Taking The Lead

The Core Bowling Model

Schumacker & Company | The Core Bowling Model | Volume 2 | Issue 2

Bowling, as a commercial activity, has been popular for over fifty years. The league driven traditional (Gen2) bowling center has been the predominant business structure throughout this period. In recent years, a number of new business models have been developed, which utilize bowling in non-traditional means.[1] In some cases, bowling has actually become a complementary business activity rather than the core. SpareZ, although utilizing an innovative business model, remains a Core Bowling Concept, one where the most important product is the sale of a bowling experience.

The Core Bowling Model is based on the belief that the most important activity in the business is creating the experience of bowling. All other business activity is either ancillary or complementary to bowling. The Core Bowling Model, showing standard revenue contributions is provided in Figure 1.

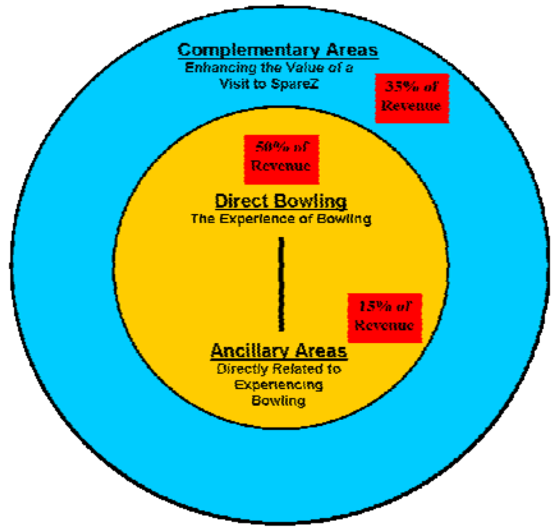

Figure 1 - The Core Bowling Model

Direct Bowling Revenue (DBR) is generated through the purchase of a bowling experience. Traditionally, DBR was divided into two primary segments; League and Open Play. SpareZ recognizes that a contemporary core bowling business cannot be simply defined as having the two traditional bowling segments. Core bowling businesses all employ a spectrum of bowling products. The four component categories of the bowling product spectrum are:

Entertainment – A visit to the center is driven by a desire to participate in an event or program designed to be an exciting, fun, and non-competitive experience.

Casual – A visit to the center is for the purpose of non-competitive bowling without any consideration of programs or events.

Recreationally Competitive – Routine visits to the center are for scheduled competition against others, where the social and recreational value of the experience outweighs the actual competition.

Purely Competitive – Routine visits to the center are for the purpose of competing against others in the sport of bowling. The primary intent is to win.

The typical current bowling business, using a traditional mix of business, would have a bowling product spectrum as depicted in Figure 2.

Historical Perspective

The peak of bowling activity in the US occurred in the 1970's. At that time, the Competitive Bowling segments contributed approximately 75% of all games bowled. Today, nationwide, approximately 55% of all games bowled are for Entertainment/Casual purposes.

The SpareZ model envisions an ideal mix of business of 65% Entertainment/Casual to 35% Competitive products. Maintaining this mix in the long term demands that SpareZ provides true value to Entertainment/Casual customers and Competitive Bowlers alike.

[1]Reference Bowler Journal International, November 2005

Non-traditional core bowling businesses, such as Main Event and the Strike Holdings businesses, recognize the value of bowling as a core activity, but elect to not provide the full spectrum of bowling products. The new bowling model is to re-invent the Gen1 strategy of positioning bowling as a complement to a food and beverage core business. Examples of this model are Lucky Strikes and Incredible Pizza. As both strategies employ only the Entertainment and Casual segments, they can be referred to as being Entertainment Exclusive businesses. Figure 3 depicts the Bowling Product Spectrum for Entertainment Exclusive businesses.

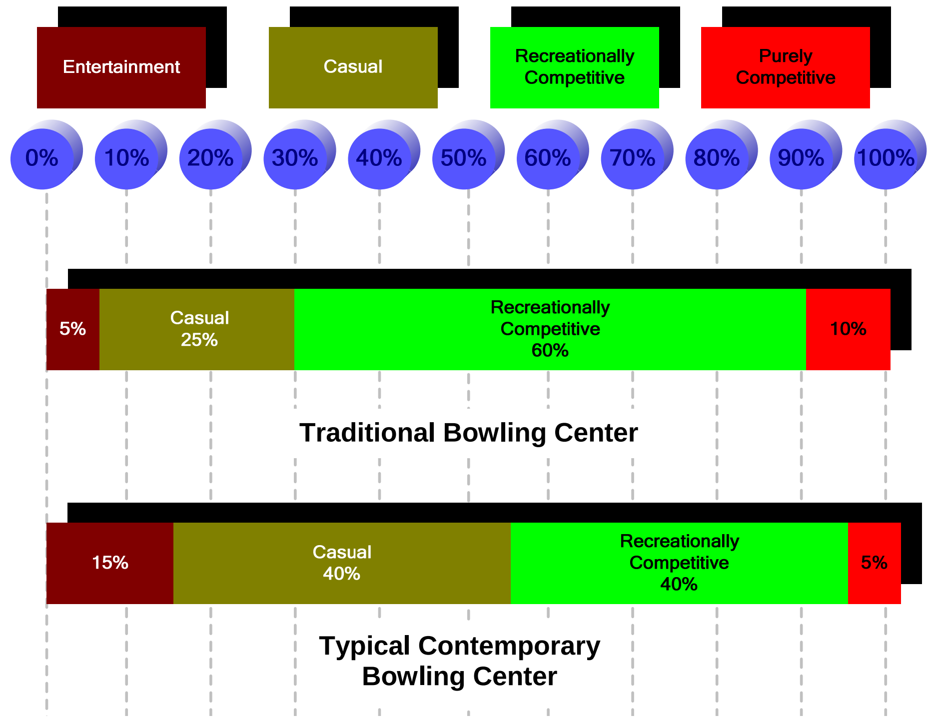

Figure 2 – Typical Current Bowling Business

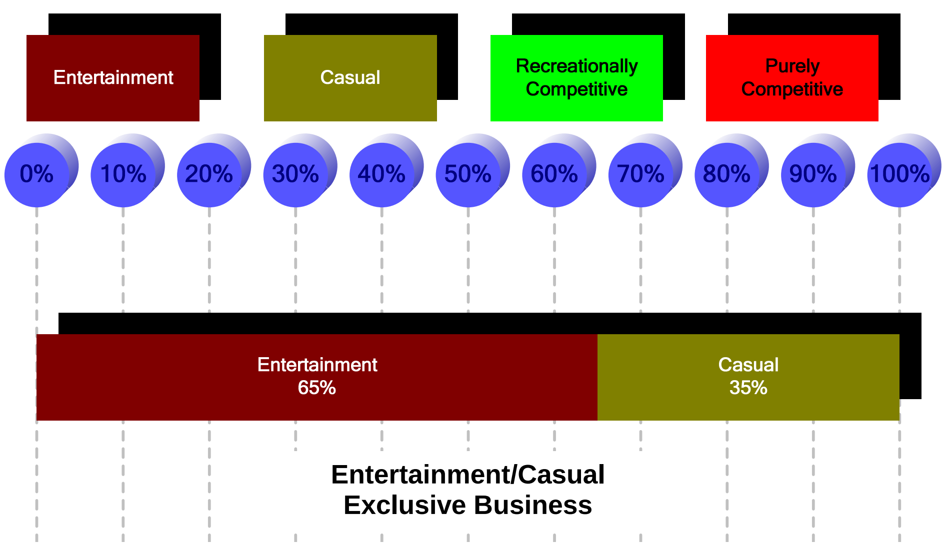

Figure 3 - Entertainment Exclusive Bowling Business

The tendency for Entertainment/Casual (EC) businesses if for the business to be unbalanced in terms of day part coverage, seasonality and generally exhibit more volatility. Both Main Event and Strike Holdings have compensated for these potential weaknesses with exceptionally strong selling programs. The marketing and sales strategies of these companies are a complete departure from normal efforts made in traditional bowling businesses. Exceptional sales and marketing programs, along with contemporary facilities and service, allow Entertainment Exclusive businesses to generate the high volume needed to support the operation of the business and to provide an adequate and consistent return on investment.

The SpareZ and Splitz Models vary from both the typical current bowling business model and the Entertainment Dominant Model (Figure 4). The difference between the SpareZ/Splitz Models and the Entertainment Dominant Model is rather straightforward; SpareZ and Splitz utilize the full spectrum of bowling products rather than offering only Entertainment and Casual bowling. Compared to the typical current model, SpareZ/Splitz depends more on Entertainment and less on Recreationally Competitive bowling.

SpareZ and Splitz differ from each other in the magnitude of the Recreationally Competitive product segment. Splitz is a new development concept, which does not recruit traditional leagues. In contrast, SpareZ embraces retaining, obtaining, and developing traditional leagues, in addition to developing new league products.

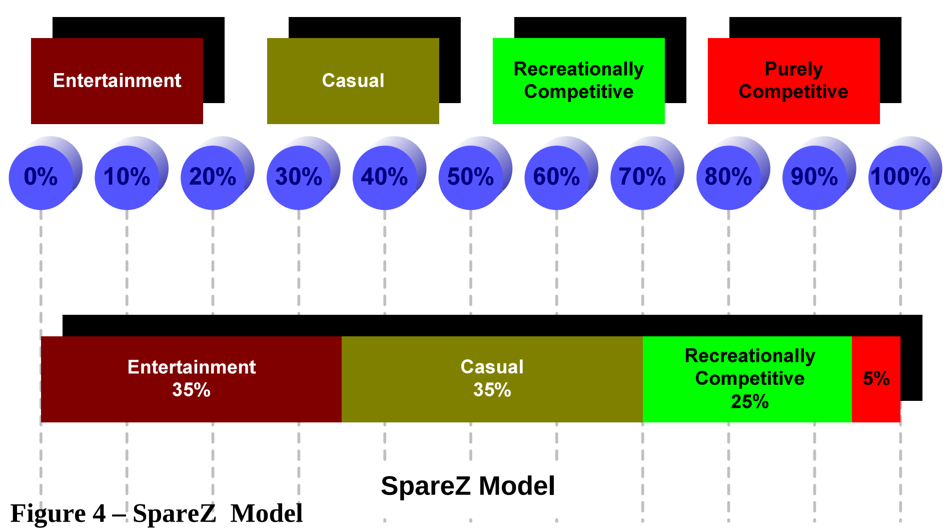

Figure 4 – SpareZ Model

A Historical Perspective

Bowling as a commercial activity exploded on the American scene after World War II. In 1948, there were 5,747 bowling-based businesses in the United States. The number of bowling businesses peaked in 1963 with a total of 11,476 bowling businesses. The count as of 2007 was 5,492. The US population in 1948 was approximately 120M. In 2007 the US population was slightly over 300M. Fewer centers and more population equals greater opportunity. The challenge is how to provide a contemporary recreational experience to a more diverse customer base.

In developing the SpareZ Model, S&C is making a commitment to be an expert in all facets of bowling. Achieving an entertainment volume of 40% requires a selling system equal to that of successful Entertainment Exclusive businesses. Driving a minimum of 65% of the volume with the typically infrequent visits associated with Entertainment and Casual business requires consistently high quality experience creation. Maintaining a significant base of Competitive Bowling requires constant attention to both the wants and the needs of this highly frequent customer group.

SpareZ businesses are experts in the business of bowling. Selling and creating a diverse spectrum of bowling experiences is fundamental to the business model. In addition to having an expertise in bowling, a SpareZ business must be fully capable of optimizing revenue generation from Ancillary and Complementary sources.

Ancillary revenue sources are those directly related to creating a bowling experience. The primary traditional components of Ancillary Revenue are shoe rental, locker rental and bowling retail. Traditionally, approximately 15% of total revenue is generated through Ancillary opportunities.

Shoe rental traditionally generates the greatest amount of Ancillary revenue. The amount of shoe rental revenue has further grown with the increase in Entertainment/Casual bowling, and price increases include the pass through of the cost of providing complimentary socks. Testing is underway of a new concept in pricing casual bowling: the customer is charged a per-person per-hour rate with shoe rental included. The intent of the test is to address a value perception issue noted in customer comments and supported by recent industry customer research.

Significant change is also occurring in the traditional area of bowling retail (the Pro Shop). The typical bowling operator leases the Pro Shop operation, preferring to receive nominal rent over the cost/benefit of operating an on-premise bowling Pro Shop. The Skill Center concept shifts the context of operating a Pro Shop from the intention to generate revenue from retail sales to the creating of a service function to support the conversion of EC Customers to Competitive Bowlers. The operation of the Skill Center improves DBR by increasing the number of Competitive Bowlers while expanding the revenue generating capability of the traditional Pro Shop[2].

The final major category of bowling revenue is Complementary. Complementary revenue sources are those that enhance the value of a visit to a SpareZ/Splitz business, such as food & beverage, billiards and arcades. Properly executed, a SpareZ/Splitz business will generate industry leading levels of volume and revenue while providing an acceptable profit margin in this category.

The importance of food sales has grown greatly over the past ten years. The sale of food has become an integral part of the bowling experience.

The sale of alcoholic beverages remains an important Complementary component of the bowling business. The key to a successful beverage program is to serve drinks responsibly in a relaxing and comfortable environment. As with the sale of food, the convenience of ordering and the quality of delivery are rewarded with higher sales performance.

[2] Refer to SpareZ – Skill Center Concept for a complete explanation of the Skill Center Concept

The Complementary revenue category also includes arcade, billiards, and space rentals. The arcade has matured. The quality and general availability of video games has had a negative impact on coin operated amusements. The arcade today is a smaller revenue segment for most bowling businesses. Opportunities remain if the investment of space and funds in redemption games and simulators can be made.

Billiards remains a steady income provider. As with coin-op amusements, billiards provide a separate way of enjoying a visit to the bowling center as well as being an excellent means of keeping customers in the center while they wait for a lane.

Total revenue for a bowling business has three primary components: Direct Bowling Revenue (50%), Ancillary (15%), and Complementary (35%). The focus of the SpareZ model is to first drive high levels of Direct Bowling Revenue followed by effective Ancillary and Complementary revenue generation. Efficient operation of the business will then lead to long-term success for the business.

Joe Schumacher

On why tending to the core is of utmost importance:

"It's divergence that triumphs, not convergence. Instead of a flying car, today we have many types of airplanes and many types of automobiles."
Al Ries, "The Origin of Brands"

Schumacker & Company · 4380 Oakes Road, Suite 802 · Davie, Florida 33314 · 954-846-8400
Joe Schumacker, CEO/President