INVESTORS! DON'T MISS THE BOAT!
CHECK OUT FAMILY ENTERTAINMENT CENTERS
AND THEIR POTENTIAL FOR SUCCESS

By Peter F. Olesen, P.E.

This article is written to bankers and other potential investors reviewing an application for financing a proposed family entertainment center (FEC) project. Even in tight economic times, family entertainment centers (FECs) continue to not only hold their own, but many are seeing increased revenues.
The current economic climate with low interest rates and many contractors looking for new projects, offers opportunities for entering the market at a time when costs can be lower and the potential for success as good as ever. Many facilities are experiencing increased attendance and revenues during these unsettled times. People will always seek to enjoy family oriented entertainment outings, but often shorten the travel times and total financial outlays. When this happens FECs serving local markets benefit. History has shown that, even during the "great depression", entertainment venues did very well.

We've found from talking to many of our existing and former clients, that the FEC industry is still doing well. There are some areas in the country where unemployment has grown to a point where some of the lesser facilities are hurting. The facilities we are seeing closing today, are facilities that were poorly conceived, located in markets that couldn't support them and were poorly managed. Most of them would have ultimately failed even in good times. Many were developed without any real feasibility studies, represented the owner's preferences rather than what the marketplace wanted, were poorly planned, under funded, mismanaged and poorly marketed.

Our background in writing this article is based on more than 28 years serving as consultants to the industry. During this period we developed feasibility studies for many proposed FEC projects and provided design services for many more. As we are heavily involved in the industry, not only in feasibility studies, but also in the design of family entertainment centers throughout the United States, we have observed first hand the success of well-planned family entertainment centers of all sizes.

The average family entertainment center has proven to be very successful, when properly planned and operated by dedicated owners or professional management staffs that recognize the need for service and quality. Unfortunately, because of less definitive information with respect to this area of family entertainment, banks and other potential investors are relying on data that reflects performance of specific entertainment venues that are not necessarily comparable. As a result, we have also seen many well-conceived and feasible facilities turned down because of an apparent bias against the industry that is based on data that may not truly reflect the actual potential.

There is a great difference between entrepreneurs that decide to open a facility without proper research and without professional assistance; and those that recognize the need for proper study and evaluation prior to selecting a concept, a location and the magnitude of the attractions and amenities that their proposed facility will include.

People that have researched the industry, obtained valid demographic data, obtained a valid feasibility study and developed a clear and solid business plan, should not be lumped together with others that failed to effectively research the industry, their market, the competition and their location. Those who failed, were almost always the ones that did not establish a realistic concept, select a viable site in terms of access and surroundings, did not have a feasibility study or prepare a realistic and comprehensive business plan. Many of these same people also failed to follow the basic concepts of developing sound attraction mixes, good design, sound hiring practices, staff training, guest relations, cash control, marketing and site upkeep. Some even developed what they personally liked or wanted to develop without giving first consideration to what their market wanted. They completely validate the axiom that **”failing to plan is planning to fail”.**

Unfortunately many in the banking industry appear to take a very dim view of the entire family entertainment industry based on some valid but short sighted reasons as a result of specific but not industry representative failures. A number of specific industry failures have gained the attention of bankers and other investors. Unfortunately, most if not all are prime examples of poor planning in evaluating a market, selecting specific venues and bad management. The failure rates for certain specific ventures should be of concern to investors and bankers. Each probably had very obvious reasons for their failure. Most were specific to the location concept, operation or marketing, not due to the industry. Unfortunately this has caused many bankers to lump the entire industry into the same model, with the result that they may not seriously consider many fine investment opportunities, resulting in the demise of a number of excellent projects due to lack of funding.

Among the failures in the past that have had an impact on potential investor decision making are the following:

The Discovery Zone Syndrome
Originally the concept was successful because it offered a new soft-play venue at a time when there were no competitors. McDonalds originally created a large number of similar facilities called Leaps and Bounds. They ultimately sold their Leaps and Bounds to Discovery Zone and then began installing free soft play facilities (Play Places) at many of their conventional McDonald’s fast food outlets. This was accompanied by other similar installations at other fast food operations. As a result, the narrow concept of Discovery Zone became victim of the free alternatives (albeit smaller in size) that sprang up all over. Being a “one trick pony” so to speak, based on a narrow demographic and basically a single attraction, Discovery Zone was doomed to fail because they had created a single attraction concept and were unable to change their concept to compete.

Childrens Entertainment Centers Developed on Emotion
Many well-meaning entrepreneurs opened independent children’s entertainment centers in large and small communities alike, without thoroughly evaluating their real target markets, the locations they selected and the on-going need for updating programs and attractions.

Wanting to create a better environment for small children and their parents is a worthy intent and motivation. Unfortunately many have been developed without any realistic analysis of the actual volume of potential business, resulting in many facilities failing because there was never a large enough market to support the facility developed. The people that developed many of these were totally dedicated to the concept and worked hard to make them succeed. Their failure was not recognizing that even the best of concepts and programs could fail because the community has too few potential customers to make the project financially valid.

Targeting “Adult” Market with Family Attractive Attractions
This mistake has been made a number of times and resulted in failure. Typical family oriented attraction packages should be conceived, configured and operated in a fashion that can maximize the attendance and thru-put at individual attractions.

A good example of this would be the Malibu Worldwide Entertainment Speed Zones in Dallas, Texas and City of Industry, California. These facilities failed to meet their potential partially because of a faulty assumption that the “Adult” concentration in their marketing would generate the revenues required to provide a sound return on investment. These facilities failed to meet their potential because of the extremely high cost of introducing their Top Eliminator dragster attraction, an expensive commitment to the Virage kart, a less than appealing miniature golf course, misreading the potential for their food venue and failing to recognize the higher potential of making the facility more family friendly. They combined a narrow game room mix with a wine and beer bar and full service restaurant and restricted evening attendance after 9:00 PM to adults 18 years of age and older. A greater emphasis on family attendance and removal of their alcohol service could perhaps have made the facilities far more successful. This in spite of their two conventional go-kart tracks generating annual revenues each of $1million each at each facility (each track cost less than $500,000 including go-arts).

“Our town has nothing for the Kids to do!”
This lament is heard for almost every community in the land, and it is true in almost every community to one extent or another. Many communities have well planned and financed programs for team sports, i.e. little league baseball, soccer, midget football and basketball programs. By and large, they have few if any programs targeted toward the 70 to 80 percent of the children and young people in the community that have no interest in team sports, either because they may not be athletic or do not like the competitive stress in team sports.

Unfortunately, people often feel that their community is the ideal location for facilities that address this lack of activities for young people. What they often fail to do is thoroughly evaluate the community’s demographics to determine whether there are sufficient numbers of people that could be attracted to their proposed facilities to make them financially feasible.

Not every community is large enough or has the right demographic mix to support family entertainment centers. This reality has been ignored or downplayed in many instances, resulting in facilities that were well intentioned and even excellently operated, but were just the wrong idea in the wrong place.

“Build It and They Will Come”
This concept worked in the movie because it was written into the script. Without determining the need, the market and the feasibility; as well as the location and the requirement for constant marketing, many facilities were doomed to failure, even prior to opening. The market is full of establishments seeking to attract the disposable income and time available to the typical member of society.

Failing to Plan is Planning to Fail
This adage is so real and has been proven out time and time again. Unfortunately many people seem to think that because an idea sounds good, it will succeed. This applies to almost all endeavors,

regardless of industry. Proper evaluation of the concept, potential market, available financing, market realities and proposed site could greatly reduce if not eliminate the potential for failure in many cases. Conversely, failing to do so almost certainly dooms many projects with good concepts to failure.

A sound Business Plan Deserves a fair review

Investors should take a realistic look at the specific business plan, master plan and feasibility study presented for consideration with an open mind. The attractions proposed for family entertainment centers, by and large, are proven to draw significant business from most communities. If the feasibility study demonstrates a strong potential for success, it should warrant a close and unbiased review.

Don't base your investment decisions on data from poorly conceived and blatantly miss managed family entertainment centers that have failed. This should not automatically be construed as indicating the industry is a bad investment. There are many exceptionally successful facilities that have been around for years and continue to grow in popularity.

Don't automatically discard a proposal as not being realistic because of mistakes made by others. Carefully review the data presented, determine whether the basic assumptions are valid and supported by viable information.

The industry is alive and continues to be successful when the evaluation is made of facilities that did their homework and planned their approach, assisted by experienced consultants and other professionals. Make your final decisions based on a careful review of the specific project and support data presented to you. If this review is positive, the potential for success is also, and you may have a winner.

Should you have any questions or wish further information, please feel free to call me at 847-561-7013.

Peter is a registered professional engineer in numerous states and the President of Entertainment Concepts, Inc. (formerly Peter F. Olesen and Associates, Inc.) a firm with more than 28 years of experience in the design of family entertainment centers, both outdoor and indoor, stand alone go-kart tracks and miniature golf courses, bumper boat ponds and related attractions. The firm has been at the forefront of go-kart, miniature golf course and bumper boat pond design, having brought about many innovations in safety, geometrics, design and construction methods that are now widely emulated throughout the industry. The firm has performed more than 410 projects in 41 states, Angola, Brunei, Canada (Alberta, Ontario and Quebec), Cuba (Guantanamo Bay), Kazakhstan, Mexico, Puerto Rico and Saudi Arabia. These projects span feasibility, concept development, master plans, final design and construction engineering. He is a member of the faculty of Foundations Entertainment University, has presented seminars at the International Association of Amusement Parks and Attractions, FunExpo, Kart Expo and Leisure Expo as well presenting go-kart safety seminars for the State of Ohio. He has, and continues to write articles for industry magazines and internet newsletters.