller) and *Gattitowns* (larger) ranging in size from 18,000 to 30,000 SF. *John's Incredible Pizza* in California operates a very successful chain of nine units, with the largest being 59,000 SF. *American Incredible Pizza Company* is a rapidly expanding chain. Other chains include *Amazing Jake's* and *IT'Z*. There is also a number of single-operation PBECs throughout the country. Currently there are over 50 PBECs in the U.S. that range in size up to 90,000 square feet.

The snack bar is dead; long live eatertainment

Our company has come to the conclusion from our research and experience that quality, destination food and beverage is essential to long-term success in the LBE industry. We believe new LBE developers that plan to present their food and beverage as a snack bar or concession stand are doing so at their own risk and that existing LBEs that want to succeed in this millennium will need to upgrade their food and beverage offerings. LBEs that don't will see PBECs and other eatertainment concepts take away a large chunk of their business.

If we had our way, the terms "snack bar" and "concession stand" would be banned from the industry's lexicon, an idea originally proposed by Harold Skripsky. To put it another way, we believe that entertainment alone is no longer a winning formula; that the future success of LBEs is in the combination of food and fun, or what some people call restaurant-entertainment and is more commonly referred to as eatertainment. What we tell our clients is that they need to think of their centers as a restaurant first and an entertainment venue second.

Our company feels fortunate to have worked on a number of exciting eatertainment projects that take the concept to the next level for the family market.

One of these projects is *StoneFire Pizza Co.* in New Berlin, Wisconsin. The 37,000 square foot facility that opened in late 2006 seats 440 and is positioned as the first *New Luxury* PBEC designed to attract upscale white-collar families. In addition to a higher level of finishes and food quality and presentation, *StoneFire Pizza Co.* includes a number of innovations to appeal to this more discriminating group of families:

- Wood Stone stone-hearth pizza ovens
- Full display kitchen
- Asian Wok station
- Discovery Play Dining Room that opens at 8AM to attract stay-at-home mothers with pre-grade school children

We just completed design of the 2nd *StoneFire Pizza Co.* in Kenosha, Wisconsin. That 54,000 square foot facility will have 740 seats in five differently themed dining rooms, expanded indoor entertainment attractions and outdoor miniature golf and a discovery play garden.

One of our most recent eatertainment projects is *BellaBoo's*, a 23,000 square foot children's play and discovery (edutainment) center that will be opening in early 2009. *BellaBoo's* features a 200-seat upscale fast-casual café that is surrounded by children's play areas.

We are also working on the design of several bowling-based FECs that will feature destination-dining restaurants and grill areas facing the bowling concourse.

There's a reason we design our projects this way. We know that it's food and beverage, combined with fun, which creates the socialization setting that family and friends are seeking. In fact, we'll go so far as to say FOOD without the FUN works (think of all the successful restaurants out there), but FUN without the FOOD doesn't.

For all the examples cited earlier in this article, food represents between 35% and 60% of their revenues. And we'll go so far as to predict that any LBE concept

(excluding tourist-type facilities) where food doesn't represent at least 30% of total revenues is doomed. We're telling our clients this: "Don't even think about developing a center unless there will be a major, if not primary, focus on food." And that's quality food that offers guests a great value proposition and meets their evolving sophisticated tastes and their expectations based upon all their other restaurant experiences. Bubba's mystery-meat special just doesn't cut it anymore.

Quality food lures family & friends

Today's guest requires QUALITY FOOD with all caps in a pleasant dining area and atmosphere to enjoy while socializing with family and friends. Don't believe us? Maybe a restaurant industry analysis will convince you.

We'll start with *McDonald's*, an industry powerhouse with years of experience feeding the public. The average *McDonald's* has annual sales of \$2.0 million. Now let's look at a relative newcomer. *Panera Bread Company*, if you haven't visited, is a fast-casual chain of 1,000+ restaurants that sells fresh-made bakery products, sandwiches and salads in a very appealing mid-upscale atmosphere. The average *Panera Bread Company*, sometimes branded as *Panera Bakery & Café*, also has sales of \$2.0 million. However, it doesn't even have a drive-thru, where *McDonald's* does over one-half its sales. The total check at *Panera Bread* runs between \$6-\$9, whereas the average check at a *McDonald's* is below \$5.

Research conducted in March by *TNS Intersearch* in Horsham, PA, found that *Panera Bread* has the highest level of customer commitment or loyalty, whereas *McDonald's* customer-commitment was one-half the rate of *Panera's*.

The bottom line of this comparison is that fresh, quality FOOD in a pleasant mid-upscale environment sells and gets customer loyalty, translating into repeat business and sales, and at a higher price point than fast foods. People will pay a little more for a higher-quality product in a facility with better atmosphere.

Boom in babies and homemakers a huge opportunity for LBEs

Maybe one reason that LBE owners offer such lousy food is that they think their typical customer is Bubba, who would eat hay if you'd pop it in the microwave and submerge it in cheese and ketchup. This might've been true in the past, but the LBE owner who expects profitability will focus on delighting stay-at-home moms and their children.

You see, there's a baby boom going on. The U.S. Census Bureau and the National Center for Health Statistics project that the number of births in the U.S. will rise from 3.98 million in 2003 to 4.37 million in 2012. And not only is the number of children growing, but the number of stay-at-home parents and families with children is also increasing.

The number of households with children has also grown, from 32.3 million in 1990 to 38.5 million in 2000 to 41.5 million in 2008. The expected baby boom means that the number of families with children should continue to increase into the foreseeable future.

For LBEs that target the family market — parents and their children — targeting that demographic with food can tap into a large potential market. Families with children spend more per household on food-away-from-home than any other demographic segment and represent 39.5% of all food-away-from-home expenditures. Families with children's total expenditures in 2006 for food-away-from-home was an astounding \$127 billion.

Stay-at-home-parents also represent an enormous market. They are constantly in search of locations where they can meet with their friends during weekday mornings, lunch and early afternoon to socialize while their children are entertained. Most types of LBEs have little, if any business during these dayparts.

What it takes to delight Mrs. Bubba and Bubba Jr.

With the right designs and features, stay-at-home parents with their children will visit a children's entertainment or edutainment center as often as every week. Chuck E. Cheese's learned years ago how important this market is. An independent study found that more than 20% of Chuck E. Cheese's customers visit more than 20 times a year. Yes, that's right, 1/5 are high-frequency customers. This data is from independent research, not from CEC.

Visit any CEC mid-day and you will find groups of mothers with preschoolers sitting and socializing while their children play. Many meet there every week. Studies have found that up to 70% of the decisions to attend any entertainment center are made by mothers, not children, so their satisfaction is paramount.

We place a strong focus on the stay-at-home market when we design children's play and discovery (edutainment) centers and play cafes for our clients by incorporating *Panera* quality cafes specifically designed to meet their needs and wants. In fact, we take F&B so seriously that we treat it as one of the most important components of a facility, and it's so important, that the food service is given a unique, distinctive name in each facility. Food-service facilities in projects we have produced include:

Max's Café	<i>Dinotropolis, Caracas, VZ</i>
Yummy in Your Tummy Café	<i>Bamboola, San Jose, CA, USA</i>
Charlie's Diner	<i>Olathe Lanes East, Olathe, KS, USA</i>
Herd Rock Calfé	<i>Davis' Farmland, Sterling, MA, USA</i>
LouLou's Café	<i>LouLou Al Dugong's, Dubai, UAE</i>
Otterly Delicious Café	<i>Totter's Otterville, Covington, KY, USA</i>
Paradise Café	<i>Paradise Park, Lee's Summit, MO, USA</i>

Our research with families has shown that there is an interest in healthy and high quality food. LBL food service facilities we have produced have included ethnic wraps, branded fair trade gourmet coffee bars, thin crust gourmet pizzas (for adults; children still like the classic style), fresh salads, grills, fresh Asian and Italian stations, fresh fruit smoothies and specialty menus for children.

When it come to families, we make sure the café areas are both parent and child friendly, paying special attention to the needs of parents with infants, toddlers and pre-schoolers. Picture menus are developed for young children who don't yet read. Child-size silverware is offered as well as spill-proof cups. We give staff special customer-service training for working with parents and children.

Children have always been fascinated by food preparation. That is why in 1997 we introduced the industry's first do-it-yourself cooking for children as young as 3 years old and in 2001 introduced the industry's first do-it-yourself campfire cooking for children.

When providing food service in a variety of cultures and settings, special religious and local practices have to be taken into consideration in the design of the seating areas and the kitchen, sanitation practices, food selection and food preparation.

Sometimes meeting parents' needs means stepping outside societal paradigms. To address parents' concerns about the unhealthy effect of cola and soda drinks on their children, *LouLou Al Dugong's* in Dubai offered no soda drinks, only fruit juices, including fresh-squeezed ones. This operating decision supported parents in not having to say "no" to their children's choices when they visited the café. The value of children's nutrition and health came first in this facility.

Food rules by which you can prosper

To sum it all up, there are some rules that you can use to drive the development of high-quality food service that will draw guests and keep them coming back.

- No facility is too small to have quality food service.
- Food & beverage is an essential component of group socialization.
- Food & beverage can drive visits and frequency more than entertainment.
- Food & beverage increases length-of-stay, per capita expenditures, market draw and profits.
- A well-designed and managed food & beverage operation can generate a 40+% profit after deducting cost-of-goods-sold and labor.
- Ban the words "snack bar" and "concession" from your vocabulary. Think café and restaurant instead.
- The public has high expectations for food & beverage and the bar is rising every day.
- The public's food tastes are becoming very sophisticated.
- Parents' and children's food and beverage preferences are often different—to succeed, you need to satisfy both.

Really, we can sum it up even more succinctly that all that: For the sake of all that's good and pure and profitable, for heaven's sake, man...fire Bubba.

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