



## EXECUTIVE INSIGHTS

# Picking Winning Models: Investing in Site-Based Entertainment for Long-Term Growth

As discussed in part 1 of this series,<sup>1</sup> market trends support the continued growth of site-based entertainment (SBE) as consumer discretionary spend has shifted from material goods to experiences — a long-standing dynamic that accelerated during the COVID-19 recovery and has generally remained resilient even during recessionary periods.

In this edition of L.E.K. Consulting's *Executive Insights*, we provide a framework for developing an investment strategy for SBE focused on identifying concepts that are both durable and scalable.

## Activity-led socializing: A resilient and evolving sector

Choosing experiences over material goods is not just a passing fad. According to a recent Eventbrite study,<sup>2</sup> 69% of consumers would choose to spend money on a desirable experience or event over buying a material good — a preference rooted in enthusiasm for meaningful and memorable moments. And the diverse and expanding range of SBE offerings have broad appeal, providing a sense of novelty and shareability, which is essential in today's social media-driven world.

The growth in demand has made SBE remarkably resilient; unlike other sectors, it has maintained robust performance even in recessionary periods. During the 2008 financial crisis, for instance, the SBE industry experienced only a slight dip in revenue, quickly rebounding as the economy recovered. The current economic climate, characterized by cost-of-living pressures, has not dampened enthusiasm for many SBE categories, making it an attractive area for investment.

This sector includes a wide range of concepts and business models — some newer (such as racing simulator concepts) and some variants on existing concepts (such as contemporary mini-golf venues that create a barlike atmosphere and cater exclusively to adults). Several of these concepts are relatively new to the market and have not yet reached a critical mass of locations. With prevailing operators looking to expand nationally (and often internationally), demand is strong for external investment to support those rollout plans.

### Durability and scalability: Evaluating investment opportunities

We are often asked to help operators and investors identify and validate concepts that have both long-term appeal (i.e., are durable) and potential for profitable expansion (i.e., are scalable). To that end, we have developed a series of metrics that provide a framework for assessing these qualities.

**Durability** is the extent to which a concept has enduring popularity (see Figures 1 and 2): Is it a short-term fad, or does it have lasting appeal?

**Figure 1**  
Durability framework

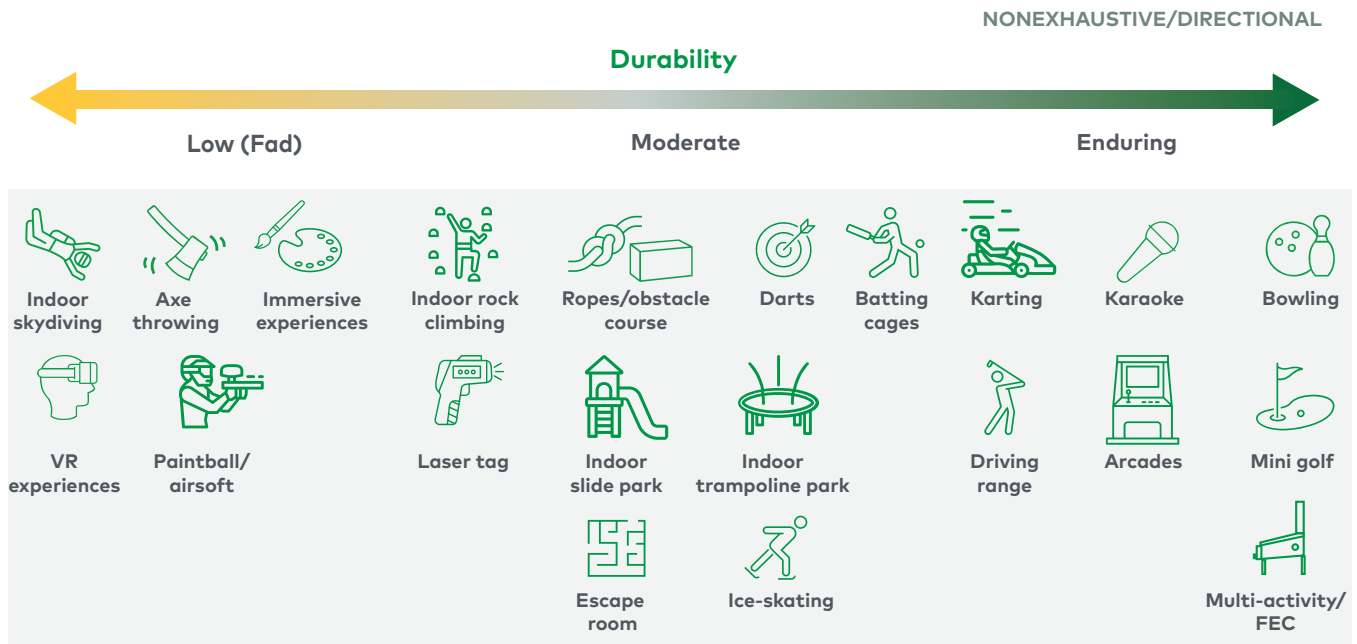
Metric	Likely to be a fad	Likely to be enduring
<b>1 Breadth of appeal</b>	Appeals to a smaller subsegment of the population, limiting the potential pool of participants and increasing the likelihood that the activity will quickly mature and/or decline in interest, e.g., axe throwing	Appeals to a broad and diverse range of consumers, leading to large volumes of new potential consumers each year (i.e., the target population refreshes), e.g., mini-golf
<b>2 Repeatability</b>	Has limited variability between visits, reducing the level of excitement and novelty, and/or has high cost of entry, e.g., indoor skydiving	Has variable elements (e.g., a competitive dynamic, multiple variations, frequent innovation) and/or affordable cost of entry, e.g., trampoline parks
<b>3 Level of engagement/ community</b>	Has limited social interaction and/or engagement opportunity, e.g., virtual reality centers	Has significant social engagement through the activity itself and/or through add-on experiences (such as drinking/dining), e.g., driving range, bowling
<b>4 Hype factor</b>	Newer concepts that are targeted to being Instagrammable and/or are highly reliant on pop culture and social media hype may wane as new hypes emerge, e.g., immersive exhibits*	Activities that have existed for decades and are passed down through generations and/or have an enthusiastic following (such as leagues), e.g., bowling

\*While individual immersive exhibits can score poorly on hype factor, there are potentially attractive opportunities in the broader category (e.g., diversified operators of multiple traveling events)  
Source: L.E.K. research and analysis

Important factors include:

- **Breadth of appeal.** Gauges how widely the concept resonates with different demographics, which ensures broad and inclusive reach across various age groups, interests and backgrounds. For example, mini golf continues to attract people of all ages. In contrast, niche activities like axe throwing may have limited appeal and longevity.
- **Repeatability.** Evaluates variability and exhilaration during repeat visits, determining whether the activity remains engaging over multiple experiences and can sustain appeal over time. Trampoline parks, for instance, are relatively affordable and offer different challenges and activities, encouraging multiple visits. But activities like indoor skydiving may lack repeatability due to their high cost and limited variability.
- **Level of engagement/community.** Assesses social interaction and potential for related experiences, gauging how well the concept facilitates social connections and provides additional layers of enjoyment beyond the primary activity. Activity venues such as bowling not only offer the main activity but also include dining and socializing. In contrast, virtual reality (VR) centers deliver a more individual-based experience.
- **Hype factor.** Considers the reliance on social media and pop culture fads. Activities that have existed for decades and are cross-generational or have an enthusiastic following, such as bowling, are likely to always be popular. Conversely, activities that are heavily reliant on social media hype may struggle to maintain lasting appeal. While immersive exhibits may initially attract visitors, their reliance on the latest pop culture craze can make them susceptible to waning interest.

**Figure 2**  
Stand-alone activities by durability



Note: VR=virtual reality; FEC=family entertainment center  
Source: L.E.K. research and analysis

**Scalability** is the extent to which a concept can be expanded profitably across multiple locations (see Figures 3 and 4).

**Figure 3**  
Scalability framework

Metric	Description
1 <b>Small footprint</b>	Activities that require less physical space are easier to scale across more locations given real estate availability, especially near population centers
2 <b>Low operational complexity</b>	Concepts with less operational complexity/upfront investment required (e.g., no safety protocols, no customized floor designs) and a limited amount of specialized knowledge, training or expertise required among staff are easier to scale
3 <b>Mass appeal</b>	Activities that hold appeal across age groups and other demographic criteria (e.g., fitness level, skill level, income) are more scalable as they can be successful in a wider range of locations (including urban, suburban, rural)
4 <b>Structured visits</b>	Presence of leagues/endemic users that provide a baseline of visitation at off-peak times (e.g., weekly classes/events in addition to sporadic visits) can contribute to the scalability of a concept
5 <b>Food and beverage integration</b>	Activities that enable socialization through the inclusion of food and beverage elements while consumers engage in the activity itself can provide superior economics and lead to more-profitable locations

Source: L.E.K. research and analysis

Important factors include:

- **Small footprint.** Considers the physical space required for the activity, assessing whether the concept can be easily accommodated in various locations without demanding excessive real estate. For example, VR experiences can be set up in relatively small areas, making them suitable for urban environments where space is often at a premium. Adaptability allows operators to maximize their use of available square footage, thereby optimizing revenue potential.
- **Low operational complexity.** Reviews whether the operational requirements are straightforward enough to support smooth, efficient expansion to multiple sites or regions. Activities that require minimal equipment, simple setup procedures and basic staffing are more scalable because they are easier to replicate across multiple locations. Conversely, activities that demand extensive safety protocols or specialized staff training, like indoor rock climbing, may be challenging and costly to scale.

- Mass appeal.** Measures the concept’s attractiveness across demographics and potential to draw consumers in a wide range of locations. Bowling and karaoke, for instance, appeal to diverse age groups and skill levels, making them suitable for a variety of locations.
- Structured visits.** Evaluates whether regular events can create predictable traffic during off-peak times and encourage repeat visits and community building. Leagues and weekly classes/events provide a steady stream of visitors and create a sense of community and loyalty among participants. Predictable traffic allows operators to plan resources more efficiently and maintain consistent revenue.
- Food and beverage integration.** Analyzes how dining options can boost profits, enhance the overall experience and increase visitor satisfaction. Concepts like social darts, which combine the game with a barlike atmosphere, generate more revenue per visit, enrich the overall customer experience and can significantly boost profitability. Offering food and drinks not only increases the time customers spend on-site but also provides an additional revenue stream, making the business more resilient and profitable.

Figure 4

Stand-alone activities by scalability



Note: VR=virtual reality; FEC=family entertainment center  
Source: L.E.K. research and analysis

### How SBE concepts measure up

Investors and operators naturally will conduct thorough market research, analyze historical performance, evaluate current and future data projections, and review consumer behavior as they gauge the potential of different SBE concepts. Examining the competitive landscape for market gaps and innovation opportunities, and considering factors such as brand loyalty and relative market share, can also help differentiate successful ventures from those that struggle.

Our durability and scalability frameworks can help you identify SBE concepts that align with your long-term investment goals and offer sustainable growth. Figure 5 reflects our assessment of how a range of concepts measure up on the durability and scalability framework outlined above.

Figure 5

Stand-alone activities by durability and scalability



Note: VR=virtual reality; FEC=family entertainment center  
Source: L.E.K. research and analysis

Paintball and airsoft face limited growth potential due to their appeal to a narrow demographic and the necessity for large, specialized spaces — both factors that make them challenging to scale. Similarly, the economics of indoor skydiving, coupled with its limited repeat visitation, causes challenges on both scalability and durability when compared with other concepts.

Bowling, on the other hand, has potential for continued sustainable growth, thanks to its historically broad appeal and scalability; furthermore, modern bowling alleys often include dining and social areas, which enhances their profitability. Similarly, karaoke combines social interaction and entertainment, with a small footprint and low operational complexity, making it highly scalable.

### Examining the investment landscape

SBE market trends offer attractive investment opportunities while also posing risks associated with each concept, such as economic resilience, operational complexity and market saturation. By focusing on durability and scalability, investors can increase their chances of finding promising SBE concepts that are scalable, likely to endure and aligned with their investment objectives. Whether it's the timeless appeal of bowling or the social engagement of karaoke, SBE offers a multitude of opportunities for profitable investment. Future innovations in technology and customer experiences will broaden the appeal of these ventures to a diverse audience.

To learn more about how we support SBE investment strategies, please [contact us](#).

### Endnotes

<sup>1</sup>Lek.com, "Unlocking Growth Potential in Site-Based Entertainment." <https://www.lek.com/insights/tmt/global/ei/unlocking-growth-potential-site-based-entertainment>

<sup>2</sup>Eventbrite.com, "Eventbrite Trends Report." <https://www.eventbrite.com/blog/press/newsroom/2022-eventbrite-trends-report/>



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## About L.E.K. Consulting

We're L.E.K. Consulting, a global strategy consultancy working with business leaders to seize competitive advantage and amplify growth. Our insights are catalysts that reshape the trajectory of our clients' businesses, uncovering opportunities and empowering them to master their moments of truth. Since 1983, our worldwide practice — spanning the Americas, Asia-Pacific and Europe — has guided leaders across all industries, from global corporations to emerging entrepreneurial businesses and private equity investors. Looking for more? Visit [www.lek.com](http://www.lek.com)

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