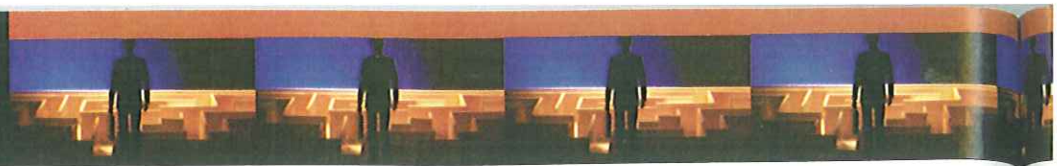


Entertainment Combinations: Are they the next big thing?

Jerry Merola

This month, our resident family entertainment expert predicts new trends for out-of-home entertainment.

It seems that at least once per decade, someone out there shuffles the deck and launches a truly unique entertainment offering that ultimately changes the way consumers spend their leisure time. In the 80s, our industry launched the soft contained play center, which was a big hit with families, particularly those with young children. By the time the 90s rolled around, we had moved on to the full format family entertainment center (FEC), complete with multiple entertainment offerings and attractive price points.

As we turned the corner into the 20th century, the upscale bowling concept began to take hold, and soon every major city had some variation of boutique or new-age bowling. By the middle of the decade, the indoor waterpark concept was at full boil, with more than 10 major complexes being created each year, with development budgets climbing as high as $100 million per property.

The collapse of our economy put a damper on progress in the last year and a half, but early indicators suggest that the entertainment creators of the world are rising from the ditch. In fact, there are several new models that are beginning to appear throughout the industry, with virtually all merging two or more diverse experiences together to form one unique offering.

"Consumers need to socialize to feel alive."

My favorite of the bunch is the digital cinema/boutique bowling model, which is getting substantial traction from many of the regional cinema operators across the country. The sheer brilliance of the concept cannot be overstated. Think about it. Cinemas have long been known to attract substantial crowds, often in the hundreds of thousands per year. In fact, a 20-screen megaplex can easily push one million or more visitors through the doors in any given year. But we also know that for longer than I can recall, the only real offerings beyond the movie itself has been a bucket of popcorn and a super-sized soda. Clearly, there's an opportunity here, and one that I predict will be the game changer of the new decade.

THE DYNAMIC DUO... OR IS THAT TRIO?

Here's what we know about consumers today: Everyone owns a 50-

inch television and a Nintendo Wii console. Everyone is connected, whether by cord or by sound wave. In fact, everyone, regardless of social class, is awash in technology.

Yet something continues to be missing from all of this, notably the interaction created through socialization. Consumers need to socialize to feel alive. Dining out was proving to be the element of choice, with nearly 65-percent of all meals consumed out of the home in any given year. As we all know, people tend to dine together. This quickly transformed into "dinner and a movie" as the consumer sought a combination of social interaction and high impact entertainment.

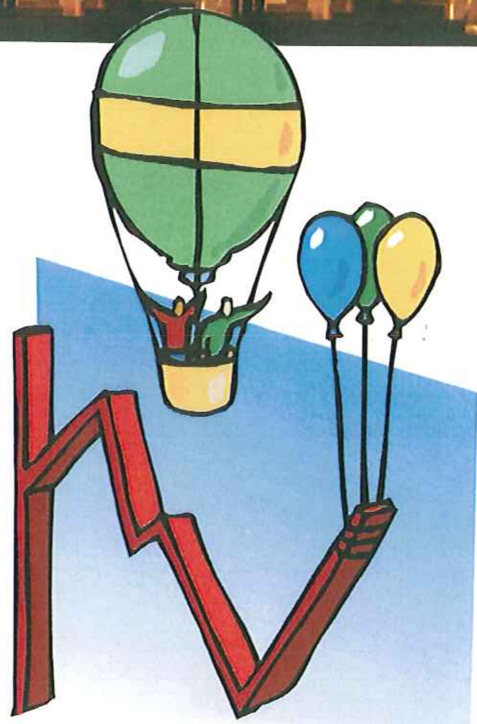
Clearly the box office numbers support this phenomenon, with the cinema industry posting its best year ever in 2009, defying anything you've heard about the consumer not willing to spend money on entertainment. In fact, during the worst recession in 80 years, consumers decided to attend MORE movie events than any boom year before it.

If we agree that today's consumer is smitten with out-of-home meals and the viewing their favorite actors and actresses on the big screen, wouldn't the new formula simply be dinner-and-a-movie under one roof?

Well, not exactly. It turns out that dinner-and-a-movie is just the appetizer. As film costs have escalated, many of the run times on major box office hits have declined, resulting in a cinema experience that might only last 90 to 110 minutes. For many consumers, they're just not ready to go home. Enter the third dimension, which, coincidentally, may prove to be the most cost-effective of the bunch, and may generate the highest rate of return within the complex itself.

PAIRING WINNERS TOGETHER

Enter the digital cinema/bowling combination: two diverse experiences that expand on the consumer's goal of not only being entertained, but also participating in the entertainment at hand. Everyone knows how to bowl. In fact, 100 million consumers participated in a bowling event last year. In turn, everyone knows how to sit back and enjoy a good movie. Nearly one and a half BILLION consumers told us so last year.



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Merging these two pastimes together makes for a powerful combination that has the potential to capture a disproportionate share of entertainment-seeking consumers, when compared to their individual counterparts. Sprinkle in a first-class, fast casual dining experience and the consumer has little reason to venture elsewhere.

If the rollout of the cinema-bowling combination takes root, one might ask, "What will happen to the traditional family entertainment center?" Will it go the route of the soft contained play venues of the 80s? Perhaps, but there is one ingredient missing in the new formula, most notably, operating expertise.

While cinema operators can be considered true experts in the field of first-run movies, their capabilities in the high-service entertainment segment is largely unknown. In much the same way that restaurateurs have linked with entertainment developers, I believe a number of joint venture opportunities will emerge that will permit existing entertainment operators to participate in the development of new cinema hybrid complexes. The recipe is sound, and it's become public knowledge that the cinema industry is seeking a high margin complement to its lower margin crowd pleaser.

As for me, I'm warm to the idea of parking the car once, enjoying a great meal, and varying my intake of entertainment during the course of the evening. Throw in some free Wi-Fi and I might never leave. ▲

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