



The Conversion Decision

Thinking about converting your center to a bowling-based entertainment venue? There are many factors to consider.

The conversion of separate bowling and roller skating venues into a single bowling-based family entertainment center called Grand Station Entertainment has proven to be a big hit in College Station, Texas. Just some of the facility's attractions — laser tag, bowling, an arcade and mini golf — are displayed on the building's exterior.

By Ken Paton

Whether to convert a traditional bowling center into a family entertainment center is one of the hottest topics in the industry. Once the decision is made to convert, there are other factors to consider: when to begin the process, how long will it take, how much will it cost, the attractions and venues that should be included, what advisors are necessary, and how to pay for it.

Many conversions have resulted in substantial increases in revenue and cash flow, but also required a significant increase in debt or major equity injections. This is the first in a series of articles on how several center owners made the decision to convert and the lessons they learned along the way.

For some, the decision to convert is triggered by outside events. Terry Pierce, for example, ran Valley Lanes as a traditional 32-lane center in Beaverton, Ore., for many years before a fire forced the center to close. After an analysis of the various options, the

decision was made to convert the center to a 24-lane FEC by removing eight lanes and adding laser tag and expanding the arcade.

Other proprietors make the decision when purchasing an existing traditional center. Mike Logan sold his traditional 24-lane center in Huntsville, Texas, and was preparing to build a ground-up FEC when the opportunity to purchase a 40-lane center in nearby College Station came along. The Wolf Pen complex also had a 25,000-sq.-ft. roller skating rink that produced relatively little income. Logan made the decision to remove the rink and add laser tag, mini-golf, an expanded bar, and an arcade without losing any lanes.

Rick Goins owned Holiday Bowl in Texarkana, Texas, and was unhappy with its performance. He felt that expecting more revenue from his current bowlers was not realistic and had not been successful at adding new bowlers faster than his older bowlers were dropping out. He replaced his limited number of shared-

revenue arcade games with new ones to begin the conversion. Since then, he has added laser tag and escape rooms, along with an extensive remodeling of the building's interior.

Each of these proprietors reached the same conclusion from different paths.

Maximizing Lane Use

Terry Pierce was faced with making several critical decisions, including whether to even reopen after the fire. After deciding to reopen, he reviewed Valley Lanes' operating history with an industry advisor. The advisor pointed out that he rarely used more than 22 lanes at one time, leaving a large portion of the building with little or no revenue.

Removing eight lanes provided 4,000 square feet without reducing bowling revenue, and could add a significant new revenue source from laser tag. The previous layout had a 2,000-sq.-ft. bar which seldom used the entire space. Most of the drinks were consumed on the lanes, leaving the bar nearly empty. Using the bar

for an arcade appeared to give potentially more revenue at a very low cost.

Positioning the new bar adjacent to the kitchen, with access to the lanes, created a more efficient work flow for the employees while putting the bar within sight of the bowlers. The landlord had demolished all of the walls and interior following the fire, so insurance proceeds paid for most of the rebuilding since the overall square footage and number of rooms did not change.

The Right Model

Mike Logan operated a center in a small community for several years and realized that the traditional bowling model had maxed out the center's potential revenue. However, he did not have a clear idea of what

conversion cost was included in the purchase financing, making the conversion decision even easier.

Taking Baby Steps

The decision for Rick Goins took much more time than it did for Pierce or Logan. While he also felt that he had taken his Holiday Bowl about as far as it could go with the traditional business model, he didn't have a clear picture of alternatives.

The concept of family entertainment grew after discussions with his peers at various state proprietors' meetings and at Bowl Expo. After talking to dozens of people, including advisors, vendors, and proprietors who had made the change, he took a baby step by ordering arcade games and replacing the underperforming

The report found that the average revenue per square foot was \$44.14, but centers with 25-26 lanes generating the highest revenue per square foot, and those with 12 or fewer lanes generated the least.

Review the Benchmark Study against your own center to see if your revenue is above or below average, as well as your breakdown between bowling revenue and non-bowling revenue. If your revenue per lane and revenue per square foot fall below the industry averages, determine if bowling or non-bowling revenue is the issue.

If it's non-bowling revenue, is it food or bar revenue that needs improvement? Can you increase food-and-bar revenue through a new menu or promotion?

If it's bowling revenue that's not up to par, confirm how many lanes are filled each night of the week. If bowling revenue is low and your lanes are filled, the problem may be with your prices. If prices are low but the market is strong, you should consider a price increase before converting to an FEC. If your bowling revenue is low and your market won't support a price increase, consider if the market will support other forms of entertainment such as an FEC.

A few other recommendations...

■ **Evaluate your market.** It's important to have accurate knowledge of your local demographics. What is the median age? Is the market dominated by older adults or younger kids? What is the median household income? Are there enough high-income households to support an FEC? (The majority of FEC revenue as well as traditional bowling revenue comes from households that have an income of \$100,000 or more.) How many households have college degrees? (Most FEC revenue comes from households with college-educated parents.)

A feasibility study will use these variables, and more, to make a

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the new model should be.

While on a trip, he visited a family entertainment center and immediately saw the potential for a bowling-based family entertainment center. He then visited several other FECs, including a Main Event location, to clarify his thoughts.

Logan spent the next two years finding land and designing a building. Then, two weeks before closing on the construction loan, he was offered the 40-lane Wolf Pen and a sister 24-lane bowling center in College Station.

After extensive but rapid discussions with family and an industry advisor, he made the decision to not build a new center but to buy Wolf Pen and convert it into an FEC. The

shared-revenue games.

In the first month, the new games earned more than the old games had earned in a year. That motivated him to remodel the building and add additional revenue sources.

Each step in the conversion process was financed with his local bank, which was easily paid back from the increased revenues.

Do Your Research

The 2017 BPAA Benchmark Study found that the average bowling center generated \$36,367 per lane with 47% coming from bowling and 53% from non-bowling sources. Larger centers generated higher revenue and small centers less.

recommendation. Although a good feasibility study can be expensive, it can give you a clearer understanding of your market and what attractions may generate a positive response and therefore generate enough revenue to justify the investment.

■ **Study the competition.** There may be several businesses in your community that are not direct competition for bowling but would be for a family entertainment center. Where do parents hold their kids' birthday parties? Where do sports teams go for their end-of-season celebration? Where do millennials go to socialize after work and go on dates on Friday and Saturday nights? Where can a young family go with their kids that's affordable and fun? These locations all are potential competition for your FEC conversion.

■ **Do more research.** Visit FECs and see how they operate. Attend regional and national trade shows to visit with vendors and FEC operators and employees. Attend seminars on FECs at the regional and national conventions.

BPAA puts on a management training class for FEC owners/employees which helps to explain the different management techniques needed for an FEC compared to a traditional bowling center as well as providing key management ideas. Several private groups put on seminars on birthday parties and other aspects of running an FEC.

Managing an FEC is different than managing a league-based bowling center. You need to understand the difference and make sure that

it's what you want to do and are capable of doing.

Converting a traditional center to an FEC can be more complicated than opening a new center. While it can be rewarding, both emotionally and financially, it can also be a highly stressful decision-making process followed by weeks, if not months, of negotiating with architects, contractors, city building departments, vendors and bankers.

When it works, most who have survived will say it was worth it. The key to success appears to be:

- Having a complete understanding of your market.
- Having a complete understanding of the operational and marketing issues of running an FEC.
- Having a well-thought-out conversion plan.