

Coming attractions: The fusion of cinema and family entertainment centers

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Features



In recent years, many theatrical exhibitors have sought ways to further diversify their revenue sources to reduce their dependence on box-office and traditional concession sales. This has resulted in many new industry concepts emerging in today's digital age, including some that are a result of exhibitors' ingenuity. Digital projection

has resulted in the prevalence of 3D movies as well as alternative content, while exhibitor creativity has led to the rapid popularity of in-theatre dining. While all of these have been well-documented, another new concept is beginning to emerge as a few pioneering exhibitors are now also expanding their businesses to include attractions traditionally associated with family entertainment centers (FECs).

Improving the in-auditorium experience will continue to be a focus, but FEC attractions offer new opportunities for cinema entrepreneurs. While lobbies have been the home of arcade games for decades, exhibitors are now seeking to expand their revenue from these types of attractions by developing venues with features such as high-tech bowling lanes, sports bars with dynamic audiovisuals, full-service restaurants, and redemption arcades with 25 to 50 games targeting all ages. Some of these are hybrid venues that contain both FEC attractions and cinema auditoriums, while others are constructed as standalone FEC venues.

The primary motivation behind combining the movie and FEC concepts is to diversify theatre revenue and thus reduce the dependence on Hollywood to consistently supply hit movies. Additionally, by possessing more diversified and predictable cash-flow streams, investors and lenders may be more apt to provide capital to these businesses.

Jerry Merola, a managing partner of leisure industry consultant Amusement Entertainment Management, has closely watched this merger of the two concepts, as his firm has completed feasibility studies for both sectors. "In the past, our typical clients were FEC owners and operators, but now we're starting to have movie theatre clients that are moving into the FEC sector," Merola observes. "From my perspective, it makes perfect sense for theatre owners to add another set of revenue streams, and as a former banker, I understand that diversification can assist with getting financiers and investors more comfortable with providing capital."

FECs and movie theatres share many of the same business fundamentals, as they both provide inexpensive out-of-home entertainment, generate higher volume during the summers and weekends, and target patrons of all ages. FECs also have several distinctions that make them an attractive complement to the cinema business. While theatres rely heavily on the studios for their film product that can account for over 70% of revenues, FECs tend to have more balanced revenue streams, with food/beverage and the leisure attractions approaching a 50/50 revenue split.

FECs also provide more opportunities for group events, such as corporate events and birthday parties, which result in even further diversification of cash flows. Thus, the management personnel and management style for an FEC can vary greatly from that of a traditional movie theatre. FEC operators must have a clear understanding of their local demographics and provide fresh entertainment and food/drink options that are an attractive fit for their targeted customers. Another important distinction is that they must rely on their own marketing outreach rather than relying on the P&A of the studios.

Certain exhibitors such as iPic, UltraStar, Santikos, Cobb, eMagine and Frank Theatres have led the way in these hybrid entertainment venues by building new combo centers in recent years with both movie auditoriums and numerous FEC attractions. The attraction mix can vary greatly, including upscale bowling and numerous arcade games paired with high-end food and drink offerings.

Most facilities have a high concentration of arcade games and can feature over 50 such games. These typically differ from home-console PlayStation or Xbox games in that they are more interactive and can offer prizes. Game simulators such as driving and shooting games have remained popular for years, and “redemption” games that offer prizes also have been a mainstay of the arcade sector. Other attractions such as laser tag offer patrons a unique experience unlike they can get with home-console games and provide group activities that enhance group events or birthday parties.

Bowling, which has been a popular family tradition for decades, has gained new momentum in recent years with better food and beverage offerings plus high-tech audiovisuals. The newer bowling venues typically do not host “league bowling,” as these sites may have only 12 to 24 lanes. They instead cater to families and others that enjoy bowling but are seeking a better atmosphere and food offerings than are offered by many traditional bowling centers.

A recent example of these sites is UltraStar Cinemas’ state-of-the-art entertainment center at Ak Chin Circle in Maricopa, Arizona. UltraStar, which has operated dozens of traditional theatres over the past several decades, opened this venue in late 2012. It features 12 theatre screens with stadium seating and premium balcony seating, 24 bowling lanes, numerous arcade games and laser tag. Its full-service restaurants include the 347 Grill, the Luxe Lounge and the Cones Café.

Another exhibitor that has moved into this sector is eMagine, the owner of seven cinemas with 74 screens in Michigan. In 2011, eMagine built the Star Lanes restaurant and sports bar in downtown Royal Oak, Michigan. This venue is over 70,000 square feet and features ten theatre screens with luxury, reserved seating, 16 bowling lanes, billiards and shuffleboard. Food offerings include various appetizers, sandwiches, salads, “bistro” burgers and pizza. The bar offers a full array of wine, beer and cocktails.

The most recent example of an exhibitor branching out into hybrid entertainment centers is Frank Entertainment’s FEC destination in Syracuse, New York. Frank, which operates over 20 movie theatres, opened this 55,000-sq.-ft. venue in October 2013. It is located in the huge DestiNY Mall and features 24 bowling lanes, an arcade game area, a full-service restaurant, an area for live entertainment and dancing, a sports bar with the latest in audiovisuals, and an event room with luxury lounge seating.

This trend isn’t just a one-way street. FEC owners have also seen the benefits of offering movie screens at their locations. Traditional FEC operators such as the national Dave & Buster’s brand and others have often built sites in the same vicinity as movie theatres. More recently, operators such as Latitude Global, with venues that feature bowling, arcade games, live entertainment and dining, have added small cinema auditoriums for showing feature films and hosting corporate events.

To summarize, it’s no secret that exhibitors are reliant on the quality and timing of studio film product. While during the last two years there have been plenty of blockbusters resulting in record box-office results, there are consistently soft box-office months in the spring and fall when the studios traditionally release the weaker and less commercial films. To fill in these gaps, exhibitors would be wise to continue seeking avenues to diversify and increase their revenue base and to smooth out their annual revenue stream volatility.

These current trends may just be the tip of the iceberg for exhibitors, as significant potential exists for them to develop even more new and innovative concepts. 3D and alternative content should continue to provide additional revenue, and in-theatre dining will likely become an offering for even more circuits that take the time to understand the benefits of that model.

The fusion of movie theatres and family entertainment centers could very well become a growing trend, as owners of both concepts already understand the metrics of the leisure sector as they relate to their respective businesses. Once these operators take the time to gain a better understanding of the synergies of both sectors, then more companies will likely seek to combine these two proven entertainment offerings to continue providing a valued experience for their valued and loyal customers.

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