

# BPAA BOWLING INDUSTRY BENCHMARKING & OPERATING RATIOS STUDY

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The BPAA recently released its 4<sup>th</sup> edition of Bowling Industry Benchmarking & Operating Ratios study. The full study is a must read for every bowling proprietor and general manager. We should all be thankful that we have an association with strong educational leadership at the top that followed through and got this study completed.

The following is, in my opinion, what this important study reveals regarding the relationship and ratio of arcade game revenue to average revenue/lane and what this really means “opportunity wise” to the bowling industry and the family entertainment and adult centers that have a bowling attraction.

## Some Background Facts & Averages Used in My Calculations

First of all, I have taken the liberty of rounding, so we can easily remember these numbers:

- There are 4,000+ bowling centers in the U.S. (The Study reports that there are 5,000, but for this analysis I am not counting those that have 2, 4 or 6 lanes that are tucked away in private clubs, condo/hotel basements and some of the smaller military bases and recreation centers and gross less than \$250,000.)

- A traditional bowling center averages \$1,000,000 in total revenue.

- A bowling-anchored entertainment center averages 50% more in total revenue —\$1,500,000. Game revenue is a significant part of that \$500,000 increase.

- 90%, or 3600 centers, have a game room and/or arcade games located on the concourse.

- 40% have a redemption prize counter or a Prize Hub type automatic RPC, which means that 1,450 bowling centers have redemption games.

- 60% of the 3,600 centers (2,150) that have games use a revenue-share games vendor.

That equates to 1,450 centers that own their own games.

- Games revenue in the 3,600 bowling centers averages \$1,500/week or \$75,000 gross/year.

- The \$75,000 gross equates to \$2,850 per lane revenue average, which translates to the average bowling center having 26 lanes. However, 50% of the bowling centers have game revenues of \$1,000/month or \$250/week

(video games, cranes, air hockey).

- There are 2,100 bowling-anchored entertainment centers where more than 50% of revenues come from non-bowling activities and services. (Bowling revenue is defined as bowling and shoe rental revenues.)

The trend for the past 15 years shows a steady increase in non-bowling vs bowling revenues averages:

- 2002: 37% non-bowling
- 2006: 42% non-bowling
- 2012: 45% non-bowling
- 2015: 50% non-bowling

## What Does All This Data Really Mean?

Let's focus on game revenue. First, revenue/lane may not be the best measurement of ranking game revenue.

I have an open mind and always want to learn more about any topic. When I first tried to understand all of the aspects of why the bowling industry was fixated on measuring all revenue categories in a bowling center against “revenue per lane,” I started looking at this from dozens of different angles. My conclusion was that, although revenue per lane is a very helpful measurement, it is not the only way to look at potential profit centers, especially game revenue. What I learned about the leisure entertainment (family entertainment center) industry comes from studying other industries that are closely related: restaurant, movie theater, casino, event and retail.

One aspect they all have in common is that their customers are drawn to their business by a major anchor attraction (food/beverage, the movie playing, gambling, the event, the retail products) and while the customers are on premises, both pre and post, and taking a break during, they are spending additional dollars. The same applies to a bowling center or family entertainment center with bowling. The potential game revenue is most certainly dependent on dozens of criteria, but one major one is time. While the customers are waiting for a lane on a busy day/evening, they will be spending a few dollars/person. The wait is directly related to the number of lanes available. If the center has a lot of lanes, say 40 or more, chances are there isn't much wait time, therefore there is less per capita spending on the games. This is why revenue/lane does not always give you the complete picture. We will come back to this at the end of the article, as there is more.

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This is where the rubber meets the road for the bowling industry. Remember, this is an average, which means that for those small number of centers that have game revenues of \$1 million+, there are thousands with game revenues of \$1500/week or less. In fact, in my experience, there are many bowling centers that have a small game room or space that houses a dozen video games and a crane or two that are grossing less than \$1,000/week. These games are averaging \$100/week/game or even as low as \$50/week/game. This breaks my heart. These games are not a part of the center, but an after-thought, a way to earn some extra money to pay part of the electric bill. It really doesn't matter if these centers have a game revenue-share vendor or if they own their games. In either case, the proprietor or the game vendor should be ashamed of themselves for not understanding what a great business a bowling center really is.

### How Good Is It Supposed to Be?

A bowling center that is grossing \$1M has an annual attendance of 66,667 visitations with each spending an average of \$15 ( $\text{\$Gross Revenue} = \text{Attendance} \times \text{\$Per Capita Spend Average}$ ). Note that there are many bowling centers where the average per capita spending is closer to \$12, because they have many visitors that spend less than \$12 each when you take in account birthday party kids, the adult parents, friends and bowling spectators who do not bowl, but come to eat and socialize.

It has been my experience that if one just follows 50% of the game operating rules and treats the games as a profit center ('Hey, just a little respect here', as Jackie Mason often requested), that any bowling center in the U.S. can attain a \$3-\$4 per capita spend on the games. In this example, that equates to a conservative game revenue potential of  $66,667 \times \$3 = \$200,000$  to  $66,667 \times \$4 = \$267,000$  or \$4,000-\$5,350 per week. It doesn't take a rocket scientist to see that \$225,000 is three times as much as that \$75,000 amount reported in the BPAA Study!

To drive the point home, with just a little bit more effort (mostly in marketing and loyalty program implementation), the game revenues can be increased to \$300/game or higher so that a properly located arcade space with a good mix of properly programmed redemption and merchandise games should generate five times that \$75,000, or \$375,000 per year. At a realistic \$200/week/game, the center would require a minimum of 20 good redemption and merchandise dispensing games plus a few video games and perhaps air hockey (25 games total). At 50 sq. ft. per game, 25 games = 1250 sq. ft.

### How Bowling and Gaming Can Co-Exist

Some bowling proprietors view removing lanes as akin to having an arm or leg amputated. Where did that think-

ing come from? It would be ironic if that myth originated with the revenue/lane analysis. In my consulting experience (now more than 150 bowling centers), creating the space for even 30 games and one family attraction has increased total facility revenue by 50-75%, which is exactly what the BPAA Study reported. Remember their 50% increase is an average, and other centers and revenue-share partners' increases would naturally be on the higher end (at the 75% and above). Also note that in many cases the food and beverage revenue also increases, the customer base is expanded and the frequency of visitation also increases.

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### Conclusion

It is my hope that the BPAA Study is the catalyst to get more bowling center proprietors talking to each other about how much more money they can be making. BPAA Past President Jack Moran removed 16 lanes (18,000 sq. ft.) from his 60-lane traditional Roseland Bowl in Canandaigua Lake, N.Y., and added Spin Zone Bumper Cars, a multi-level laser tag, 35 games, a café and a sports bar. The result is a greater than 50% increase in total revenues, in a market of only 30,000 people. (Note: I was Jack's consultant on this project through AEM, and it was my honor to do so.)

I just returned from the Amusement & Music Operators Association (AMOA) State Meeting, and their 100 leaders agreed that marketing their games to play a major role in increasing total facility revenues is their best opportunity to add more value and relevance to their current presence at the 2,150 bowling centers that use a revenue-share games vendor. Perhaps the stars are in alignment for all sectors of our industry to work together to make sure that bowling retains and increases its presence as the number one active participatory sport in the U.S., with 67 million people bowling annually and using 134 muscles.

[The full BPAA Study can be purchased online at [www.bpaa.com](http://www.bpaa.com) or by calling 817-385-8750. BPAA member cost is only \$99; non-member cost is \$199. I want to personally thank Bart Burger and Kelly Bednar for spending a lot of quality time with me at IAAPA and brainstorming how BPAA can better educate proprietors about the many opportunities available to sustain and grow their bowling businesses without investing/borrowing large sums of money, but rather by spending a few hours learning about these opportunities.]