The Importance Of Food & Beverage

By RANDY WHITE
White Hutchinson Leisure & Learning Group

In our company’s design, brand development and consulting work with clients, as well as the presentations I make at industry conventions and at Foundations Entertainment University, we emphasize the need for entertainment-oriented venues to have great food and beverage, typically in the form of what we call destination dining, where the food and beverage (F&B) is as much a draw as the entertainment. In response, we often get pushback from our FEC students and clients.

We hear comments such as:

- A snack bar is all I need.
- What’s wrong with pizza, nachos and hot dogs?
- I’m in the entertainment business, not the restaurant business.
- Vending machines are adequate.
- Let them go somewhere else if they want to eat.
- I don’t want to get involved with food and beverage.
- Let them go somewhere else if they want to eat.
- I don’t want to get involved with food and beverage.
- There’s no profit with food and beverage.
- I can’t compete with all the restaurants out there.

You can get the drift; not a very positive attitude about F&B.

However, when you look at the history of the FEC and location-based entertainment (LBE) industry and those concepts that have stood the test of time, the successes have generated around 40% to one-half of their revenues from food and beverage sales. The two most recognized examples are Dave & Buster’s and Chuck E. Cheese’s, both over 30 years old. Few, if any, predominately entertainment-type

that long. Remember, the investment in an LBE needs to have long-term profitability, not just be some flash-in-the-pan that fizzles out after a few years (as all too many do).

When you look at the financials for the food and fun concepts, those with significant food and beverage sales, their sales per square foot far exceed that of predominately entertainment-type LBE centers, typically by a factor of two, three or more.

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Good food, destination food, drives repeat business, the attendance every LBE needs to succeed. The average American eats at a restaurant almost four times each week (around 190 times a year depending on which research study you look at).

Compare this to the most popular form of location-based entertainment in America, going to the movies, which the average person goes once every three months (3.9 times a year). In other words, Americans walk in the door of a restaurant 48 times more often than they buy a movie ticket.

So, if the LBE has good food, instead of leaving at mealtime, the customer might stay. More importantly, when it is mealtime, people will come for the food and stay for the fun, increasing entertainment attendance, revenues and profits (an important part of the formula for profitability by maximizing attendance at all hours when an LBE is open).

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for the entertainment. They are really coming for the total experience, and socialization is the primary driver. The entertainment gives them a way to socialize together. Research by the National Endowment for the Arts has found that socialization is the primary reason people visit dance performances, music concerts, plays and arts and craft shows. The entertainment is a secondary reason they attend.

As humans we are hard-wired to seek out real-world social interactions. As the evolutionary anthropologists will tell you, it was living in a family and tribe with all the social connections that bonded humans that enabled our species to survive in its earliest days. That desire for socialization is hard wired into our genes and our brains for stronger than the desire to have fun. If you have any doubt, just look at the popularity of Facebook, the real world social equivalent in the digital realm. Another example is the popularity of video games, which studies have shown is due to their socialization opportunities, not the game play itself. 80% of people play video games primarily for the socialization.

Real world socialization still trumps social media. Recent research by Ipsos Global found that 84% of Americans would rather talk in person than online, and 80% would rather go to a party with friends than meet online. Research by Global @visor found almost identical results.

Sharing food and beverage, dining and drinking together, represents one of the best tools for creating social interactions. Setting aside drive-thru and fast food restaurants, which are really about getting refueled, most families and groups go out to dine for the social experience as much as, if not more so, than the sustenance. In fact, Americans seem to have a hard time socializing unless they have a drink in their hand, are eating something or rolling a ball (think about bowling, golf, miniature golf, billiards and even Skeeball) or playing together. If you add F&B to interactive group entertainment, you have the optimal socialization environment. It’s really getting back to early man sitting around the campfire, sharing food and telling stories. We’re designed to seek out the equivalent in the modern world. (Ever wonder why we like candles on dining tables? It’s our modern day equivalent of the campfire.)

In today’s digital world of both at-home and mobile social media and entertainment, LBEs are dealing with a completely new form of entertainment.

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Almost like the Jetsons, we want to walk around in a little bubble. We are moving toward that. 

It’s the continual increasing accessibility and decreasing cost of digital technology (what is called “increasing convenience”) that makes the super-coocooning of home entertainment so appealing. Super-coocooners spend twice as much on electronics as the average American who has home Internet access. And they skew younger, with the highest percentage (1/3) in the highly sought after 25 to 34 age group of Millennials.

So today, to lure people out of their homes, out of their cocoons, and to compete with their many digital leisure options, LBEs need to up the ante and offer an even more appealing high fidelity (the quality of the experience, both its tangible quality and its perceived quality or aura) leisure experience. And this brings us back to the subject of food & beverage, because the one thing you can’t do on the Internet is eat. And that makes quality and aura leisure experience. And this brings us back to the subject of food & beverage, because the one thing you can’t do on the Internet is eat. And that makes quality and destination food and beverage more important than ever as a competitive strategy.

And today, high fidelity food and beverage is far different than it was just a few years ago. We live in a foodie culture, where what are called our “flavor profiles” are far more sophisticated. We eat all varieties of global cuisine. We want local, organic, freshly prepared, the list goes on and on. Here’s just one small example using popular pizza. If you check out the menus of the new successful upscale hybrid bowling centers, you will find a two-sided, contemporary menu that includes comfort food along with offerings. For example, PinStripes, a hybrid bowling and bocce center, offers on their menu:

- Salads – Seared Ahi tuna, baby greens, feta, olive tapenade, lemon caper vinaigrette
- Pastas – Chicken and goat cheese fusilli pasta, rosemary cream sauce, fresh cracked pepper
- Large Plates – Chicken Masala, wild mushroom, Parmesan risotto, spinach and tomato
- Small Plates and Late Night Snacks – Hummus and avocado platter
- Louisiana barbeque shrimp
- Jumbo lump crab cake

Get the point? It’s no longer nachos and hot dogs. Today, even when you offer hamburgers, they have to be of high quality and gourmet. To compete today with digital at-home and mobile digital entertainment, the food and beverage needs to be as high in quality as the entertainment. Otherwise, there is the convenience alternative of the large screen HDTV with Blu-ray or a sports channel and home pizza just as high in quality as the entertainment. Otherwise, there is the convenience alternative of the large screen HDTV with Blu-ray or a sports channel and home pizza delivery.

When we talk about the importance of food and beverage, it not only applies to destination dining for meals, but also to snacks. Food consultancy Technomic reports that twice as many consumers report snacking at least twice a day as they did in 2010. And on average they are now eating 2.3 snacks a day. That’s right — 2.3 a day, according to research by the Hartman Group.

Hartman’s research shows that the two top times when Americans snack is in the afternoon and evening, prime time for entertainment centers, especially on weekends and holidays. Hartman’s research more than half of Americans (57%) said that it is very important or important when snacking for the foods and beverages to be healthy.

The NPD Group F&B research firm says that what Americans eat when they snack is changing. Traditional snacks like chips, pretzels, ice cream and popcorn are still popular, but NPD has found that consumers are also munching at restaurants on foods more associated with full meals in the form of miniature meals that are often handheld, bite-size or dippable, such as wraps, mini burgers, tacos and ethnic-inspired foods like Argentine empanadas. Technomic says that the mini sandwich, slider or wrap has now evolved to a downsized gourmet snack version of signature full-sized offerings.

For small entertainment venues where it might not be appropriate to have destination dining, guest will still be there at snack time so the quality of the snacks offered will influence their overall impression of the quality of their visit experience. And as Hartman and The NPD Group found, the majority of American’s are looking for healthy snack options. So just offering potatoes chips and candy won’t cut it by today’s standards.

Maybe I have shared to convince you of the importance of F&B, but what about the profitability of F&B? After deducting the cost of goods sold and labor, F&B sales can generate a 40% or greater profit margin. Now F&B does have a lower profit margin due to a higher cost of goods sold than entertainment (which is basically confined to only redemption prizes when there is a game room) and the labor cost can be a little higher. So many people argue that F&B is not very profitable. But what they miss is that the F&B floor area produces multiple more times the sales per
square foot as entertainment, so a smaller profit margin multiplied by much greater sales can equal or exceed the profit per square foot entertainment alone generates.

Restaurants generate significant EBITDAs. Above is a sample of both operating margin percentages and EBITDAs for some of the restaurant chains, as well as Chuck E. Cheese’s and Dave & Buster’s. However, just isolating the profitability of the F&B does not tell the whole story. Destination F&B also increases attendance because many people will come for the food (and/or the bar and lounge) who wouldn’t have come for the entertainment as the draw and then stay for the fun. So quality food increases overall entertainment revenues. So the entertainment becomes more profitable. F&B also increases the length-of-stay, which in turn increases the market draw. There is a direct correlation between length-of-stay and market reach, i.e. how long people will drive to visit a venue. So when the F&B creates a longer length-of-stay, the trade area grows, another factor that increases attendance and entertainment revenues.

Combining F&B and entertainment also has high appeal in our time-pressured society. Today, people, at least the higher socioeconomic who have the disposable income and account for the majority of location-based entertainment spending, value their limited disposable time more than their disposable dollars. They are willing to spend extra money to save time. So combining destination F&B with entertainment offers one-stop shopping for a good time out for a couple, family or group. You don’t have to travel to one destination to eat and then take time to travel to another destination for entertainment.

Another reason great F&B is so important to success is catering food for groups. Significant group business is critical to profitability. Community-based venues need to generate 30% or more of their revenues from group business to be profitable. The quality of the food is a major factor in where corporate and other groups will choose to book their affair.

When we talk about F&B, we can’t ignore alcohol. And to talk about alcohol, we first need to dispel the common myth in the industry that you should design for families.

If you want to attract families, you need to design for adults. If you design for adults as your primary market, you will still get the families with the kids and teens as a secondary market. If you design for families, you will get very few if any adults other than adults coming with the children, so the attendance and revenues will be far less.

To design for adults, you need a bar. The majority, almost three-quarters of adults age 18-54 drink alcohol an average of 4.2 drinks per week. Of those that drink, 36% drink beer most often and 35% drink wine most often. However, the majority (52%) of female drinkers prefer wine whereas the majority (55%) of male drinkers prefer beer.

If you have a bar, you will get more adult parties, corporate groups and walk-in adults. You will still get families during the daytime and early evening as most adolescent and older children would rather visit an adult venue than a family one. In addition you will get adults in the later evening and into the night generating more late night business than a family-oriented center gets. With destination F&B, you will also get adults for lunch. And most importantly, if you design for adults and have a bar, the per capita sales and sales per square foot will be much higher and you will be more profitable than if you design for families.

It’s all about getting back to the appeal of the communal campfire where people share food and beverage and fun times together in the real world. That’s why our company wants to retire the names family entertainment center, location-based entertainment and virtually all other venue descriptions that use the term social- and instead use the term social-entertainment to define the future of the industry. The LBE’s primary experience is the social experience. The entertainment and the F&B only serve to facilitate that experience. It’s all about offering a high quality social experience. That’s the formula for success in today’s rapidly evolving and increasingly competitive entertainment landscape.

Randy White is the CEO of the White Hutchinson Leisure & Learning Group, a multi-disciplinary firm that specializes in feasibility, concept and brand development, design and consulting for leisure and entertainment facilities. Since 1989, the company has worked for over 500 clients in 32 countries. Randy can be reached at 816/931-1040, ext. 100, or via the company’s website at www.white-hutchinson.com.