

THE NUMBERS GAME

HOW TO ESTIMATE YOUR GAMING COSTS/PROFITS



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Bowling proprietors, who are considering the shift to an FEC, often ask, "How much will my revenues increase and how much will be added to my bottom line after all of the expenses are amortized and deducted?" These are very logical questions to ask before investing in a modernization, renovation or expansion. Over the past several years, my company has been involved in more than 100 bowling center projects and I have discovered that the answers to these questions are really not that difficult, as the revenue models for different sizes and types of bowling centers fall into some basic patterns. Let's go through several models from the past and look at how the revenue models have evolved.

1. Traditional to FEC. This is the most common bowling center change occurring today. There are thousands of bowling centers that were designed 50 years ago that fall into this Traditional to FEC Model. Revenue categories include bowling (including shoe & locker rental), Food & Beverage, Retail (includes pro shop, vending, meeting room rentals, etc.) and Games. (Note: For simplicity's sake, all birthday party revenue would be allocated to these categories).

Revenue Model #1: Bowling 60%; F&B 30%; Retail 8%; Games 2% (net from revenue share).



To make it easy, let us take an average gross revenue of \$1,500,000 for a 24-lane center of approximately 37,000 sq. ft. in a good market. Here's how the revenue breaks down: Bowling - \$900,000; F&B-\$450,000;

Retail-\$120,000; Games - \$30,000 (\$75,000 gross with prizes paid by game vendor).

With this model the Games revenue is very low, averaging \$1500/week. The first step is to estimate the attendance. Based on the demographic market, we need to look at what the per capita (average amount of money that a customer spends during one visit) range is for this particular bowling center. I would start with \$12 and determine an attendance of 125,000 (\$1,500,000/\$12; using a per capita of \$15 the attendance would equate to 100,000 or \$1,500,000/\$15).

Using the \$15 per capita, the per capita revenue breaks down as follows: Bowling-\$9.00; F&B - \$4.50; Retail-\$1.20; Games-\$0.30 (using gross \$0.75). Game Revenue in a well-located/designed redemption game zone in a large majority of the cases ranges from \$3.00-\$4.00 per capita. On the conservative side, the gross game revenue potential could be \$300,000 per year (\$6000/week) or actually four times its current total. It would take 30 games in 1500 sq. ft. averaging \$200/week to attain this level.

Also note that if the bowling center is heavily league based, the game revenue estimate would be lower. The game zone needs to be out in the open and have high ceilings, with a good redemption prize center (as a part of the bowling desk) to attain this level of revenue.

2. The Plus One Model. This second most common model is a bowling center that has added one FEC attraction, such as laser tag, soft play, glow mini golf or bumper cars. Five years ago, billiard tables and a pro shop could account for the revenues that now only an FEC attraction can make up, as birthday parties and families have impacted FEC revenue. Also, smoking bans have impacted the bowling revenue models.

In order to follow the Plus One Model, additional space is required in a bowling center. Examples include moving the pro shop, moving or eliminating the manager's office, eliminating extra pool tables whose revenues have been on the decline.

Revenue Model #2: Bowling 40%; F&B 30%; Retail 4%; Games 20%; Attractions 6%.



The per capita for the above listed attractions fall within predictable ranges. For example, a 2500 sq. ft. one level laser tag (16 packs) should earn in one year what it cost and its per capita would fall between \$1.20 and \$2.00. The games per capita would remain in the same ranges of \$3.00-\$4.00 per capita but will trend to the higher side (here we use \$4.00 from actual financial experience) as the bowling center has more open play.

What is the required gross revenue to make this model work? About \$2 million, or an increase of 33 percent over Model #1, given the following breakdown: Bowling-\$800,000; F&B-\$600,000; Retail-\$80,000; Games-\$400,000; Laser Tag-\$120,000.

See how the model has changed? The following is an example of the financials for a 24-lane center in 2005 with \$1,800,000 in gross revenues, 120,000 attendance and \$15 per capita: Bowling-\$712,000-40%-\$6.00 per cap; Bar-\$821,000-45.6%-\$6.84 per cap; Games-\$181,000-10%-\$1.50 per cap; Billiards-\$30,000-1.6%-\$0.24 per cap; Vending-\$25,000-1.4%-\$0.21 per cap.

3. Plus Two FEC. Revenue Model #3 is a bowling-anchored FEC with 2-3 attractions, and a snack bar rather than a full restaurant. There is usually one anchor attraction and the other attractions tend to be smaller-footprint and lower-cost attractions such as mini bowling, laser maze or a climbing wall.

Revenue Model #3: Bowling 33.3%; F&B 33.3%; Games & Attractions 33.3%.



For this model, retail has been included in the bowling figures. In order for this model to be effective, bowling, even though it is the anchor, now has an equal footing with the other two revenue categories, and the games and attractions are the marketing hub of the center. That means that individuals, families, groups and birthday parties ALL have the option to purchase discount packages that include games and attractions. In this model, the per capita can be lower (due to these discount packages) but the attendance is increased (if the market demographics are also in line).

4. All-In FEC. This is a full blown bowling-anchored FEC with a restaurant/bar lounge and snack bar and is larger in size than Revenue Model #3. This is a new-center model with the entire center being operated on debit-card system. In some cases the Games & Attractions would exceed the bowling revenues.

Revenue Model #4: Bowling 25%; F&B 25%, FEC: Games & Attractions 50%.



As an example, the actual financials for an All-In FEC is follows: 40,000 sq. ft.; 24 lanes (20 + 4 VIP); 60 Games, 3 Attractions; Restaurant/Snack Bar. Annual Gross Revenues-\$2,500,000. Total cost including land/building/equipment-\$7.5 million. Per capita \$20.00. Games-\$920,000-37%-\$7.36 per cap;

Laser Tag-\$200,000-8%-\$1.60 per capita; 2 other attractions-\$120,000-4.8%-\$0.96 per cap; Open Play Bowling (no leagues)-\$600,000-24%-\$4.80 per cap; Shoe Rental-\$160,000-6.4%-\$1.28 per cap; Food & Beverage-\$521,000. Note that Games & Attractions account for 50% of total revenues in this example because the food category ended up being the most challenging. If management has experience in food

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operations, then it would be expected that F&B revenues would increase and the Games and Attractions revenues would decrease by the same amounts.

5. The Bowling Hybrid. The bowling hybrid model is very new and also comes in different sizes with some having no games or attractions (other than pool) and some having a major game component just like Dave & Busters. The bowling-hybrid also can include a full FEC component and recently the "dinner & a movie" concept has been added to the bowling-hybrid model. In the next ECN, I will go through Revenue Model #5, as

it is currently the most interesting of all of the Revenue Models.

It should be apparent that in today's market, games are the highest generating profit center, and attractions are right behind them. Adding a top quality redemption game zone is the easiest step of all and most proprietors are still shocked to learn that their video game revenues can usually be increased by three times or even more! Of course, never lose sight that it is really the bowling that is the anchor and the main attraction, but not necessarily the highest revenue generator.

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Frank Seninsky is president of the Alpha-Omega Group of companies, which includes a consulting agency, Amusement Entertainment Management (AEM), two nationwide revenue sharing equipment suppliers, Alpha-Omega Amusements, Inc. and Alpha-BET Entertainment, and Alpha-Omega Sales, a full line game & related equipment distributor. All are headquartered in East Brunswick, New Jersey. During his 44 years in the leisure entertainment industry, Seninsky has presented nearly 400 seminars and penned more than 1500 articles. He has served as President of the Amusement and Music Operators Association (AMOA) from 1990-2000 (on the Board of Directors for 22 years) and as the President of the International Association for the Leisure & Entertainment Industry (IALEI) from 2005-2006 (Founding Member and on the Board of Directors for 11 years).

His columns regularly appear in Tourist Attractions & Parks, RePlay, Vending Times, and Bowling Center Management. Frank is co-regent for Foundations Entertainment University, which presents multiple-day sessions in the US and in growing markets including Russia, Ukraine, Dubai, UK, and potentially Asia, India, and Africa as well. His world famous 'The Redemption & FEC Report' e-newsletter goes out to more than 42,000 readers worldwide. Alpha-Omega Sales is the exclusive US Distributor for all Comfyland Edutainment Center products and the new exclusive distributor for GameALERT. Frank was just appointed to the Advisory Board of the National Association of Family Entertainment Centers.

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