Do big box centers have feet of clay?

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In my last article I posed the question, "Why are many family entertainment center (FEC) attractions so mediocre?" In the article, I discussed over a dozen reasons why mediocre attractions exist. What's scary is that any one of the reasons can cause an attraction to be mediocre.

Over the last few months, I have visited several large entertainment centers. As I walked through these centers, I became more than a little bit disheartened by what I saw. There was definitely something amiss, but I couldn't figure out what it was.

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It seemed like the more a center tried to do the more mediocre the overall experience. While one or two revenue generators were good or maybe even great, the other pieces were either mediocre or conflicted with other parts of the center. It was difficult to identify the core reason for the center's existence or the target market.

The one key thought that kept popping up was the following: *As the number of moving parts increase (i.e. more attractions, more eating areas, more bars, more services, etc.), the ability to effectively market, manage, and operate the center decreases.* This realization is how the title of this article came about.

There is no proof that big and more = better and more profitable: Indoor entertainment centers have been around for 25+ years, but not one big box chain with multiple attractions and revenue generators has been able to scale to 100 or more profitable locations. Maybe it just isn't possible or maybe bigger is only better up to a certain size and/or a certain number of core revenue generators.

In addition, what if a significant part of the problem is that big centers have a hard time competing with the smaller entertainment venues that are focused on being very good at one or two core revenue generators that are also present in the larger entertainment centers?

There are multiple restaurant chains that have 100 or more locations that are profitable. There are multiple retail stores that have 100 or more locations that are profitable and there are also multiple sports bar chains that have 100 or more locations that are profitable.

Why hasn't even one big box operator with multiple attractions been able to open 100 or more profitable centers? Maybe focus is the key element required to scale a business.

While there are a decent number of big box single unit centers and small big box chains that can be pointed to as being profitable, does the complexity of a big center destroy it's ability to roll out dozens of stores that are solidly profitable?

Ability to replicate a model validates resiliency: The only large and profitable entertainment concept to open over 65 locations is Dave & Buster's. What's interesting about the D&B's business model is that it focuses squarely on two primary revenue generators, which are a large restaurant with a bar and a giant arcade.

Most of D&B's newer locations are between 26,500 and 40,000 square feet, whereas many of the older stores are over 50,000 square feet.

Has D&B's focus on two core revenue generators as well as scaling down the size of their newer stores been two of the key reasons why they have been able to expand to over 65 locations?

If an entertainment center is managing five or more revenue generators under one roof, does that make the business so complex that only a really great management team can make it work for one or even a few locations?

If more is better, why hasn't a single big box chain been able to roll out 100 or more profitable locations? I'm kind of surprised that the fragility of these large centers hasn't been recognized sooner.

Too many complicated parts within a system will create fragility: It needs to be understood that a system built with complicated parts reduces resilience to outside events.

Operating a business comprised of complicated parts significantly increases the likelihood of a catastrophic event due to unforeseen and often undetectable outside events. If a business becomes too complicated, it's time to re-evaluate the core focus of the business.

Large centers are fragile: Our company worked on several designs for our own big box entertainment center for about two years. We spent an enormous amount of time laying out different types of centers with varying attractions and revenue generators. The centers varied in size from 45,000 to over 65,000 square feet.

The cost and complexity of putting together a large center caused us to re-evaluate the ultimate long-term viability of a big box entertainment center.

The one entertainment center that I was told was a huge success by several different sources in the first year or so that it opened is probably the perfect poster child for why big is not better.

This large center demonstrated how each additional revenue generator compounds the complexity of marketing, managing, and operating the center. Complexity ultimately dooms a large center to mediocrity and makes it fragile to outside forces.

To make a large center work, management has to dumb down the operation of each revenue generator, which ultimately opens the door to competitors that are more focused on being the best at two or three core revenue generators.

Thinking a big center is more resilient than a small center is dangerous: The problem with operating a large multi-venue facility is that the operator doesn't believe a smaller center with one or two attractions is a significant competitor.

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In reality, a smaller more focused operator can inflict significant damage to a large center's profitability especially if their main attraction is bigger and/or better and provides a superior overall experience.

A more focused competitor realizes that its core revenue generators have to be the best and must always function at 100 percent or they can be put out of business. Knowing they are venerable often makes them stronger, because they know they have to be the best at what they do. Most importantly, they take proactive steps to make sure they are the best.

The owner or manager of a big center tends to think their smaller competitors aren't a significant threat, which is a big mistake.

Look at it this way: If the smaller center is attracting 30 birthdays and 10 groups per week, then those are groups and parties the big center won't get. If there are multiple competitors focusing on their unique niche in the same market area, the damage continues to multiply and eat away at the larger center's customer base.

Decisions based on ego instead of profitability and resiliency are dangerous: If we didn't have strong egos, we wouldn't have started our own businesses. Recognizing that our egos are sitting next to us at the decision making table is very important. Our ego often pushes us to do more and bigger when more and bigger may actually make our entertainment center less resilient to outside competition.

Trying to impress our friends or the people in our industry is not smart; it's dangerous. The goal is to build the best most profitable businesses that can stand the test of time as opposed to getting destroyed by more focused competitors.

The most important question to ask is: *Which core revenue generators can we successfully develop to be the best of the best in our market area for the long-term?*

If we can't be the best of the best, we have to realize our limitations. Otherwise, we leave the door wide open for those who can.

Picking resiliency over size: After thinking about and debating the pros and cons of big versus resilient, we decided to revisit a space that we previously looked at. The space available was now less than half the size we originally wanted to acquire. The smaller space forced us to focus on what we could create and operate that would be the best of the best.

The design process quickly morphed into a center that would be unique and capable of dominating its niche. More importantly, we could open right across the street from a big box entertainment center and it could still generate strong profits.

Most importantly, the big box centers would never be able to effectively compete against our strengths, because they can't (or won't) devote the same amount of resources that we will continuously invest to maintain our core competitive advantages.

Part of what got me thinking about the fragility of these large centers was a book that was written by Malcolm Gladwell called "David and Goliath."

As Gladwell points out in his book, Goliath should have been the one who was afraid, because David was the one who picked the winning strategy. David chose to exploit Goliath's weaknesses by focusing on his unique strengths. Goliath probably knew he was going to be destroyed right before he died. He had unfortunately put himself in a position where he could do nothing to stop his defeat.

While I wasn't thrilled with all the time we spent designing our own version of a big box entertainment center, I do feel like we dodged a bullet. Maybe we never would have understood the problem if we didn't spend so much time trying to design a large center from the ground up.

I still believe that the adult market is the best target market, but building a large, complicated, multi-revenue entertainment center is too risky. Ultimately, it will be eaten alive by more focused alternatives.

The hard part about identifying a concept that is too complicated to roll out is that you may not even know it is too complicated until you get to 20 or even 30 locations. Only after a business model has exceeded its structural integrity will cracks in its feet of clay grow large enough for all to see.

The reverse is also true for entertainment centers that don't have enough core revenue generators. If you create an entertainment center that is too one dimensional or too easy to copy (i.e. too low of an entry point as far as cost goes or you don't develop strong enough revenue generators), then rolling out a simple entertainment center concept will also be fragile.

It is important to note that each revenue source must be designed and operated to maximize the revenue and profits generated from each one.

By designing and building the best core revenue generators, the profit potential of each revenue source will be much greater. Higher revenues enable the operator to devote more resources and hire better managers and staff members to maintain and maximize each revenue source.

If an attraction is but one revenue source among many in a big center, the resources allocated to promote, operate, and maintain the attraction will be just another line item on a spreadsheet that too easily gets cut. Lack of focus accelerates the downward spiral to mediocrity for each revenue generator as well as the overall center.

As always, we need to fully comprehend what we are capable of accomplishing. Then, we must focus all of our resources on those things where we can be the best in the world. If we do this, we will be successful. ▲