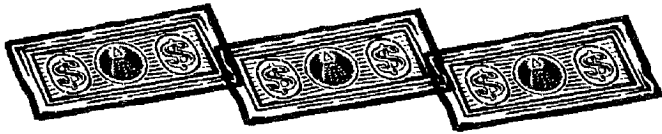


Randy White is CEO of the White Hutchinson Entertainment Group, a Kansas City, Missouri-based firm that assists recreation and family entertainment centers with feasibility and market research, design,

development, remodeling, expansion and management services. He was a featured speaker at the RSA convention in Las Vegas, giving a presentation entitled "That Old Rink." The following article covers some aspects of that presentation.

Turning Yesterday's Skating Rink into Today's Moneymaker

by Randy White



Today, people who want a pleasant afternoon of roller skating must travel to your skating center. But tomorrow's customer's will be able to rent roller skating rinks just like they rent the latest videotapes. Yes sir, they'll trot on down to the nearest Rink-O-Matic franchise, load up the portable rink and plenty of skates for the neighborhood kids, then unload the whole shebang at home, in the basement or the back yard. With the help of Rink-O-Matic's skilled employees, tomorrow's families will enjoy all the pleasures of skating right in their . . .

What? You don't believe me?

I don't blame you. You see, the entertainment industry is divided into two segments. One is *home-based entertainment* and the other is *location-based entertainment*. While videotape technology allows movies to span the two, roller skating is definitely the kind of entertainment that people must leave home to enjoy.

Location-based entertainment [LBE] includes every entertainment venue that is a destination for customers. That would include movie theaters, theme parks, aquariums (the kind with sharks, not the kind with guppies),

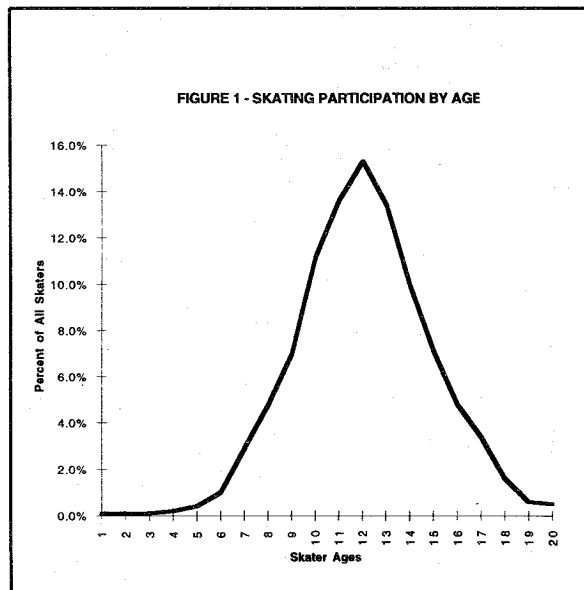
museums, bowling centers, sporting events and concerts. LBEs compete not only with each other, but also with home-based entertainment.

The consumer's options have greatly expanded since the early days of roller rinks due to changes in both

location-based and home-based entertainment. Options continue to grow even faster, as exponential advances in computer and communication technologies take hold. At-home options like cable and on-line services are still in their infancy. In addition, new kinds of LBEs emerge, many of which are technology-based.

Among the new LBEs, the biggest threat for skating center owners are the new forms of community-based centers that include children's pay-for-play facilities such as Discovery Zone, laser tag arenas, and both indoor and outdoor family entertainment centers. These type of

entertainment facilities all cater to market areas similar in size to roller skating centers, and they, too, depend on regular repeat visits. The children's pay-for-play centers and many of the indoor family entertainment centers offer a secure environment with gated check-in that appeals to safety-conscious parents.



When these new centers appear in town, roller rink owners find themselves in a struggle for survival. And, as these new forms of LBEs continue to saturate the market, the situation will only get more competitive.

Skating Center Owners Can Overcome the New Competition

Now is the time for roller skating center owners to analyze their businesses in light of new LBEs and other entertainment competition. It's not too late to reformulate the business to retain and even gain market share.

There are five ways that any location-based entertainment business can increase its sales. The five ways, with the easiest first and the most difficult last, are:

1. Increase the retention rate for current guests (decrease the defection rate of existing customers).
2. Increase the amount of money current guests spend on each visit.
3. Increase the frequency of visits by current guests.
4. Attract new guests from within the current market area.
5. Expand the market area to include new geographic areas.

That's it. Just five easy steps to a more profitable roller skating center. But we both know it's not that simple. Let's look at how these options might apply to the roller skating industry.

Increase the retention rate of current guests

The conventional way managers try to increase profits is to go after new customers by running ads and trying new marketing tricks. The result is like a revolving door, where new customers try the place a few times, become disenchanted and

center every year and never return. It takes a whole lot of marketing to make up for that type of annual customer loss.

The problem is that business owners would rather keep bailing water than plug the leak in the boat. It costs five times more to recruit a new customer than it does to delight and retain an existing one. Let me

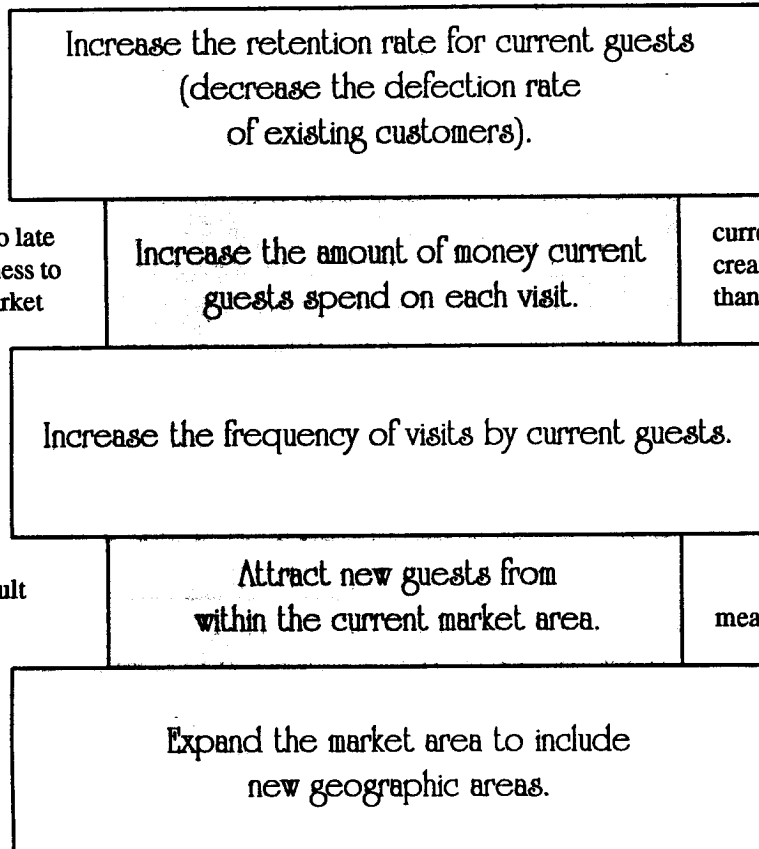
say this clearly: The highest rate of return for your business is the investment you make in your current customers. There is an additional benefit.

When you focus on current guests, you focus on creating value for them rather than just incentives. When you create value for your current guests, you end up attracting new guests through positive word-of-mouth, the most effective form of marketing there is.

Delighting guests means more than just satisfying them. It means exceeding their expectations. Being satisfactory is not enough to beat the competition. Studies in the service industry show that of custom-

ers who rate a business "good," only 65 percent become repeat customers. Compare that to people who rate a business "excellent," of which 95 percent are repeat customers.

You can see the impact of this in the bowling industry. Most of that industry lives in the vicious cycle of guest defection. That's why most facilities are referred to as bowling *alleys* rather than bowling *centers*. Most are dark, dated, smoky, dirty, and lacking the level of service contemporary customers demand.



defect. To maintain sales, management must continue to recruit new guests, often through discounting. The cycle never stops when the focus is on recruitment rather than retention.

Studies have shown that even as small an increase in guest retention as five percent can have a big impact on profits. Studies in the bowling industry, for example, show an annual defection rate of 25-30 percent. That means that a quarter or more of bowlers leave the typical bowling

ing on the area of the country and even for individual centers. Still, this age distribution is generally representative, especially in smaller markets. Most skaters (61.4 percent) surveyed came from markets smaller than 500,000. Therefore, the graph is more accurate for age distribution in smaller markets with fewer LBE options.

In larger markets, our company has found that the majority of skaters come from an even narrower age range that is slightly younger. This is not only due to more entertainment options, but also because children mature faster in the larger metropolitan areas, especially along the coasts.

Since most skaters (using the national average) fall in the pre-teen and early teen ages, any renovation or expansion strategy should consider ways to please that age group. When adding entertainment options, it's important to remember that children move into both a competitive (mainly boys) and a peer socialization (girls and boys) phase around age nine or 10. That means that arcade-type games like stand-up videos, driving simulators and sports games, along with laser tag will appeal to the dominate skater age group. Keep in mind that by this age, birthday parties are considered for babies.

Another option is to expand the age range of people attracted to the center by adding anchors that appeal to new age groups you've targeted. The best bet, in most cases, is to reach children ages nine and under, the market sought by Discovery Zone and Chuck E. Cheese. This doesn't mean reaching new families, but rather attracting your current skaters' younger brothers and sisters. It is typically easier to attract the family members of existing customers than it is to attract new customers who are not related to existing ones.

There are several challenges to overcome when turning a skating center into a family entertainment center that attracts children younger than the typical skater. The first is that teens do not want to hang out with families. Teens want to be with

teens and as far away from adults as possible. This allows them to practice their social skills without risking ridicule by adults. Skating rinks usually are an excellent opportunity for this, as teens skate unaccompanied by parents. There's a reason that parents don't hang around, too. Groups of teens are intimidating to adults, especially women or mothers who accompany younger children. Teens and families do not mix.

The right way to introduce parents accompanying younger children into

| Age Range | % of All Skaters |
|-------------|------------------|
| 8-16 years | 87% |
| 9-15 years | 78% |
| 10-14 years | 63% |

the mix is to separate the new, younger customers and their parents from the skating area. Teens can use the skating center while parents watch younger children use a separate area containing new anchors designed for the younger market.

The second challenge is that the expectations in terms of facility design and atmosphere, and service expectations, are quite different among parents than among teens. In fact, the wants, needs and expectations of the two groups are often opposed.

Teens don't demand much in decor, atmosphere or design. Conditions that adults take for granted send teens running for the door. Likewise, adults will never be satisfied, let alone delighted, with the facility design and service that teens like. This probably explains why many an old rink has survived despite conditions most adults would describe as terrible. Often, the more adults dislike something, the more it appeals to the rebellious nature of teens. In a twisted way, the dated and rundown old rink increases its appeal to its primary market.

Now for the bad news, which deals with the socio-economic appeal

of the rink. As any LBE ages and fails to be well-maintained and kept up-to-date in its atmosphere and service, its appeal drops down the socio-economic ladder. The many socio-economic or lifestyle groups in America have distinctly different tastes. That's why a Denny's or Motel 6 is deliberately designed differently than a Bennigan's or a Marriott.

If a rink was originally developed and designed for an upscale neighborhood that has since suffered a decline, that old rink may work fine with customers who accept old, worn decor and mediocre service. However, in skating center studies our company performed, we found a different situation. The old rink was in a neighborhood that was moving up the socio-economic ladder. With every passing year, the rink became more mismatched to the community. Despite teens being less picky than adults, rinks in this situation can quickly attract a rougher crowd that turns off more desirable teen guests. The first step to take when a rink's business declines is to determine the root causes of the decline. Sometimes it's a deterioration and a decline of the primary age group population in the market area. However, it is important to note that we have never found new competition to be the root cause of the decline.

Let me say that again. We have never, ever found new competition to be the root cause of a decline in business. Rather, we have found that existing businesses have handed over their customers to the new competition. The new replaces the old only because the old business didn't bother to stay up-to-date.

The third millennium is moments away. Only half the location-based centers that exist today will make it to the year 2000. The survivors will be those that constantly renew themselves to stay competitive in a constantly changing marketplace with constantly changing customers. Skating center operators need to take action today if they hope to thrive in the future.

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