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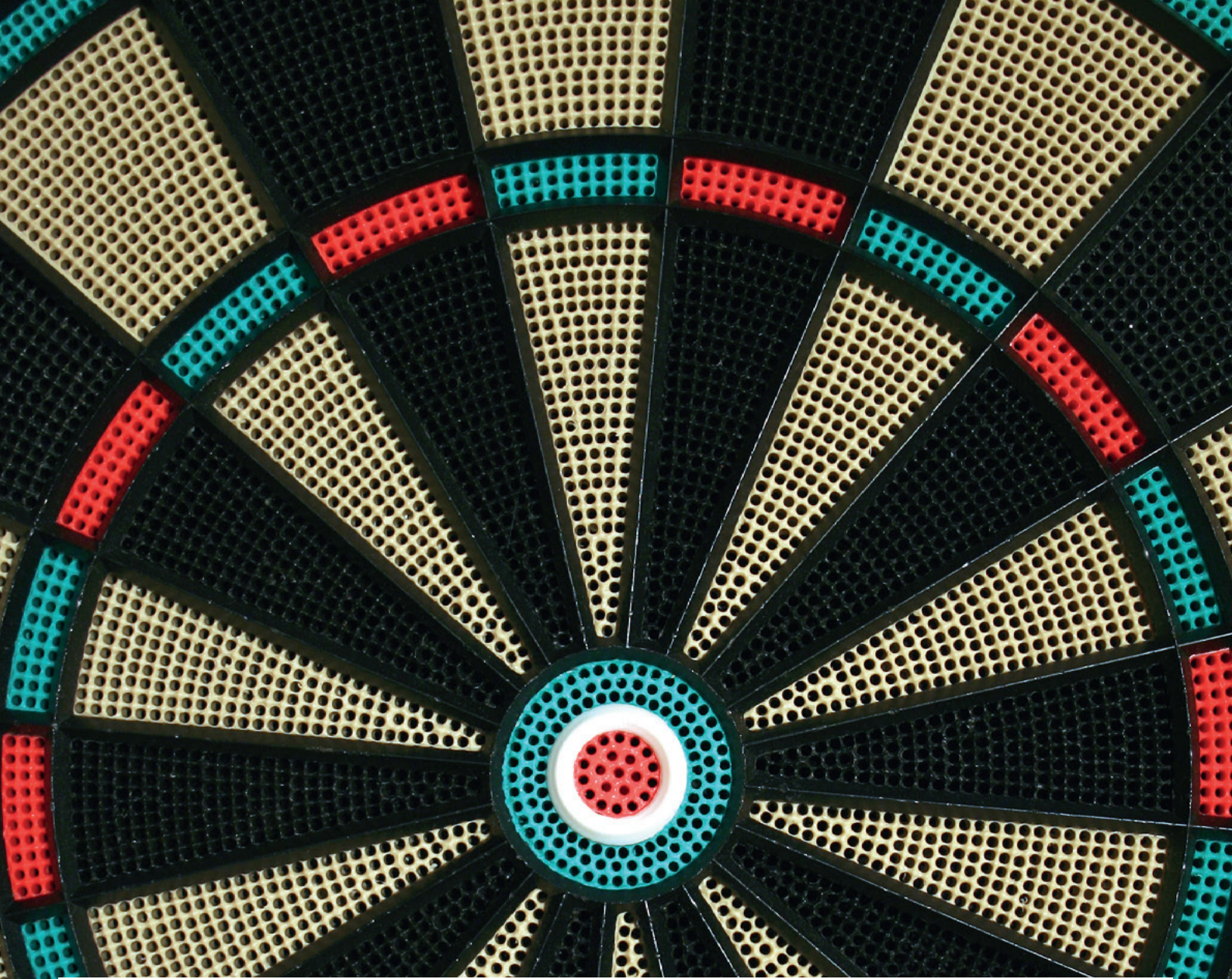


Established and Emerging Entertainment Concepts in a Retail Setting

This paper was produced by  **LDP** for MAPIC & LeisurUp

in association with  and  **Panelbase.com**
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In previous white papers we at LDP have more than once highlighted the plight of retail in the face of the online shopping revolution and Covid. The trend towards online retail was evident prior to Covid but the threat of disease and government restrictions meant this trend only accelerated. In last year's paper we took a high-level view on which attraction categories work in which geographical settings. In this white paper we ponder and focus our attention on which attractions work well in retail centres and in turn help arrest the decline in footfall. The aim of this paper is to address all of the key questions including what are the different concepts, how are they sized, how much do they cost to develop, who visits, how far will they travel, what do they spend and how long do they stay in the retail setting.


In the first section, we describe the existing and emerging concepts that fit well within a retail centre or destination setting, looking at key metrics and target markets. In the following section we investigate strategy: are you needing to 'retrofit' leisure and entertainment or are you planning a new centre where there is more of a clean slate: we provide case studies for both these reactive and proactive approaches. In the section after, we investigate the relative merits of including intellectual property (IP) or not including.


As per last year, we have again collaborated with a leading primary research company A Different View to design and execute a survey to gather data on people's past and anticipated consumer behaviour in relation to entertainment concepts. In this paper we summarise some of the key takeaways from that survey.







TYPES: EXISTING AND EMERGING CONCEPTS

LDP reviewed characteristics of a broad range of entertainment concepts in last year's whitepaper, discussing which concepts fit best in a city centre setting versus in a mall or retail destination centre. This year, we've focused in on those concepts in the latter category and have expanded the list to include additional trending concepts. While many of these concepts were

popular prior to the pandemic, our clients, developers and operators have a renewed interest in knowing more about the experiences, who the target markets are, which are likely to drive new footfall, how much space they need and other key characteristics. The accompanying descriptions, images and table summarise this information, which also served as the basis for the survey.

Type	Example	Description	
FEC	Main Event	Indoor attraction typically geared towards families with a range of games and activities, typically including bowling, video games and laser tag	
Indoor Theme Park	Nickelodeon Universe	Large indoor venue incorporating thrill and family rides, games, and F&B	
Competitive Socialising	Flight Club, Pinstripes	Entertainment centre focused on activities such as darts, ping pong and crazy golf with a quality, high-end F&B experience	
Digital Art /Artainment	Team Lab, Omega Mart	Immersive art + technology entertainment experience, usually incorporates music and lights in various rooms/ installations	
Pop-Up	Friend's Experience	Temporary entertainment experiences focused on a range of concepts from favorite tv shows, food, music and more	
Adventure/Action	The VOID, Autobahn Indoor Speedway	Separate or clustered activities such as high ropes course, climbing walks, skydiving	
Indoor Waterpark/Surf	DreamWorks	Indoor water play ranging from a full scale park to a specialty surfing experience	

Type	Example	Description	
Indoor Ski/Snow	Ski Dubai	Indoor snow elements ranging from a cluster of simple play structures (igloos) to multiple ski slope runs, tubing trails and lifts	
Garden/Eco	Green Planet	Indoor garden or eco-walkthrough experience, sometimes with birds or other animals	

Type	Annual Footfall	Target Market	Avg. Stay	Space Requirement	Revenue per Person	Level of Investment	Synergy with Retail
FEC	75,000+		2.5	1,000-3,000 sqm	\$	\$\$	Feed off mall footfall
Indoor Theme Park	350,000+		4.0	3,000-30,000 sqm +	\$\$\$	\$\$\$	Drives footfall
Competitive Socialising	25,000+		2.0	500-2,500+ sqm	\$\$	\$	Drives footfall, evening
Digital Art / Artainment	75,000+		1.0	1,000-6,000 sqm	\$	\$\$	Drives footfall
Pop-Up	15,000+		1.0	150-750 sqm	\$	\$	Drives footfall
Adventure/ Action	100,000+		0.5	500-8,000 sqm	\$\$	\$\$	Feed off mall footfall
Indoor Waterpark/ Surf	150,000+		3.5	1,500-30,000 sqm	\$\$\$	\$\$\$	Drives footfall
Indoor Ski/ Snow	150,000+		3.0	500-3,000 sqm	\$\$\$	\$\$	Drives footfall
Garden/Eco	25,000+		1.0	500-1,500 sqm	\$	\$	Feed off mall footfall

Legend

Target Market	 Families	 Couples	 Friend Groups
Revenue per Person	€ = <25	€€ = 25 to 50	€€€ = 50+
Level of Investment	€ = <10 million	€€ = 10 to 25 million	€€€ = 25+ million

CATCHING UP OR GETTING AHEAD?

Various challenges facing retail owners and developers across the globe spurred the “retailtainment” trend in traditional shopping centres. Anchor tenants and national brands were vacating large spaces due to downsizing of the portfolio during economic downturn and the ramp up of online shopping, which created less footfall in retail centres. The first wave of this trend tended to be reactive in nature, a response to these challenges. Developers figured out that adding entertainment tenants complimented and refreshed the existing offering, extended guest stays, attracted new guests and brought previous shoppers back into the fold.

The second trend of entertainment tenants in retail started a bit later – proactively thinking about new ways to incorporate entertainment into new retail destinations. These purpose-built developments are typically heavy on the entertainment side of things, with complementary food, beverage and more traditional retail offerings. Developers are rethinking traditional mixed-use or retail-dining-entertainment districts to be focused on the latter, as younger generations continue to look to the experiential activities as their chosen way to spend time and money. Below we review two case studies, one reactive and one proactive.



THE REACTIVE APPROACH – WESTFIELD, LONDON

At 150,000 square metres, Westfield London opened in 2008 as the largest shopping centre in the city. The original development was a traditional mall with a mix of anchor and secondary tenants, focused on retail. Of course, opening at the onset of the recession was a significant challenge, and the shopping centre struggled for the first few years of operation. Despite the downturn, Westfield London rebounded by 2010, due largely in part to strong tourist demand. Looking to build on the success, developers began to plan the next chapter for the centre, and expansion plans developed in 2012. With “retailtainment” an established trend, developers added KidZania, an indoor children’s entertainment tenant with significant presence in Asia, Latin America and EMEA to the Westfield London directory in 2015. KidZania, at 7,000 square metres, was part of the overall 100,000 square metre expansion, making the finished development the largest shopping centre in Europe. In addition to KidZania, other entertainment tenants now include a 20-screen Vue Cinema; All Star Lanes – a karaoke bowling destination; Puttshack – the high-tech, gaming version of miniature golf; City Boulderling – a climbing wall gym with an escape room; and Upside Down House – a selfie takers dream where everything is literally upside down, as well as a multitude of bars and restaurants. Westfield London is a prime example of a traditionally planned retail centre adding entertainment tenants, in some instances into large spaces previously leased by major retailers, to increase footfall and spending.



THE PROACTIVE APPROACH - AREA15, LAS VEGAS

Originally a Mercedes Benz dealership, the land that is now Area 15 was originally re-planned as a traditional mixed-use development (housing, office, retail) that failed to come to fruition after the great recession. Developers Fisher Bros. and Beneville Studios saw an opportunity to build something that could compete with the entertainment giants along the Las Vegas Strip, and they proactively focused in on experiential entertainment and science fiction. Inspiration behind the name for the development is trifold: it is a play on the highly conspired and famous Area 51 military base, the site is located along Interstate 15 and 1915 is the year Fisher Bros. was established as a business. The first major tenant announcement in 2018 was for the Omega Mart, an interactive art installation by Meow Wolf. Omega Mart is essentially an alternative reality game, where guests attempt to solve the plot using clues, both online and within the supermarket physical setting.

The second major tenant, Lost Spirits, is an interactive, immersive show set within a working distillery. The size of a football field, guests at the attraction wander around mazes, stages and lounges, interacting with cast members and becoming a part of the show. Other feature installations at the destination include rides, art displays, other immersive entertainment experiences and special events such as the iheart Radio music festival or "A Scara15 Halloween."

Planned since 2016, Area 15 didn't open its doors until September 2020, delayed due to the COVID-19 pandemic. In its first year, the entertainment destination boosted impressive numbers, reportedly hosting more than 2.0 million visitors, selling almost 1.7 million experience tickets and 128,000 ride tickets and creating more than 1,000 jobs. In a recent interview the developer indicated that they're looking forward to announcing new locations for the concept in the future.

DOES INTELLECTUAL PROPERTY ADD VALUE?

Much discussion over recent years has been around adding intellectual property (IP) to attractions.

Owners and operators are increasingly looking to add IP to their attractions or developers are creating individual attractions based on a single or multiple IPs. Particularly across the Middle East where malls continue to proliferate, there is something of an arms race underway as developers are jostling to bring in unique IP that will differentiate their attractions, ergo their malls.

IPs add value to attractions for the same reasons that a recognisable brand adds value to any goods or service. That is, for attraction guests, the IP acts as a promise, providing clear information about the nature of the attraction experience as shown below:



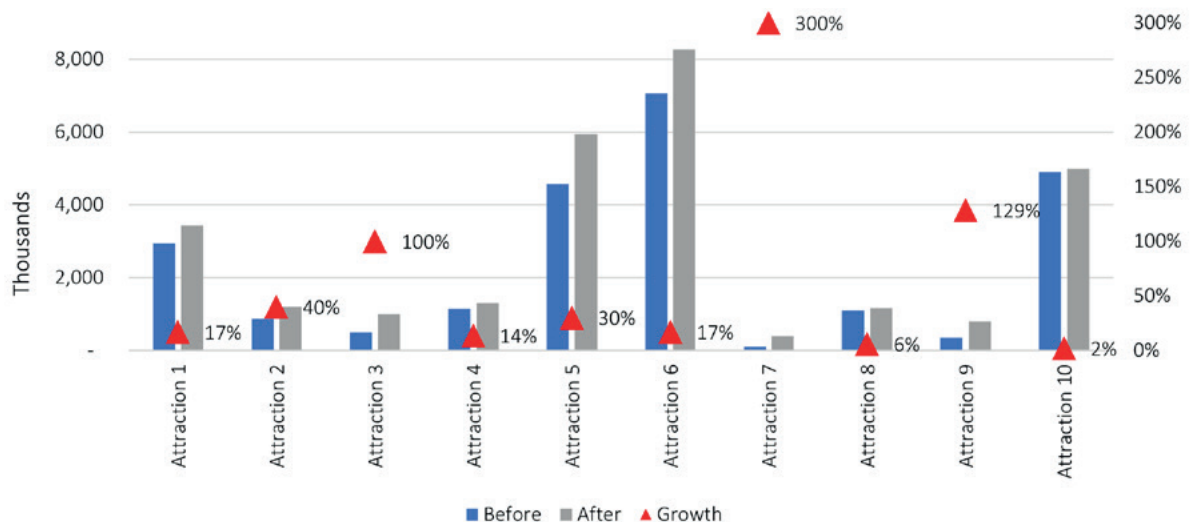
For attraction guests, the familiarity of an IP and its match with their characteristics and situation encourages them to visit the attraction. This gives such attractions an advantage over attractions that don't have IPs or that use less well-known IPs, or ones that don't match the potential guest's characteristics and situation.

Adding IP to an attraction not only differentiates the product and draws more attention to the attractions, but more tangible impacts include widening catchments, encouraging repeat visits, addressing new audiences and improving customer satisfaction.

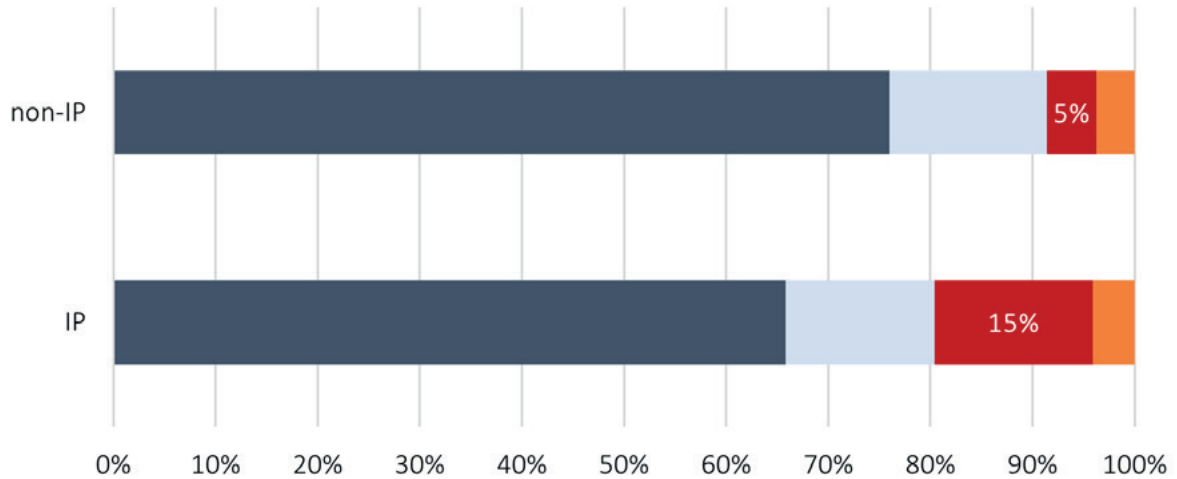
It can be challenging to measure the potential value of IP for use in an attraction because the impact will also depend on how the IP is translated into an attraction through the overall visitor experience, the specific components of the attraction, and the associated design, quality, level of investment, competition, how the IP is perceived in the host market and so forth.

That being said, at LDP we have sought to measure how impactful IP can be by analysing key performance indicators which are easily measurable at attractions such as attendance, spending and revenue mix. This is demonstrated well in the following two charts. This first shows that by adding IP at existing attractions, the attendance has tended to grow strongly after application. The second chart shows how the mix of revenue evolves after IP is included at FECs and indoor parks. With a well known IP associated with an attraction there will be an overall increase in revenues (normally IP will increase prices and admission spend by approximately 8-15 percent) but also the increase in spend on merchandise increases disproportionately such that the overall revenue mix is skewed. The overall outcome is higher guest spending levels.

Impact of IP on Attendance



Visitor Revenue Mix FECs & Indoor Parks



All the evidence suggests that IP can have a positive impact on an attraction (assuming the aforementioned caveats on how the IP is integrated into the attraction) but there are costs involved. Bringing in an IP will by and large make capital costs higher from the outset and also there will be ongoing licence fees which are normally applied at varying rates on admission, merchandise and other revenues, dependent on negotiations. In our experience, licence fees

are usually less than 10 percent of total revenues, and can vary dependant on the strength of the IP and the nature of the attraction. The increases in revenues from higher attendance and spend needs to be carefully measured against these expenses - engaging a market and feasibility consultant would be the logical first step in this regard. Another potential unwelcome impact of IP might be the involvement of external players in your business.

AND THE SURVEY SAYS...

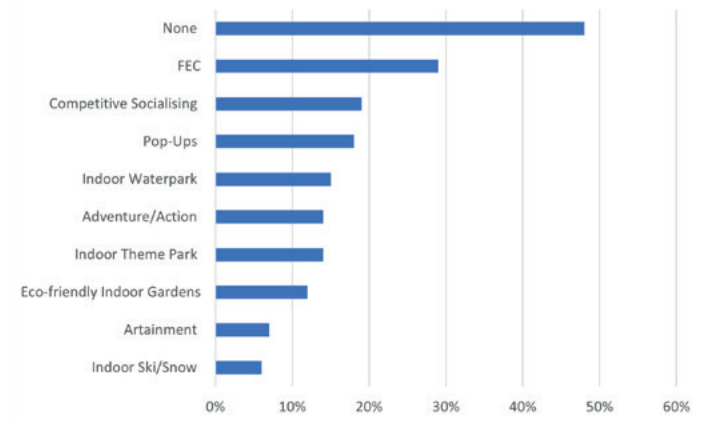
LDP worked with A Different View and Panelbase.com to design and execute a survey to gather data on people's past and forecast consumer behaviour in relation to entertainment concepts in city centres. The survey was limited to UK residents and their habits over the past three years and their anticipated future behaviour. Further data from the exhaustive survey will be available at a future date, but we share key takeaways below.

The survey reviewed the different entertainment concepts and asked which of those people have visited previously, at what time of day, for how long and what was typically spent on admission, food and beverage and the like. Similar questions were asked for future visits regarding what type of entertainment concepts they or their children would like to visit, willingness to drive further for well-known brands, characteristics of the visitor party, dwell time, spending and more.

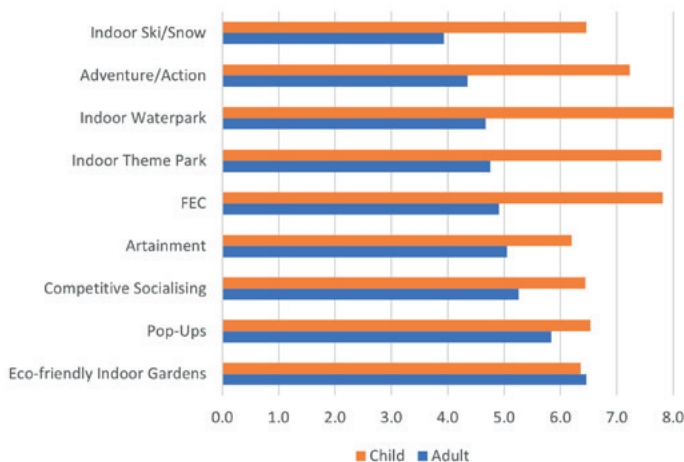
CONCEPT PREFERENCE AND PARTY TYPE

- FECs were the most visited of all the entertainment concepts, at 29 percent, followed by competitive socialising and pop-up experiences.
- Artainment and indoor ski/snow experiences were visited the least, at less than 10 percent each.
- Almost 50 percent of survey respondents indicated they had not visited any of the entertainment concepts over the past three years, which may be in part attributed to the pandemic, with closed venues and concerns for health and safety.

Visited Experiences, Last Three Years



Preference for Concept Type



- When visiting a city centre, 72 percent report visiting as just one or two adults. 41 percent are a family group and 18 percent visit as a friend group, young couple or with colleagues.
- In rating each entertainment concept on a scale of 1 to 10 (high preference), indoor gardens, pop-up experiences and competitive socialising scored highest. In answering for their children's preference, indoor water park, indoor theme park and FECs scored highest.

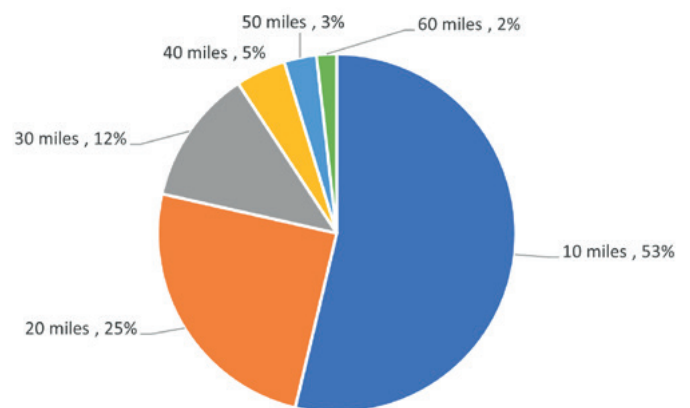
TRAVEL AND DWELL TIMES

- 53 percent of respondents indicated they live within walking distance of a city centre/shopping centre or typically drive just one to five miles to visit one; 40 percent are willing to drive between five and 20 miles and just 8.0 percent will drive more than 30 miles to do their shopping.
- When asked if they would be willing to drive further if their preferred entertainment concept was available at a shopping centre, respondents indicated as follows: 53.0 percent would drive an additional 10 miles to visit their preferred concept, 25.0 percent would drive up to 20 additional miles. Responses scale down considerably at 30 additional miles and no respondents were willing to drive more than 60 additional miles.
- Almost 60.0 percent indicated that if their preferred concept were offered at their local shopping centre they'd extend their total trip to a full or half day stay; almost 20 percent would extend their stay to an overnight or full weekend; 22.0 percent indicated that even with their preferred concept their total trip time would not change very much or at all.
- LDP examined the typical arrival patterns for each concept type; this data may be helpful in deciding on which type of tenant fits best in a specific space within a shopping centre, related to the activation of the surrounding area at different times of day and co-locating with tenants with similar target markets. For instance, placing an FEC or garden attraction, which have higher concentration of visits in the morning and early afternoon, near a Flight Club

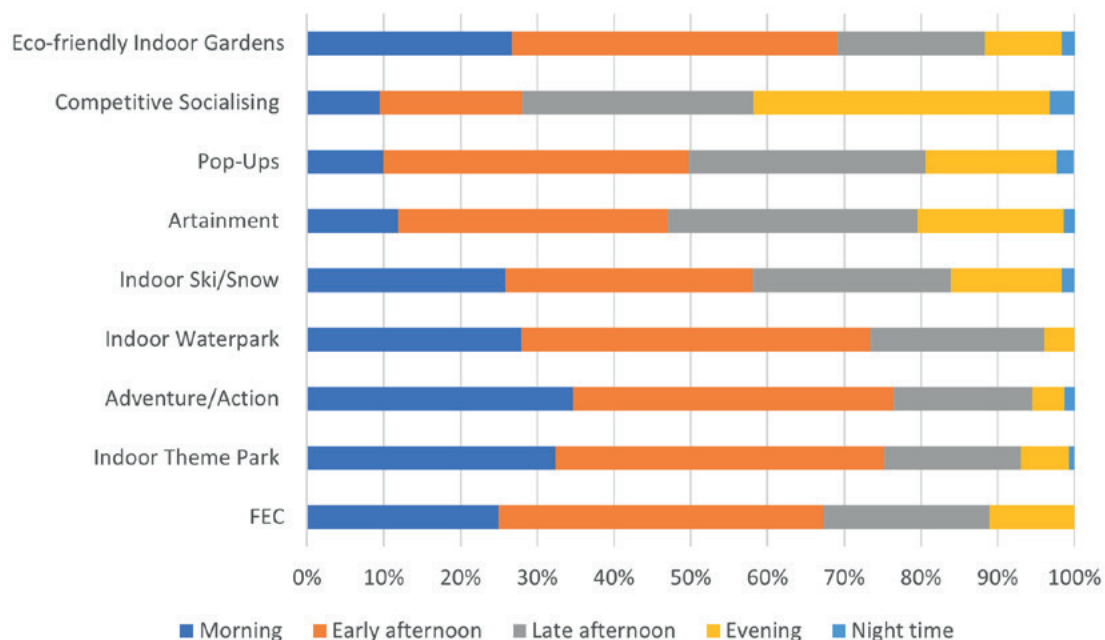
or Punchbowl Social, later visits by adult groups, may not optimise the potential for shared footfall among visitors, but could even out the footfall throughout the day.

- Generally speaking, arrival patterns vary by the type of concept and target market; those targeting families or kids (FEC, indoor theme or water park) tend to have higher percentages of people coming in the morning or early afternoon versus those geared to adults (competitive socialising), which see higher volumes arriving in late afternoon or evening.
- Indoor theme or water parks and adventure/action concepts have the longest dwell times, between 3.0 and 4.0 hours. These are closely followed by FECs, indoor ski/snow and competitive socialising concepts, where survey respondents said they spend about 3.0 hours.

Extended Drive Time to Visit Preferred Concept



Arrival Patterns



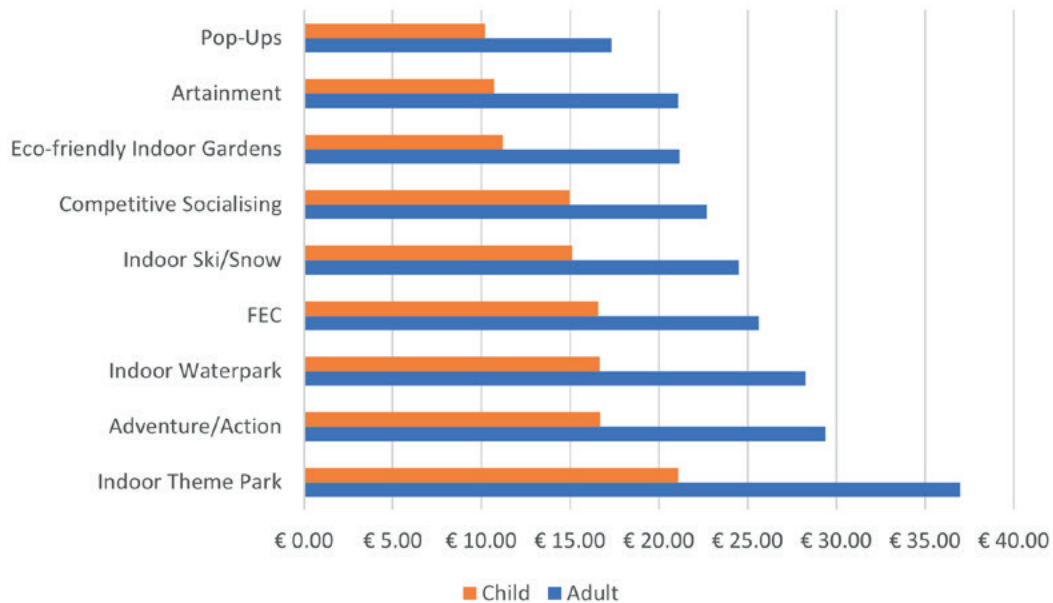
SPENDING

- Entertainment concepts with longer dwell times, which typically offer more types of experiences or rides, dictate higher levels of admission ticket spending, at or higher than €25.00 per person for an adult.
- Expected cost of child ticket is 51 to 66 percent of adult ticket cost, with people willing to spend a bit

more on the child's ticket (as a percent of adult ticket cost), for FECs, indoor ski/snow, and competitive socialising. Note that discounts will vary from market to market so local practices should be applied.

- Across all concepts, people typically spend an additional €40.00 to 60.00 per party on food and beverage, retail, and photos.

Expected Ticket Spend

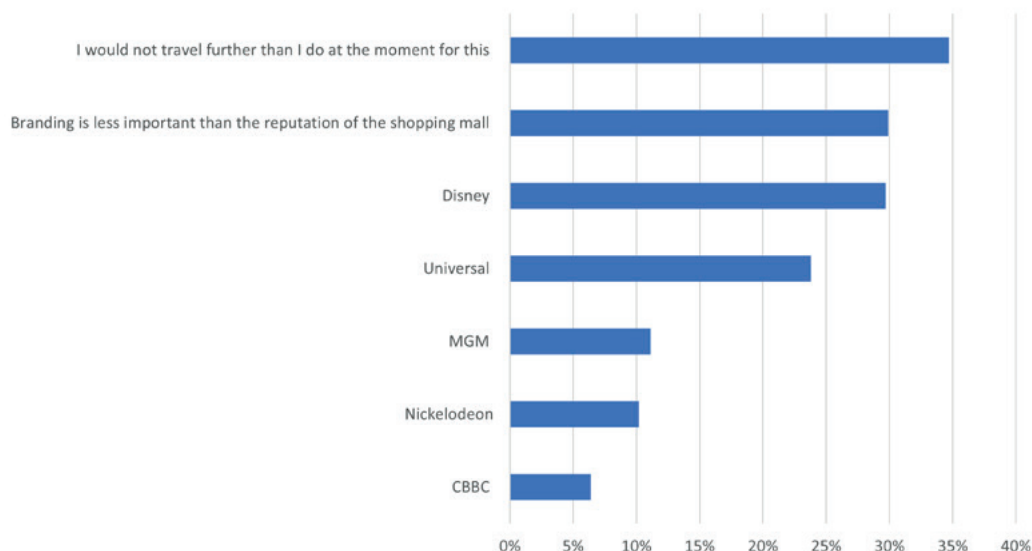


BRAND INFLUENCE?

- When asked if a brand or IP at the entertainment concept would influence them to travel further to the shopping centre, 30 to 35 percent of respondents indicated that they would not travel further and/or that the branding is less important than the overall reputation of the centre.

- With regard to specific brands, Disney and Universal ranked highest to influence travel times, followed by MGM, Nickelodeon and CBBC.

Brand Influence to Travel to Concept



WRAP UP

Based on the level of interest from industry clients and developers, the tried-and-true and new entertainment concepts will continue to evolve and grow, representing a larger percentage of tenant types in a retail centre or destination in the coming years. At LDP, we expect that the well established operators will rebound from challenges faced during the pandemic, and expand into new locations. New concepts should be tested for market and financial feasibility to find ideal markets and locations within existing and new retail destinations. Shopping centre operators will continue to seek out these entertainment concepts to fill vacancies, drive footfall and increase guest spending, especially as the online retail industry continues to evolve, more efficiently than ever.

Whether or not to attach a major brand or IP to an entertainment concept will continue to be an important question, for the owner of the brand, the developer, the operator and of course the feasibility consultant. The cost associated with the IP must be weighed against the potential revenue benefits, so understanding what the markets wants and what it will pay for is key. Overall, a good fit or match to the shopping centre is key, as the total offering is what will create strong benefits for all- consumer,

owner and operators. Understanding the current visitors to any existing shopping centre is vital in order to identify the areas of opportunity

As reflected in survey responses, we expect consumers to have a continued interest in visiting entertainment tenants in shopping centres, though the interests will vary by age and party type. Adults visiting alone or as a couple lean towards more of the cultural, eco-garden or art focused experiences, which tend to have shorter length of stays and are moderately priced. Based on experience, these concepts can be permanent or temporary, often able to fill a vacant space for a set period, which can be helpful, as longer term leases are negotiated. These sometimes temporary experience can be beneficial in drawing multiple visits to the overall centre from the same guest throughout the year. Not surprisingly the children lean towards the more active play experiences, some of which draw significant spending, and have longer length of stays. They also typically have higher capital costs and require larger spaces, though some can scale to smaller spaces, such as indoor surf and ropes courses. These concepts often have high repeatability, drawing demand from families for a period of years, multiple times a year, appealing to everyone.

KEY CONCLUSIONS

There is clearly an opportunity for existing and planned retail centres to add a variety of forms of entertainment to their development. As per the survey and other research LDP has completed, entertainment has the potential to extend catchment areas and extend the market reach as well as drive good spending from visitors. The added benefit is of course, that each visitor adds to footfall which will then spend in the more traditional retail tenants.

It is however, important to look at each location separately- there is no 'silver bullet' formula that can be applied to all locations. This is due to the change in market dynamics from site to site, levels of competition in the area, as well as the overall goals of the mall developer. For example, the goal to expand the market by appealing to different market segments might drive the entertainment strategy in a different direction than that to maintain an existing market by driving repeat visits throughout the year. Understanding the current visitors and areas of opportunity are key to success, as is a solid market analysis, entertainment strategy and feasibility testing.