Stepping Stones to Add Entertainment Tenants

Is there an Entertainment formula...?

This paper was produced by LDP for MAPIC & LeisurUp

in association with A different view and Panelbase.com

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Leisure Development Partners (LDP) have long toted the benefits of adding entertainment tenants to shopping centres, highlighting increased foot traffic, longer dwell times and increased spending. It might seem like an easy decision to make, but years of experience in this arena have taught us that there are several key factors to consider, with no fixed formula for success. Our goal is to assist our clients in figuring out the right approach to meet their overall goals.

This typically involves helping to answer one or more questions, such as "how do we boost footfall from outside of our retail catchment?", "how do we attract more night-time visitation to lengthen our opening hours?", "what percentage of overall tenants should be dedicated to leisure and entertainment these days?" This white paper aims to explore these questions, and more.

In addition to drawing upon recent projects and experiences in this realm, we have again collaborated with leading primary research company A Different View to design and execute a consumer behaviour survey. For the past few years, we've focused on consumer behaviours during and just after COVID, attempting to help shopping centre owners and operators navigate the changing tides. Recognising that we're well into the "new normal", this year we've asked consumers what their behaviours have been recently and what type of entertainment concepts would drive them to visit more frequently, stay longer and spend more.
The goal of this white paper is to provide some basic tools and insights that can assist mall owners and developers in the first steps of defining a strategy. This should not replace a qualified entertainment feasibility consultant developing a detailed business plan for the strategy.

WHAT ENTERTAINMENT SHOULD WE ADD?

At LDP we are frequently engaged by shopping centre operators who are looking to add attractions and entertainment to fill vacant spaces within their existing shopping centres, or to determine the optimal mix of entertainment at proposed new developments. Previous whitepapers have discussed the types of attractions which are current and have strong synergies with retail. This year we have sought to take this a step further, exploring a range of scenarios and environments in which different concepts could have the greatest impact.

There are a multitude of factors to consider when choosing the right mix of entertainment for an existing centre or new development. From LDP's perspective, **the first point of call is to carefully assess the local market context**. Understanding the scale and characteristics of the resident and tourist markets, and the level of competition in the market are critical first steps in any project. This initial research can help to uncover any gaps in the market, as well as eliminate attraction types that are not a good fit. A large, heavily invested indoor theme park, for instance, is unlikely to be a sensible direction if the market scale is limited or an adventure golf course may not be advisable if there is existing competition in the market.

In the accompanying box-out we show the key building blocks of the market and feasibility process.

Building Blocks of a Market & Feasibility Study

Available Markets	Competitive Environment	Benchmarking
• Scale of the resident and tourist markets • Resident market characteristics e.g. income levels, age profile, economic outlook • Tourist market characteristics e.g. visitor origin, length of stay, seasonlity, purpose of visit	• Level of competition for attractions in the local market • Uncover any gaps in the market • Price level of local attractions • Key Performance Indicators (KPIs) of local attractions	• Benchmarking of KPIs such as market penetration, per capita spend and operating performance of international comparables

Solving Key Questions

Understanding the client's core objectives is fundamental to the market and feasibility process. In this section we look to explore some of the key questions that are posed by developers or operators. There are a wide range of factors to consider when investigating the expansion or development of entertainment but here we address some of the most frequent.

"How do we boost footfall from outside of our retail catchment?"

One of the key goals for most shopping centre developers or operators is to sustain or increase footfall. In the face of a challenging economic climate and the accelerating shift towards online shopping, strategies to ameliorate these issues have become increasingly important. Attractions tend to drive more distant visits than a typical retail catchment, and so the addition of entertainment to a shopping centre helps to expand its reach and attract new visitors.

Not all attraction types are created equal, and different concepts have varying degrees of drawing power. Whilst the concepts with the strongest draw can have the greatest impact on footfall, there are limitations to what is economically feasible. A developer's access to capital, willingness to contribute to capital costs, the market opportunity and the space available are all limiting factors. In the table below, we categorise attractions into three groupings based on drawing power and show the relationship with capital expenditure and space requirements.

Category	Draw From	Examples	Capex & Space Requirements	
High-Draw	Up to 120-minutes	Indoor Theme Park Indoor Water Park Indoor Ski Slope	↑	↑
Medium-Draw	Up to 60-minutes	IP-Branded Indoor Park Digital Art Aquarium		
Low-Draw	Up to 30-minutes	FEC Competitive Socialising Indoor Adventure	Capex requirement	Space requirement

Note: general direction of capex & space - requirements can vary widely

Whilst the drawing power of an attraction can be indicative of its impact on footfall to a shopping centre, a more nuanced approach should be taken when determining the optimal mix of entertainment for a specific location. For existing properties, it is fundamental to understand the current performance of the shopping centre, where they might be underperforming and what they are looking to achieve. This will help to define where the opportunities lie. Below we set out common questions which often arise from this assessment of current performance.

- How do we increase visitation from underrepresented audiences such as young adults, families with teenagers, or families with younger children?
- How do we boost repeat visitation from existing visitors?
- How do we increase visitation during quieter weekday periods?
- How do we attract more night-time visitation to lengthen are opening hours?
- How do we differentiate our centre in a crowded market?
- Which attractions are best to positively impact adjacent tenants?
- We are located in a relatively small market, what entertainment can we add to maximise visitation and drive repeats?
- How do we improve the overall experience and create an appealing environment at our centre?
- How do we increase dwell-time and average spend?
- How do we increase visit frequency?

These questions can help to inform which attraction types may be best suited for a specific site. In many cases a cluster of different attraction types can help to address several of these queries. Below we focus on five of the more frequent queries.

Our shopping centre struggles to attract young adults, how do we increase visitation from this segment?

Explanation: Different attraction types attract different audiences. Some appeal to a wide age range, whilst others are more targeted. Adding an attraction that appeals to a certain age range or demographic can help to drive visits from underrepresented segments.

Example: Competitive socialising venues can be particularly appealing to young adults who are seeking a social form of entertainment coupled with a quality food and beverage offer. Venues such as Flight Club, Puttshack or Bounce can be suitable options to attract visitation from young adults.

Survey: According to the survey, approximately 42 percent of 18 to 35 year olds would like to have a competitive socialising venue in a town/city centre or shopping centre near them, and around 30 percent have visited one in the past two years.

We are located in a relatively small resident market, what entertainment can we add to maximise visitation and drive repeats?

Explanation: In smaller markets there are greater limitations to the types of attractions which are feasible. Large-scale investments into an indoor theme park or water park may not be justified. In this case, developing attractions which can drive repeat visitation from the same audience can be effective to maximise the visitation from a limited market size.

Example: Repeatable attractions, such as pay-as-you-go family entertainment centres, may draw from a relatively small drive-time, however, due to a low barrier to entry can bring guests back over and over again.

Survey: According to the survey, 54 percent of 18-25 year olds and 40 percent of 26-35 year olds visit a city centre or shopping centre more frequently if there are entertainment and socialising opportunities. FECs, which are popular among these age groups who have young families, or more adult-focused products, are well placed to leverage this and help drive repeats.

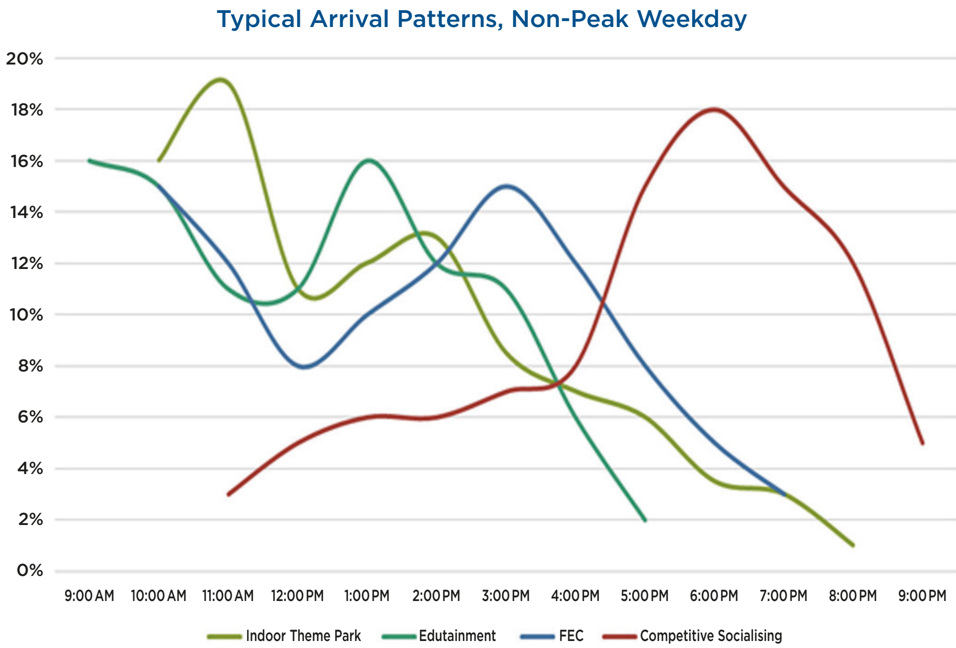
Our shopping centre struggles to attract visitation during the week, how do we drive visits on quieter weekdays?

Explanation: Visitation patterns at attractions vary and can differ to the typical retail weekend bias. Certain attraction types can help to drive visits during quieter periods such as weekdays and evenings.

Example: attractions which have educational elements (known as edutainment), such as KidZania and National Geographic Ultimate Explorer, can attract school visitation during weekdays and certain concepts can also appeal to a pre-school audience such as Peppa Pig World of Play & Cocomelon. Both of these segments can help to drive visits during quieter weekday periods.

The chart below depicts typical arrival patterns at selected entertainment attractions, for a normal weekday. While these behaviours are always dependent on the specific market and offering, there are common trends. Those that cater to younger children and families tend to open earlier in the day and see the first wave of arrivals during those earlier morning hours.

Depending on the attraction, there can be a second wave that arrives post lunch or post children's nap time. Attractions geared towards teens or adults, such as competitive socialising venues, tend to open later, around lunch time, and have slower arrivals, building in the later afternoon or post-work time. It is important to note that weekend hours are usually longer for all attractions, with slightly different arrivals patterns that are somewhat stretched out.



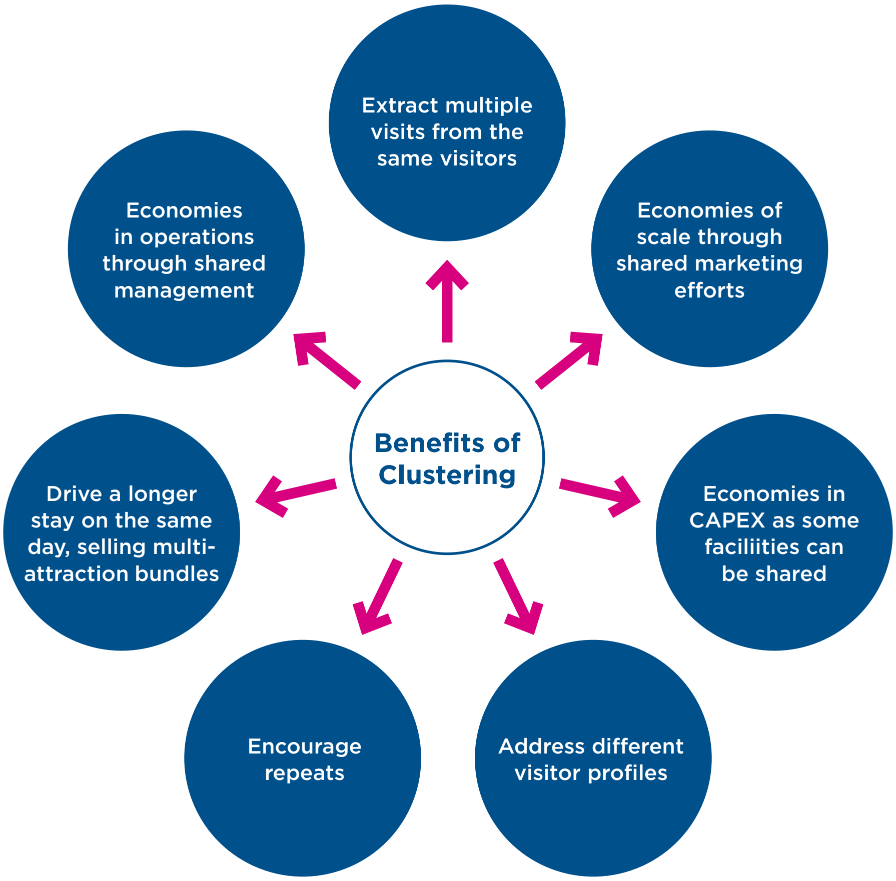
Which attractions are best to positively impact adjacent tenants?

Explanation: Whilst we would argue that many attraction types can have a positive impact on existing tenants, there are certain attractions which can specifically benefit adjacent tenants by creating an interesting backdrop or driving demand for specialised retail.

Example: This is as much about physical positioning as anything else. For instance, an indoor ski slope or adventure park can make an excellent backdrop for a restaurant or bar. This can be leveraged by F&B outlets to increase footfall, as is the case at Ski Dubai at the Mall of the Emirates. Specialist adventure sports retail can also benefit significantly from being located near relevant attractions.

Take a 'bigger picture' view on the strategy

Throughout this section we have suggested individual attraction types for specific situations, though an entertainment strategy should be assessed holistically. Developing a cluster of attractions which offer different benefits can often be a credible strategy to target multiple user groups, times of the day and so on. Clustering attractions can be a sound strategy as it can provide benefits as shown below.



There is no one size fits all approach and different attraction types have proven successful in different situations. Competitive socialising, for instance, is great for driving evening visits from young adults but needs to be viewed within the market context. It might not be a suitable concept in every location and will typically perform strongest when relatively close to a business district or in close proximity to dense urban populations. There are many other factors to consider such as market dynamics, operating models, financing, operator selection, physical planning and others.

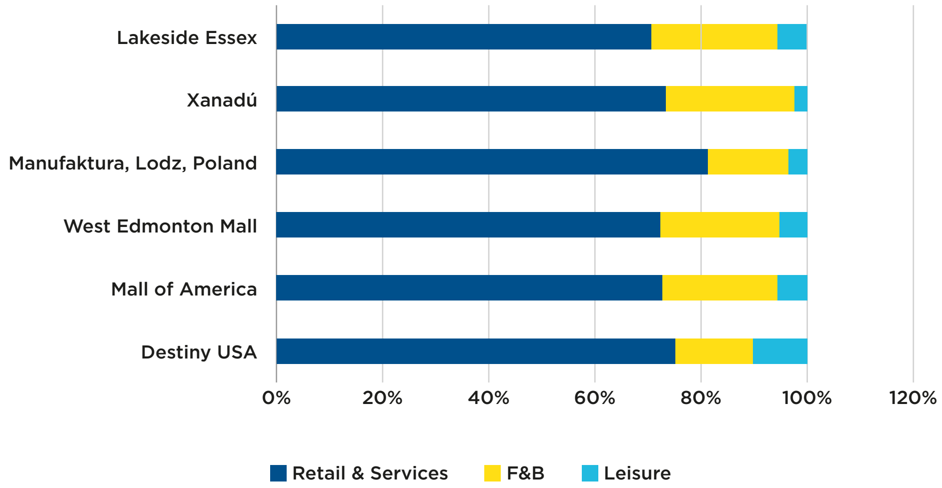
“How much of the overall tenant offering should be dedicated to leisure and entertainment?”

At a high level, there are lessons to be learned from centres with established entertainment anchors in determining the right number and mix of leisure tenants.
The table below summarises the shopping centre’s researched range in size from just over 100,000 square meters up to almost 500,000 square meters, and have reported annual footfall between 13 and 40 million. They offer a range of entertainment and leisure tenants, in addition to global/regional anchors and other pure retail tenants.

	Location	Est. Annual Footfall	Total Size (Sqm)	Major Entertainment Tenants
West Edmonton Mall	Alberta, Canada	31 million	492,000	Galaxyland (Hasbro) Amusement Park, World Waterpark, Starlight Casino
Manufaktura	Lodz, Poland	20 million	270,000	Cinema City, Grakula, Experymentarium I
Xanadu	Madrid, Spain	13 million	110,000	Snozone, Atlantis Aquarium
Destiny USA	New York, United States	26 million	220,000	Dave & Busters, Billy Beez, Get Air, WonderWorks
Mall of America	Minnesota, United States	40 million	520,000	Nickelodeon Universe, SEA LIFE Aquarium, Fly Over America, Crayola Experience
Lakeside Essex	Grays, United Kingdom	20 million	133,200	Puttshack, Hollywood Bowl, Boom Battle Bar, Nickelodeon Adventure

Our research found that pure retail (clothing, shoes, jewellery, furniture etc.) and services (salons, alterations, mobile phone stores) tenants totalled between 72 to 81 percent of the overall number of tenants at the selected shopping centres. Food and beverage tenants ranged between 14 and 24 percent of the overall tenant mix, or about 20 percent on average. The number of leisure and entertainment tenants averaged just over 5 percent, with a low of 2 percent and a high of 10 percent.

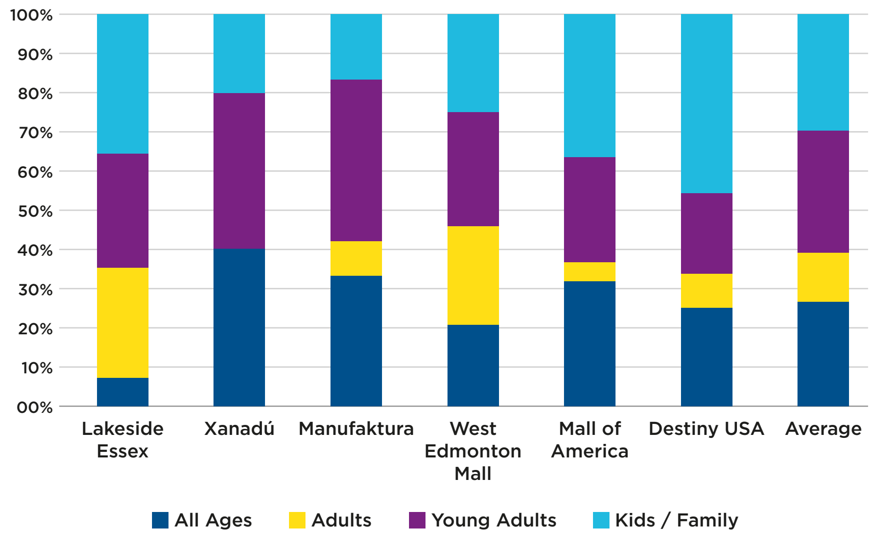
Selected Shopping Centres, Existing Tenant Mix



While there is strong alignment in those breakdowns, they don't address sizing, which is an important element to illustrate. Some shopping centres may only have five to ten entertainment tenants but a few of those may be located in larger anchor spaces, taking a higher percentage of overall space. Others may have more than 10 entertainment tenants, but where the majority are located in smaller spaces. The good news is that there is a wide range of entertainment operators and offerings that can fit into almost any vacant space.

We also looked at the breakdown of leisure tenants from a target group perspective. Below we show the breakdown by shopping centre, showing the wide range of results. This is indicative of shopping centres catering to their specific markets, though there is some general alignment. On an average basis, tenants targeting "all ages", "young adults", and "kids/family" all hovered around 30 percent of the overall entertainment tenant count, while tenants targeting just "adults" have a much lower average, at just 12 percent, but a range of zero to 29 percent.

Existing Entertainment Tenants, Target Group Mix

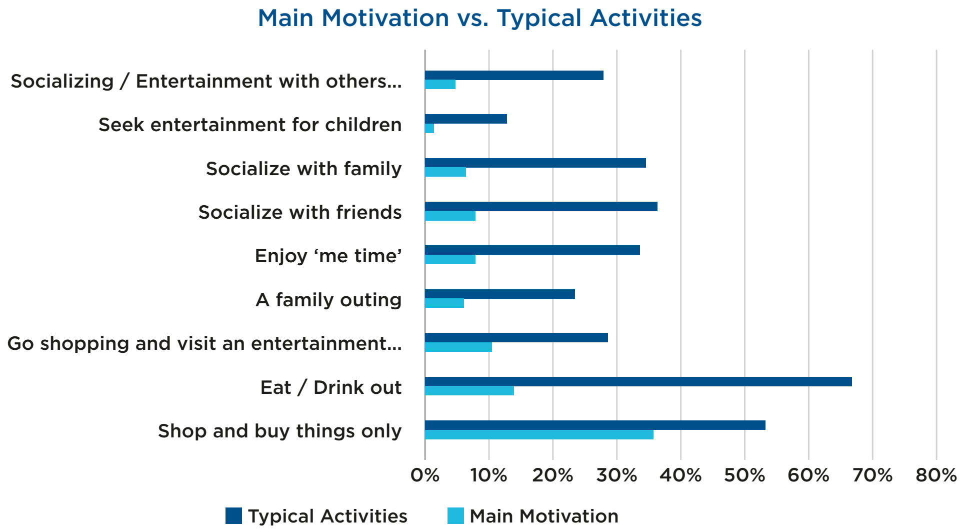


And the consumer says….

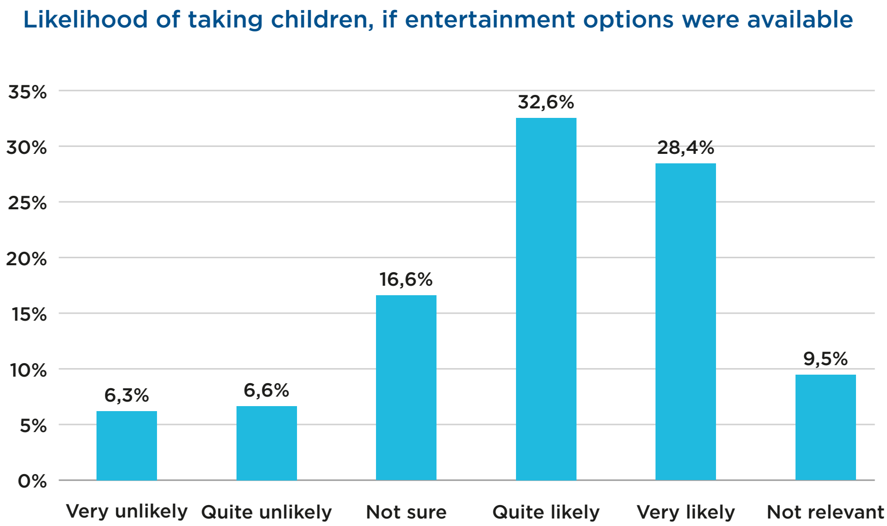
For the past few years, together with Panelbase, we've surveyed U.K. consumers to better understand their shopping centre behaviours before, during and just after the COVID-19 pandemic. This year, we focused on current behaviours as they relate to shopping in city/town centres and shopping centres and their views on entertainment and leisure tenant offerings, both as they exist currently and in an ideal situation.

In considering their main motivation, when it comes to visiting a shopping centre, approximately 36 percent of survey respondents reported that to "shop and buy things only" was their main motivation, while 53 percent reported typically doing those activities while on their trip.

16 percent reported that socialising with friends or family was their main motivation for their trip to the shopping centre, though 72 percent reported those as a typical activity while on the trip. While only 11 percent reported that shopping and entertainment (combined) was their main motivation, 29 percent reported that they wound up participating in both during their trip. Generally, the takeaway is that while consumers may have a primary motivation to visit a shopping centre, they typically partake in a number of other activities while there, indicating demand for a variety of tenant types.

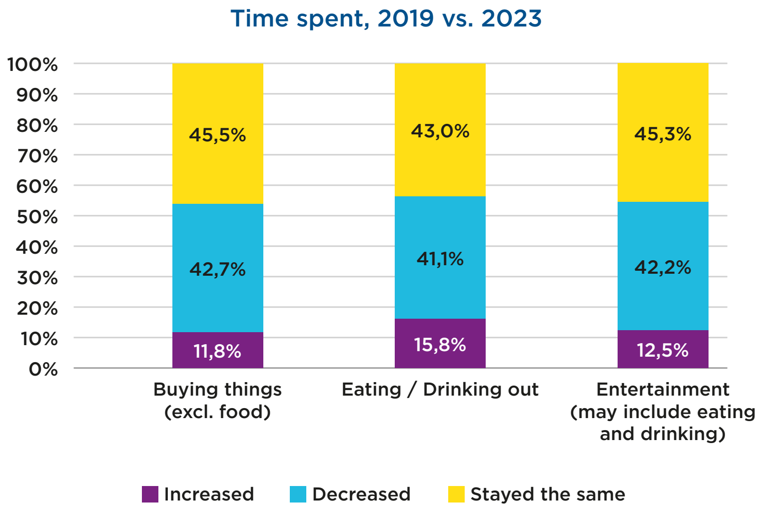


61 percent of respondents indicated they were "quite" or "very" likely to bring their children on the shopping trip if entertainment options were offered at their shopping centre; just 13 percent reported little or no interest in doing so. This aligns with the results above, where almost 73 percent of respondents indicated that a family outing, socializing with family or entertainment for children was a typical activity while at a shopping centre.



Further to that finding, 37 respondents stated that the availability of entertainment offerings for their children was quite or very important, while 55 percent of respondents stated it was quite or very important when making a decision for themselves and their adult partners or friends. Related to that, almost 56 percent of respondents stated that the availability of those entertainment options would increase their stay at the shopping centre by 30 or more minutes (children's entertainment options) and 51 percent responded that it would influence their (adult and friends) decision to visit a particular shopping centre.

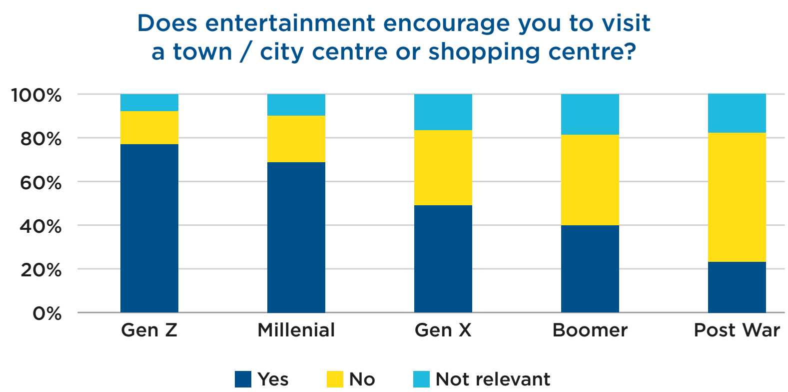
Touching upon current consumer behaviours (2023) versus those before COVID (2019), we asked if their time spent across various categories at shopping centres has increased, decreased or stayed the same. For traditional shopping, or just buying things, almost 43 percent of respondents reported that their time doing this has decreased, compared to 2019, while slightly more, almost 46 percent, indicated it's stayed the same. 12 percent reported decreased time "buying things." Responses for "eating/drinking out" and "entertainment" were generally the same, though respondents reported higher levels of increased times spent for both the latter.



We have also studied the responses by generation, to see which generations are most likely to interact with social and entertainment experiences when visiting a shopping centre or city centre.

The survey indicates that Gen Zs and millennials are considerably more likely to be motivated to visit a shopping centre or city centre by the availability of entertainment opportunities than older generations. 77 percent of Gen Zs and 69 percent of millennials are encouraged to visit a shopping centre or city centre if it has fun, entertainment or socialising opportunities compared to an average of 50 percent across the entire sample. They are also more likely to:

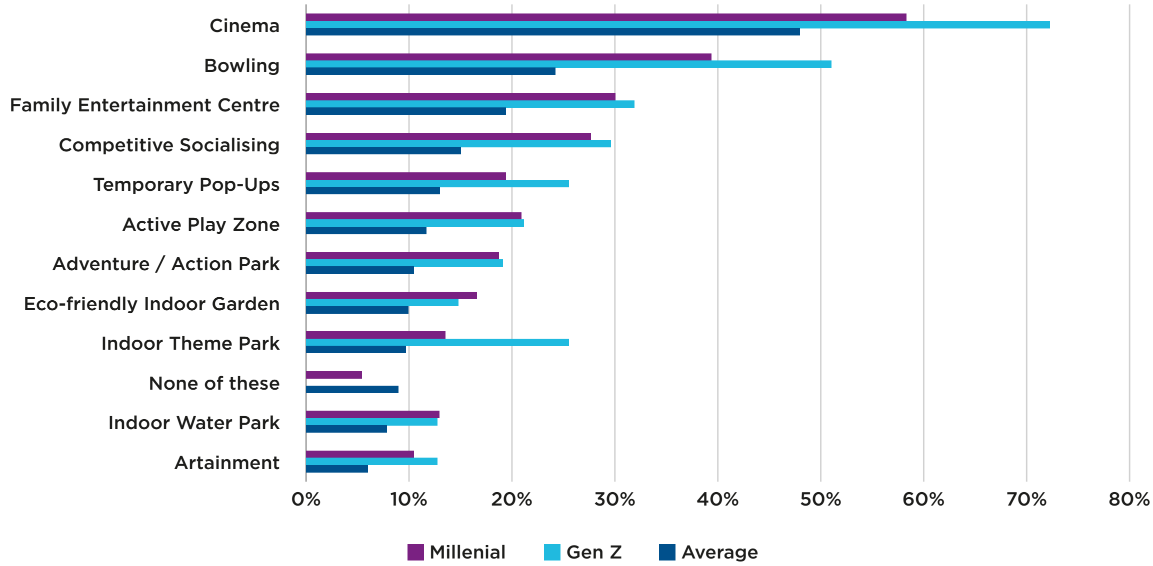
- **stay longer** (80 percent would stay longer if there were entertainment opportunities compared to an average of 57 percent)
- **spend more** (Gen Zs on average spend £34.11 and millennials spend £43.23 on entertainment (including F&B) per visit to a shopping centre or city centre, compared to an average of £30.76 across Gen X, £27.56 among Boomers & £25.50 for Post War.
- **and visit more frequently** (49 percent of Gen Zs & 35 percent of millennials will visit more frequently compared to an average of 25 percent across the sample).



Clearly, Gen Zs and millennials are key target markets when developing attractions in a city centre or shopping centre. This is unsurprising given their age profile: Gen Zs, currently aged 11 to 26 (in this survey – 18 to 26), are mostly interested in socialising with friends, whilst millennials, aged 27 to 42 at present, are most likely to have younger children and are looking for experiences to enjoy as a family. 63 percent of millennials report that the availability of children's entertainment is very or quite important to them when deciding to visit a town/city centre or shopping centre, compared to an average of 37 percent across the sample.

So what attractions do they go to and what would they ideally want to find at a town/city centre or shopping centre? Traditional entertainment options such as cinema, bowling, and FECs top the list of attractions that respondents have visited in the past two years, followed by competitive socialising and temporary pop-ups. When asked which attractions they would ideally like to have available at their local town/city centre or shopping centre, the list is similar, though eco-friendly indoor gardens rises to the top three. Some attractions appear to have multi-generational appeal with little variation in responses, such as cinemas and indoor gardens, whilst others, like competitive socialising, FECs, & bowling, see much greater interest from Gen Zs and millennials compared to the older generations.

Which attraction types have you visited in the last two years?



CONCLUSION

Throughout this whitepaper we have explored some of the various considerations involved in integrating entertainment and leisure into shopping centres. LDP's extensive experience in this field has highlighted the advantages of blending entertainment tenants with retail, including increased foot traffic, prolonged visitor stays, and enhanced consumer spending.

We've focused on addressing critical questions posed by shopping centre developers and operators. These inquiries range from strategies to expand footfall beyond the retail catchment area to attracting evening time visitors for extended opening hours, and even determining the ideal percentage of leisure and entertainment tenants in today's evolving landscape.

Throughout the document, we have also emphasised the importance of conducting a thorough market analysis to tailor entertainment offerings to the local context. Understanding the resident and tourist markets, assessing competition, and identifying market gaps are essential initial steps in crafting a successful strategy.

Finally, this whitepaper has presented valuable insights derived from the consumer survey. The data reveals that consumers are seeking a wide range of experiences when visiting urban centres and shopping centres, emphasizing the importance of diversifying tenant offerings to cater to various motivations.

The generational perspective provided in the survey findings underscores the opportunity and significance of targeting Gen Z and millennials, who are particularly motivated by entertainment opportunities. Their preferences for socialising, family-friendly experiences, and interactive entertainment should be considered when developing attractions within retail environments.

Key takeaways

- **Make sure you have a solid understanding of your current visitors and the goals you want to achieve by adding some entertainment.**
- **Understand what the benefits are you want to achieve.**
- **Understand that some JV partnership might be necessary (previous white papers addressed this)**
- **Gen Z and millennials seem to be strong areas of opportunity.**
- **All markets are different, and goals can vary. There isn't a 'silver bullet' that can be applied to all situations.**
- **It's important to get a specialised market and feasibility consultant to help devise the strategy based on your goals and the market context. The external viewpoint can be very beneficial as owners can sometimes be 'too close' to the project.**
- **Coming up with a well-balanced entertainment strategy can take time, however a well thought out plan can reap benefits over the long term for the overall development.**

LDP is well placed to assist developers and operators in the planning process and has a wide-ranging data set of key performance indicators for existing attractions located in retail settings. This data, in addition to the extensive results of the primary research can help to underpin the strategies we formulate. Whilst we have shared some of the top line conclusions from the primary research in this report, we look forward to sharing further detail with the industry over the coming months.