

# Secret of FEC Success: Know Your Market

*It's the weekend, and throughout your market area families are planning their recreation. Will they decide to visit your family entertainment center?*

by Randy White

In today's tough economy, "if we build it, they will come" isn't always true. Not only do FECs have to compete with other entertainment options, but their biggest competitors well may be the comfy chair, rental movie, or

pizza delivery man.

Getting people to come out of the cocoon and into your FEC—to pick your place over all other options, spend money while they are there, and then come back again—means you have to know who your customers are and

what they want.

Market and consumer research are the essential first steps to selecting a location and developing the right concept for your FEC, and the foundation for your successful strategic development plan. Without sufficient research and analysis, this is where the irreversible mistakes often are made—mistakes that can bury your business. The research, if done well, will help you tailor every

aspect of the business and facility design to suit your customer—from location, layout,

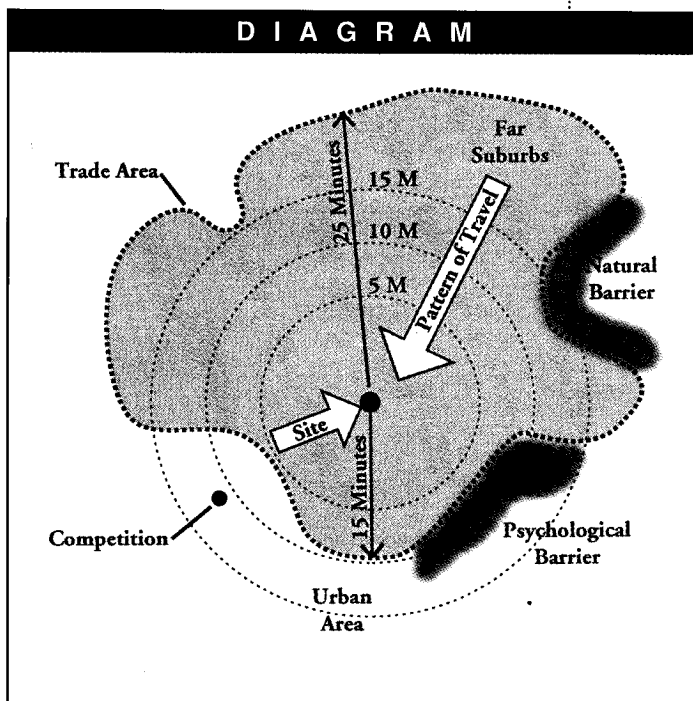
size, and mix, to decor and theme, furnishings, financial marketing, and operations.

Whether customers are happy depends on their entire recreation experience. Their expectations and perceptions are shaped by many factors, from the physical setting—ambiance, layout, noise, decor—to the mix of recreation, quality of products and services, and price. We know that different socioeconomic groups respond differently to that array of factors. In fact, what attracts one group might repel another. But if you learn how to match the important factors of product, service, and facility design to your market, you will have a winner.

## DEFINING YOUR TRADE AREA

Between knowing the area where you'd like to build your FEC and pinpointing the exact location lie some of the most important decisions you'll ever make. The first step is defining the trade area—the geographic area around your FEC where about 85 percent of your

### DIAGRAM



*FEC trade areas are not a simple matter of distance. A variety of factors influence the shape of your trade area, including drive time, competition, patterns of travel, natural or psychological barriers, and the socioeconomic and life-style composition of the people who live in the area.*



potential customers live, stay, or work.

The traditional method of defining a trade area is to draw a circle around where you think you'd like to build. While this method is nice and neat, it ignores how customers actually behave. In addition, circle-shaped trade areas usually overestimate the true trade area's potential for any given location.

In the real world, trade areas are influenced by where the competition is located, accessibility by car or public transportation, patterns of travel, and major physical or artificial barriers. There are also site-specific factors that relate to location—such as access, visibility from highways, and traffic—which affect the size and shape of the trade area. But perhaps most importantly, circles don't work, because within any circle is a variety of socioeconomic groups with unique patterns of behavior. Knowing how these groups behave—that blue-collar folks will visit white-collar neighborhoods for recreation, but not vice versa, for example—is vital.

A true outline of your trade area looks like an amoeba, with an irregular border that reflects real-world factors like drive time, barriers, and the diverse population. It is not as neat as a circle, but it realistically reflects customer behavior.

Drive time, for example, is a better indicator than actual distance. Generally, the longer customers expect to stay, the longer they are willing to drive to get there. To the customer, acceptable drive time varies depending on such factors as

competition, patterns of travel, market barriers, and location. Customer attitudes are also a factor. A customer from a rural area will drive longer to visit an FEC in the suburbs than one who resides near the city or

Another factor that affects attendance is market penetration: the percentage of potential customers within a trade area likely to visit the

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*Different customer life-style groups respond differently to recreation types, design, decor, pricing, and value.*

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other FECs. Acceptable drive times vary from city to city as well.

center. Usually, the trade area is divided into primary and secondary areas, with different



penetration rates assigned to each. As you might expect, the rate of penetration typically decreases with distance from the center.

The variance of trade areas underscores the importance of location. Because so many factors affect trade area, a small

needs, and behavior of a 31-year-old man earning \$40,000 per year vary depending on whether he lives in a town outside of Aspen, Colo., a suburb of Kansas City, or a high-rise in Chicago. Demographics will not reveal these differences.

“Geolife-style” clustering

the primary and 39 percent of the total trade area population were white-collar families with children. The company found two other groups as well—singles and childless couples, and suburban empty-nesters.

Most of the singles and childless couples belonged to the “young influentials” cluster, metropolitan sophisticates with high-tech, white-collar jobs and double incomes that translate into high spending. Young influentials comprised about 30 percent of the primary market. The second group—the empty-nesters—was an unexpected source of customers. This group consists of older couples whose children have left home. As individuals, they aren’t typical FEC customers. But as grandparents, if properly targeted, they will be visiting FECs often.

Once the company knew its customers, it changed its design. Instead of reaching only families, it decided to add something for the young influentials. As a result, this group was pulled in with a mid-priced bistro restaurant overlooking an adult-oriented game room with shuffleboard, electronic darts, upscale billiards, and other grown-up games. The company also added a cross-generational midway with redemption games that attract families and adults, and presented the traditional fast food offerings in a diner format. Art Deco decor was chosen because it conveys playfulness to kids and quality, sophistication, and nostalgia to adults.

Without geolife-style cluster analysis, the company would have lost the chance to appeal to a wide segment of the

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## *To know who the customer is requires an accurate definition of the trade area.*

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variance in location can have a dramatic impact on the size and composition of a market.

### **KNOW YOUR CUSTOMER**


Once you know your trade area, learn about your customers. Again, the traditional method doesn’t do the job. Traditional demographic data will tell you the measurable characteristics of the population in your trade area, including age, income, and family size. However, if you stop there, you miss a method that matches the real world.

Demographic data put your customers into a large clump and give you an average. This mean composite profile disguises the true make-up and behavior of the population, because it portrays the population as a mass market, without giving a picture of the range of groups in the market.

The population in a trade area is not homogeneous. It consists of people with different life-styles, who have different eating, drinking, working, shopping, and leisure time preferences. For example, the values,

draws an accurate, detailed picture of your customers and their tastes, habits, and preferences. Combine this powerful tool with consumer surveys that show purchasing patterns and recreation participation rates, and you’re ready to tailor your FEC’s products, services, and design to your trade area. Geolife-style clusters break the population into about 40 groups. Geolife-style cluster analysis tells you whom to target and, perhaps as important, whom not to target.

Here’s how life-style clusters work in practice. White Hutchinson, a market and feasibility analysis company in Kansas City, Mo., is managing the site selection, design, and development of a ten-acre, 75,000-sq-ft FEC in a white-collar suburb of a major midwestern city. Traditional demographics reinforced the company’s perception that the trade area was comprised predominantly of white-collar families with children. But geo-life-style cluster analysis revealed a different picture. It showed that only 55 percent of



market—and the attendance and profits that come with it.

But what if you're expanding or renovating an existing FEC? Geolife-style cluster analysis is every bit as vital for your success.

The first step: a survey of current customers. That tells your current trade area, market penetration, and who you are and are not drawing. Using cluster analysis as the basis in conjunction with surveys and focus groups, you can find out what you need to do to increase frequency, length of stay, and spending per visit among your current customers.

What about the folks you are not reaching? Cluster analysis can reveal hidden markets, like the young influentials found amid the white-collar families with children. The right expansion or renovation design can open up a profitable new world of increased market penetration and trade area size.

The FEC that is designed for the customer will win—it is that simple. A market-driven design will work to shape a new facility from the ground up—or, in an existing FEC, to attract more customers and make them happy. With the market research methodologies and data available, it makes sense to use the best tools you can from the beginning, when an informed decision can prevent a million-dollar mistake. ●

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