The Evolution of Socialization

Our social behaviors are changing, and with it the need to go out. Examining the root cause of location-based entertainment disruption.
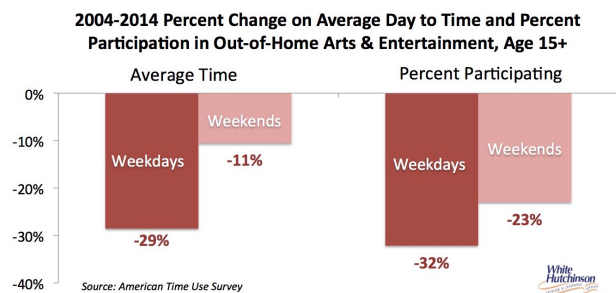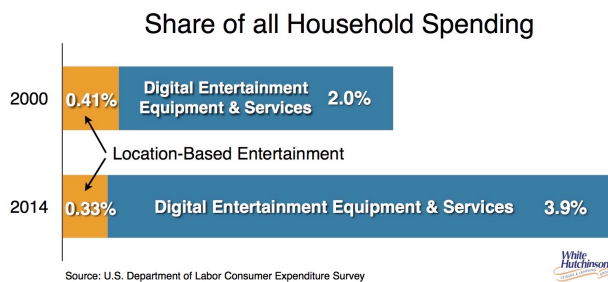
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If you asked most people in the location-based entertainment industry, which includes FECs and bowling-based centers, to describe their customers' primary reason for frequenting their business by finishing the phrase "Let's go out and ____," they would most likely fill the blank in with *have fun* – "Let's go out and have fun." However, that is a very myopic view of the industry they're in, at least from the perspective of their customers. That narrow view that customers' motivation to attend is all about the fun is unfortunately limiting the industry's ability to succeed in light of digital technology's disruptive impact on the out-of-home entertainment industry.

Digital technology is getting an increasing share of consumers' participation, time and spending for entertainment. Average households share of all their spending for digital technology has almost doubled since 2000, while their share for location-based entertainment has decreased by one-fifth. Likewise, their time and participation has also significantly declined.

Share of all Household Spending

2000	0.41% Digital Entertainment Equipment & Services 2.0%
	Location-Based Entertainment
2014	0.33% Digital Entertainment Equipment & Services 3.9%

Source: U.S. Department of Labor Consumer Expenditure Survey

2004-2014 Percent Change on Average Day to Time and Percent Participation in Out-of-Home Arts & Entertainment, Age 15+

Average Time: Weekdays -29%, Weekends -11%
Percent Participating: Weekdays -32%, Weekends -23%

Source: American Time Use Survey

Let's analyze the expression "Let's go out and ____." The *go out* part is very obvious. It means to go somewhere out of the home or office. *Let's* is a contraction for *let us*. And that is the key to understanding the motivation of why people choose to go out. It's all about the *US* going somewhere together. And when it's about the *US*, it's about *US SOCIALIZING TOGETHER*. Yes, it might also be partially about having fun together. But the *fun together* is really about *SOCIALLY* having fun together.

In survey after survey and in research study after research study, the number one reason that people give for why they go out as a group to just about every type of location-based leisure business or activity is to socialize with friends and

family. This includes attending sports events, live performances, cultural events of all types, zoos, aquariums, theme parks and other attractions, FECs, festivals, going bowling, playing laser tag, going shopping together, etc. About the only venue where the socialization comes in second is at museums where gaining knowledge or learning something new is named first and socializing comes in second.
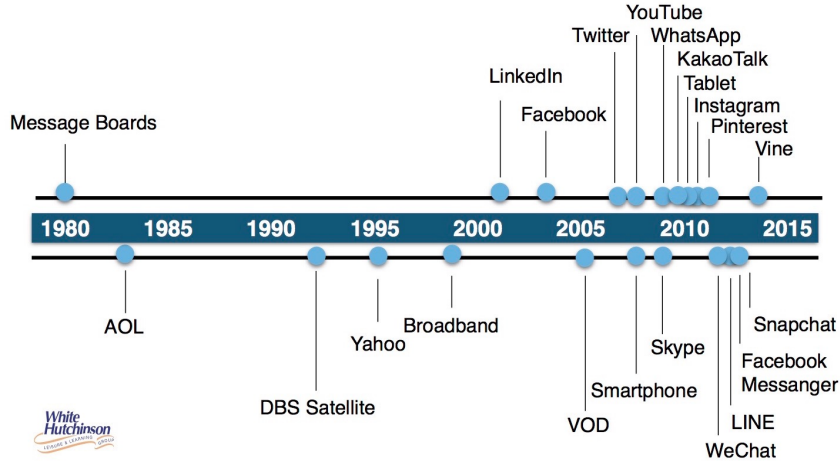
With the evolution of technology, and especially the most recent 21st Century digital technologies, the way people view the world, conduct their lives and socially interact has drastically changed. We humans have lived as social creatures interacting only face-to-face throughout the vast majority of our existence. As evolutionary anthropologists will tell you, it was living in a family and tribe with all its social connections that bonded humans and enabled our species to survive in its earliest days. Evolution has hard-wired us to be social creatures.

Then in the late 1800s, along came the telephone, so people at different locations could hold a conversation. Then along came the Internet with message boards, then email, then texting, then early social media, all still limited to just conversation, then Skype, FaceTime and all the similar applications that allow different forms of screen-based face-to-face socialization. We now have messaging apps that are more popular than traditional social media [*BI Intelligence*]. They are not just alternatives to SMS texting as they allow users to trade emojis, digital stickers, GIFs, video clips, photos, news and video calls. Today we have a broad variety of digital applications that allow us to socialize in the virtual world and share information and our lives.

The growth of digital socialization

In the last five years there has been an explosive growth in the use of the Internet and digital socialization. Digital social connectedness (DSC) has literally revolutionized our lives. DSC has made it simpler to interact with others without the limitations of geography and despite a lack of spare time.
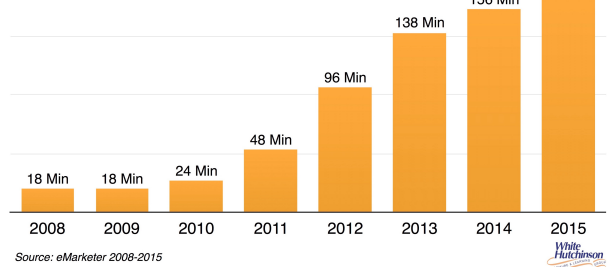
The growth of digital social connectedness options

Timeline (top): Message Boards (1980), LinkedIn (2001), Facebook, Twitter, YouTube, WhatsApp, KakaoTalk, Tablet, Instagram, Pinterest, Vine (2015)

Timeline (bottom): AOL, DBS Satellite, Yahoo, Broadband, VOD, Smartphone, Skype, WeChat, LINE, Facebook Messanger, Snapchat

Percent of all American adults and internet-using adults who use at least one social networking site

Internet Users — 76%
All Adults — 65%
10%, 7% (2005)
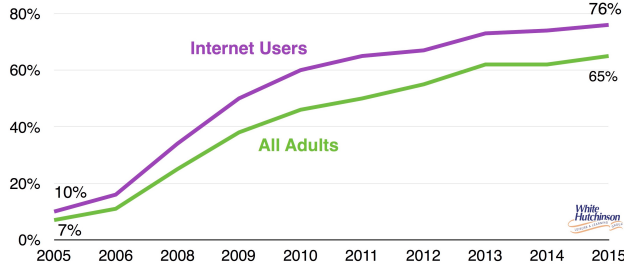
Source: Pew Research Center Survey

Time spent per American adult user per day with mobile digital media

| 2008	2009	2010	2011	2012	2013	2014	2015
18 Min	18 Min	24 Min	48 Min	96 Min	138 Min	156 Min	168 Min

Source: eMarketer 2008-2015

How often do you visit websites for video sharing or social networking? (Internet users)

One or More Times/Day: '08 24%, '09 35%, '10 44%, '12 48%, '13 54%
Never: '08 37%, '09 27%, '10 19%, '12 21%, '13 17%
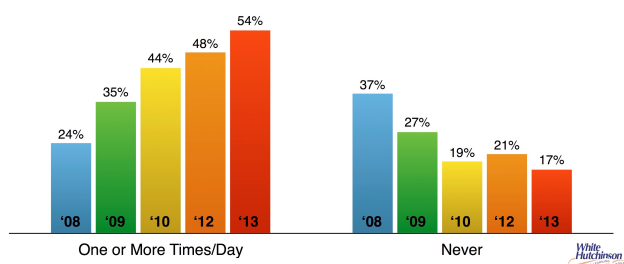
Source: 2014 Digital Future Project, Center for Digital Future

Average time spent per day on social networks by US adults

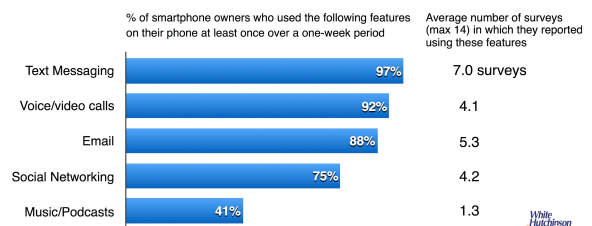| 2011	2012	2013	2014	2015	2016	2017
25 Min	31 Min	35 Min	39 Min	42 Min	44 Min	45 Min
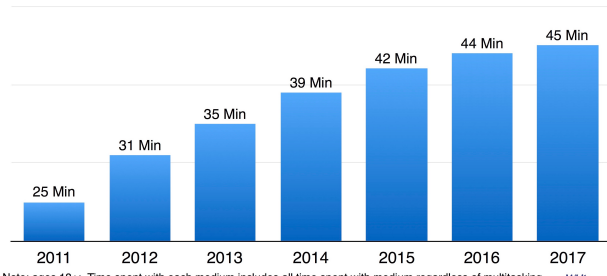
Note: ages 18+: Time spent with each medium includes all time spent with medium regardless of multitasking
Source: eMarketer, Oct 2015

Mobile phone messaging app user penetration in North America

Mobile Phone Internet Users: 45% (2014), 59% (2015), 75% (2019)
Population: 24% (2014), 35% (2015), 54% (2019)
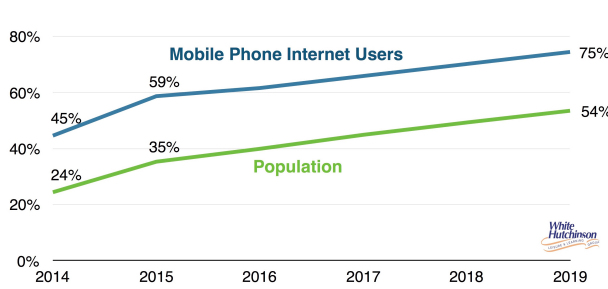
Source: North America; eMarketer; 2014-2015. Mobile phone users of any age who use messaging app at least once per month.

Popularity of Smartphone Social Consecutiveness Features

% of smartphone owners who used the following features on their phone at least once over a one-week period / Average number of surveys (max 14) in which they reported using these features

| Feature	%	Average number of surveys
Text Messaging	97%	7.0 surveys
Voice/video calls	92%	4.1
Email	88%	5.3
Social Networking	75%	4.2
Music/Podcasts	41%	1.3

Source: Pew Research Center American Trends Panel experience sampling survey, November 10-16, 2014
Respondents were contacted twice a day over the course of one week (14 total surveys) and asked how they had used their phone in the preceding hour. Only those respondents who completed 10 or more surveys of the course of the study period are included in this analysis.

Nearly two-thirds (65%) of adults now use social networking sites – a nearly tenfold increase in the past decade [*Pew Research Center*].

People are increasingly spending more time online. In 2014, nearly one-quarter (23%) of respondents reported spending more than 15 hours per week online outside of work. That increased dramatically in 2015, almost doubling to 45%. Meanwhile, the number reporting spending 8 or less hours online per week while away from work decreased [*Limelight Networks*].

Time spent online each week, outside of work *(everyone)*
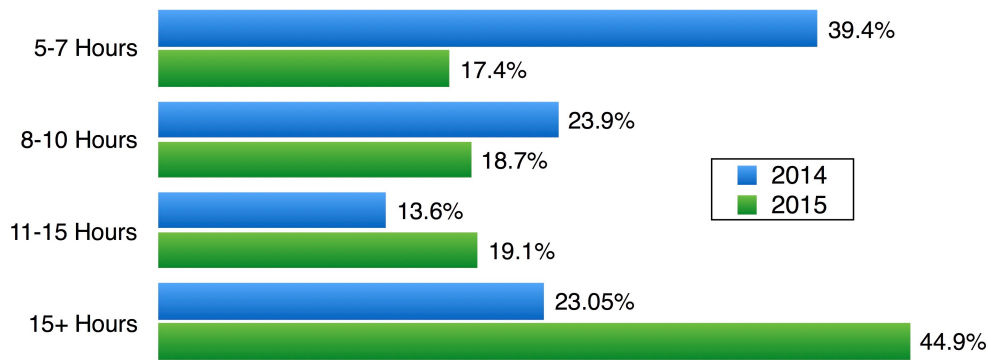
Source: Limelight Network, October 2015

In 2014, respondents ranked being on social media sites as #2 in the amount of time they spent online (reading news content was #1). Social media moved to the top #1 spot in 2015 [*Limelight Networks*].

When it comes to U.S. smartphones owners, almost three-quarters (72%) use, check or look at their smartphones once an hour, with 41% saying they do it a few times an hour and 11% saying every few minutes [2015 *Gallup* survey]. Another 2015 survey found that smartphone owners check their phones 134 times each day [*Dignity Health*]. One-fifth (21%) of adults report they go online almost constantly [*Pew Research*]. Three-quarters of the respondents said they found out about a significant life moment in a loved one's life such as an engagement or new baby through digital means rather than a personal conversation [*Dignity Health*]. Today individuals are essentially staying in constant touch with the world through their handheld devices. Smartphones
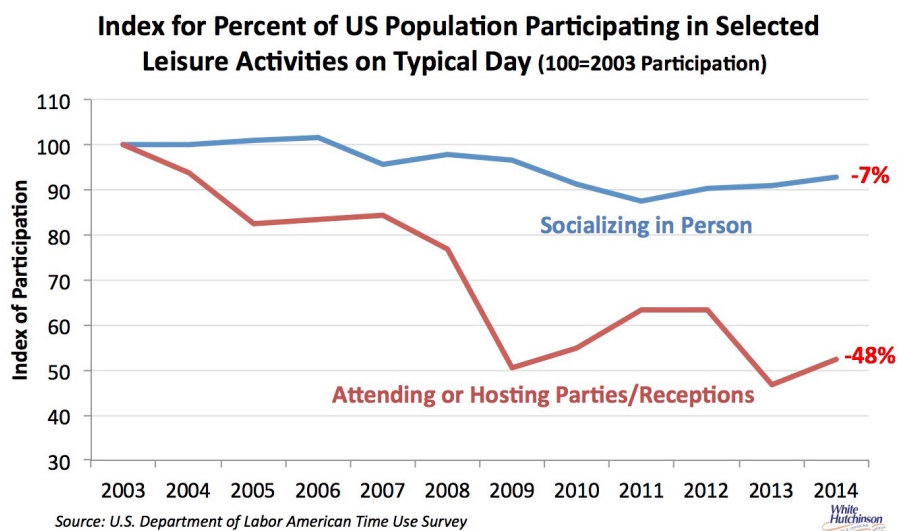
have significantly changed the way people relate in the world, including connecting with other people.

The appeal of digital social connectedness

In a time-pressured society where we seem to have less time available for real world social interaction, one of the many appeals of DSC is that many of its options are asynchronous – they allow individuals to relate at different moments of time whenever they have time and no matter where they are. Also, with less leisure time, they allow us to stay in touch with friends, families and acquaintances during coffee breaks, work or while waiting for something, even when we are doing other things.

Declining face-to-face socialization; Exodus to virtual socialization

We are seeing the exodus of people from real world face-to-face socialization to virtual world socialization. Since 2003, participation in real world face-to-face socialization and attending or hosting parties/receptions has been on a steady decline. On a typical day, the percentage of the American population that socialize in person is down by 7% and the percentage attending and hosting parties or receptions is down by nearly one-half (-48%).

Index for Percent of US Population Participating in Selected Leisure Activities on Typical Day (100=2003 Participation)

Source: U.S. Department of Labor American Time Use Survey

And for the declining number of people who are hosting or attending a party, the amount of time they spent that day shows a long-term decline.

Average Participant Time Spent (in Hours)
Hosting and Attending Parties, 2003-2014

Source: American Time Use Survey
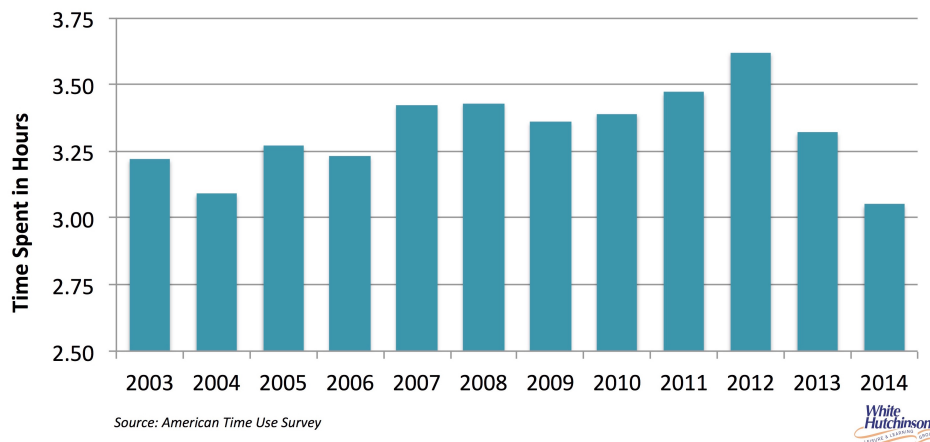
The shift away from face-to-face to online socialization is further supported by findings from *UCLA's* annual national survey on incoming college freshmen. In 1987, when the survey began, nearly 4 in 10 students (38%) said they spent 16 or more hours each week hanging out with friends. Today the number has declined by more than half to fewer than 2 in 10 (18%). Meanwhile, the number spending fewer than five hours per week has more than doubled.

Figure 6. Time Spent Socializing with Friends (Hours per Week), 1987–2014
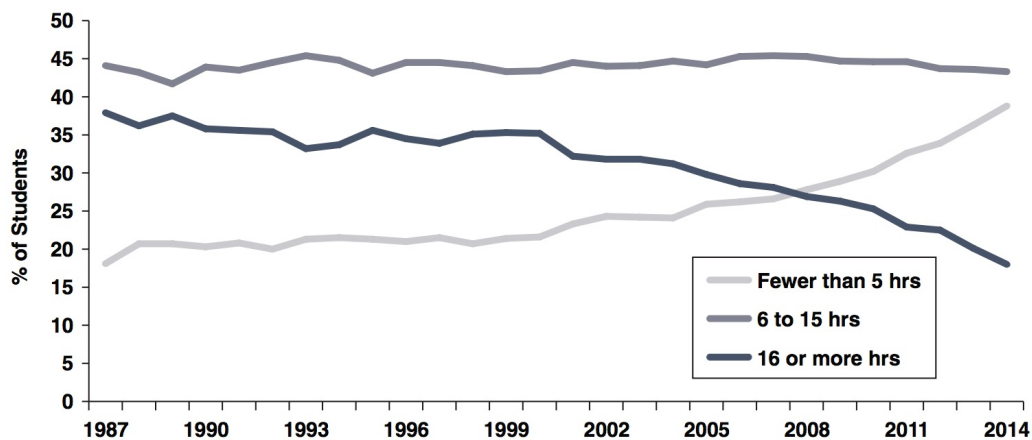

Similarly, a declining percentage of students report spending time partying during their senior year in high school. In 1987, nearly one-quarter (24%) reported partying less than an hour a week. Last year that increased to 61%, with 41% reporting they did not party at all. Over the same time period, students who report partying six or more hours per week declined from 35% to 9%.

Just the opposite trend was seen with time spent on social networks. Since 2007, the percent of students who spend less than one hour per week on social networks declined from 32% to 22%, whereas the percentage dedicating more than six hours per week increased from 19% to 27%.

We also have data over the past 12 years from the *Center for the Digital Future* studies on the impact of the Internet on Americans. Their annual research shows the average number of hours spent by Internet users online has increased from 9 hours in 2000 to 21 hours in 2013. They also found a steady and substantial growth in daily Internet visits to social sites. 54% of 2013 Internet users visited websites for video sharing or social networking at least one or more times a day, more than double the 24% in 2008. They also found just the opposite trend when they asked how much time people spent socializing face-to-face with friends and family outside of school and work. It showed a decline from an average of 7.8 hours in 2007 to 7.0 hours in 2013.

During a typical week, how many hours do you spend socializing
face-to-face with your friends (outside school & office hours)?
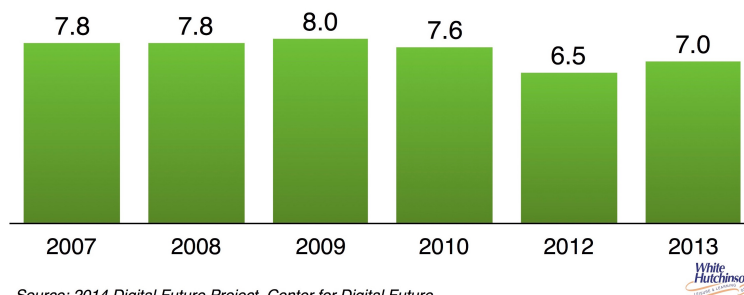
Source: 2014 Digital Future Project, Center for Digital Future

The *Digital Future* studies also found that the importance of the Internet in maintaining social relationships continues to increase as online social networking grows. In 2013, 58% of Internet users said that going online was important to maintaining their social relationships, up from 45% in 2007.

Percent of Internet users who feel the Internet is important/
very important for maintaining social relationships
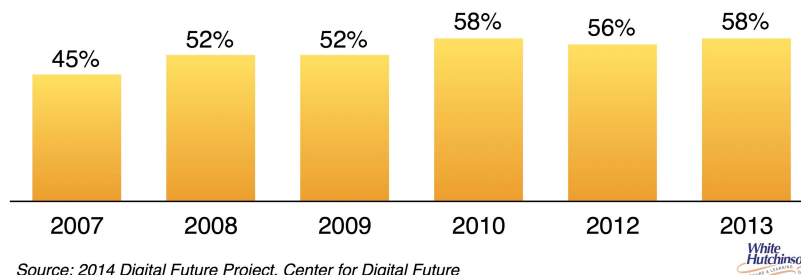
Source: 2014 Digital Future Project, Center for Digital Future

Research indicates that a growing share of the population embrace social networking as a preferred social interaction strategy versus face-to-face, especially due to increasing time pressure. A 2013 survey found that people spend on average 23 hours per week on social platforms, emailing and texting. Almost 93% of those consumers are using social media in place of face-to-face activity and only 11% of people have seen their online connections in the past three months [*Chinet*].

For adults in their late 30s, about half their monthly contacts or conversations were electronic through personal emails or social media compared to their face-to-face ones (74 vs. 75) [*University of Michigan Institute of Social Research*].

An October 2014 national survey of 18- to 34-year-old device-owning Millennials found that almost one-third (31%) now feel that "digital relationships are just as meaningful as in-person relationships" [*The Cassandra Report*]. Yes, that's right, they said connecting with others online and forming "elationships" is just as meaningful as face-to-face relationships.

Larry Rosen, a professor of psychology at *California State University, Dominguez Hills* has studied the impact of technology for the past 30 years among 50,000 people in the U.S. and 24 other countries. He says the effect of the digital technology has been, "to allow us to connect with people in our virtual world—but communicate less with those who are in our real world." Just look at people texting when they are in the real world sitting across a table from each other.
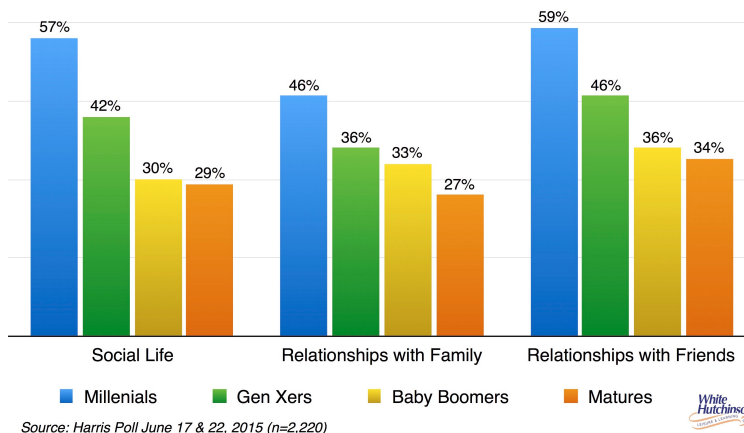
Social media and digital communication is also making forms of at-home entertainment, such as watching television, *YouTube,* and sports, far more social than in the past. Now TV viewers can use their second screens via Twitter and other social media to connect with fellow viewers and discuss what they are watching. Online role-play multiplayer video game players socialize around what they are playing with other players located at other physical locations. Research shows that 80% of video game players are socializers; they play for the social aspects of the video games rather than for the game itself.

Research in the fields of applied psychology, sociology and communication science show that social media and messaging clearly play a positive role in the benefits we derive from what is called *social capital* despite the lack of in-person

interaction. The technology revolution has reduced the need for physical proximity to socialize without any negative effects on the trust or engagement components of social capital. Numerous people use the Internet to stay informed about what happens in their community, to stay in contact with friends and family or to express their opinion on topics important to them. While all these activities in the past might have required a real world physical meet up, that is no longer the case.
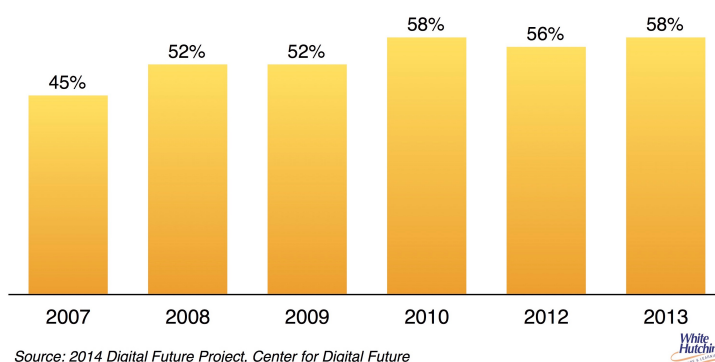
A large share of adults believe technology is having a positive effect on their social life (42%) and their relationships with family and friends (46%) [2015 *Harris Poll*]. However, that poll also found that the majority of people (69%) said technology is corrupting interpersonal communications

Adults who says technology has had a positive effect on:

	Social Life	Relationships with Family	Relationships with Friends
Millenials	57%	46%	59%
Gen Xers	42%	36%	46%
Baby Boomers	30%	33%	36%
Matures	29%	27%	34%

Source: Harris Poll June 17 & 22, 2015 (n=2,220)

Likewise, the *Center of Digital Future* has found that the percentage of Americans Internet user who feel the Internet is important or very important for maintaining social relationships has grown to 58%.

Percent of Internet users who feel the Internet is important/ very important for maintaining social relationships

2007	2008	2009	2010	2012	2013
45%	52%	52%	58%	56%	58%

Source: 2014 Digital Future Project, Center for Digital Future

Online time crowds out time offline

What it really comes down to is a zero-sum game for the average of approximately five hours of leisure time we have each day, which has remained basically unchanged for several decades. That time includes our time for face-to-face socialization. The more leisure time we spend on digital technologies, the less time we have for real world leisure and social activities.

Research by Scott Wallsten, an economist and vice president for research and senior fellow at the *Technology Policy Institute,* using data from the America Time Use Survey, found that time online is crowding out, taking the place of, time spent offline, including socializing face-to-face. Wallsten's research found that every 100 minutes we spend with online leisure is correlated with one half hour less time (29 minutes) that would otherwise have been spent on types of real world leisure activities, including five less minutes socializing in tradition ways and two less minutes attending parties (not all online leisure offsets real world activities due to multitasking). In addition, he found online leisure is crowding out other offline leisure that involves people interacting with each other including going to museums and attending cultural and entertainment venues. He says in one of this research papers, "In short, these results based on ATUS data suggest that the cost of online activity is less time spent with other people."

Wallsten's research was limited to time using the Internet or time spent with online leisure doing things like being on social networks, browsing for non-work purposes and instant messaging, etc. It did not examine the crowd out impact of time spent playing video games and watching online video or from email, even though they also take up a lot of our leisure time.

Michael R. Ward of the *University of Texas in Arlington* recently researched the impact of time spent playing video games and found it likewise diverts a significant amount of time away from other activities including entertainment, leisure and socialization. Today nearly half (49%) of all adults play video games at home or on mobile devices [*Pew Research Center*]

A 2013 survey of Millennials reported that true to their moniker of *digital natives*, 57% said they prefer to spend their downtime in front of an electronic device and are more likely to spend their leisure time physically alone [*Mintel*].

More digital disruption on the horizon

A new digital technology that is nearing at exponential speed and on the brink of mainstream consumer adoption is virtual and augmented reality. It is sure to further disrupt real world face-to-face socialization.

Macquarie Research says 2016 will be the year of VR. Ben Schachter with the firm says we're not even in the first inning yet. "For VR/AR, we have just pulled in the parking lot and tailgating is about to begin."

Facebook, America's and the world's most popular social platform with over 1.5 billion users worldwide, including almost 3/4s (72%) of all American online adults, considers VR the next major computing platform. The company has already invested more than two billion dollars in VR. It plans to ship a consumer version of its Oculus Rift VR headset in the first quarter of 2016. At first it will find it's in-home use with hard-core gamers. But that is sure to change as Oculus works on developing social VR experiences such as two people playing table tennis in a virtual world. *Facebook* is planning for many more new kinds of social interactions via VR as well as pursuing AR, making virtual worlds the future of social media.

"They put on a headset, you put on a headset. And you can be teleported anywhere you want," says Mike Schroepfer, chief technology officer at *Facebook*. He says the notion that people will gather in virtual spaces when they are miles apart will one day (not that far off) be commonplace. "Human bonds are about memories. This [VR] is the ultimate tool for that. It is effectively a teleporter. It's the closest thing we will ever do to re-materializing you Star Trek-style," says Schroepfer.

Facebook is not the only large company chasing VR and AR with big bucks. *Sony* and *HTC* also have VR headsets coming out next year. *Google* already has its

Cardboard viewer costing as little as $15 that offers VR using just a smartphone. *Microsoft* with its HoloLens and *Magic Leap* are pursuing AR.

Another company, *AltspaceVR,* is has already developed virtual social spaces used by people in over 50 countries where you can meet up with friends via avatars and share and discuss websites and movies you watch together. And on the gaming side, they now offer the popular Dungeons & Dragons massively multiplayer role-playing game in virtual reality.

It is very possible that meeting up face-to-face via your realistic avatar in social virtual worlds will become the norm of what social media will look like much sooner than most people realize. And if so, it will be an even more appealing form of competition to meeting up face-to-face in the real world.
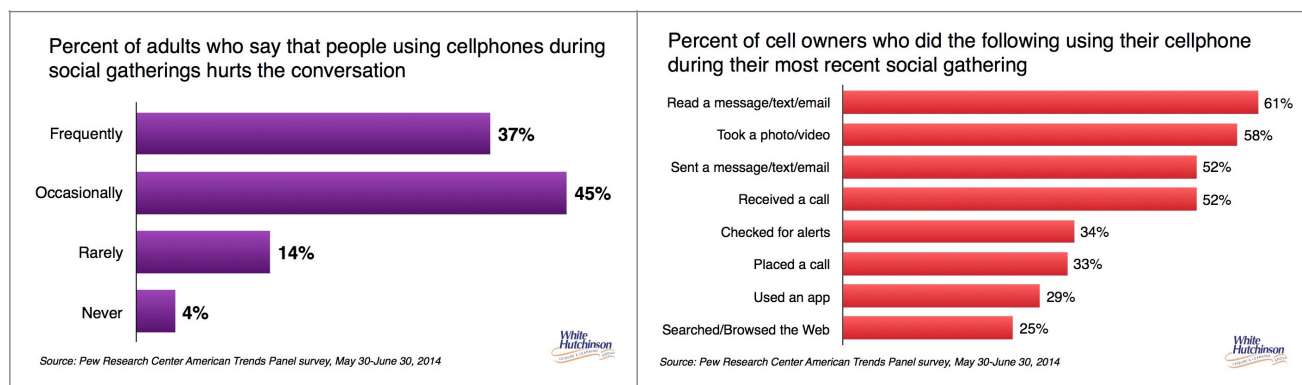
The root cause of the decline in location-based entertainment

Location-based entertainment of all types is seeing a steady decline in both participation and average household spending.* The root cause of the decline is not primarily attributable to competition from the growing and improving forms of at-home entertainment. Rather the primary reason, the root cause, is that going out to be entertained and have fun is no longer as necessary an activity in order to socialize with friends and family. Now we have so many new, attractive and convenient digital social options.

We are social animals based upon our evolution. That desire for socialization is hard wired into our genes and our brains far stronger than any desire to have out-of-home fun or entertainment. It is the primary motivator of why we constantly connect with each other. Within just the past few years, we have discovered new and expanding digital options to maintain our social connections that don't require us to leave our homes to meet up face-to-face. And that is exactly what is happening. We are now, and increasingly so, fulfilling our socialization needs in the digital world rather than the real world. Social digital connectedness of all types is displacing time we used to spend in the outside world socializing face-to-face, including time we used to spend at entertainment venues socializing while having fun. The siren call of the digital social world is slowly winning.

Impact on quality of face-to-face socialization

Not only is digital technology displacing our face-to-face time with its DSC options, but it appears to also be having a negative impact on the quality of face-to-face socialization. A June 2015 survey of 3,217 adults found that Americans feel that when people focus on their phones instead of their companions as a tactic of social disengagement, it hurts the group in which they are participating. Over three-quarters (82%) of all adults (not just cell phone owners) say it frequently or occasionally hurts the gathering [*Pew Research Center*]. The study also found that 89% of cellphone owners (95% for smartphone owners) reported using their phone during their most recent social activity.

Percent of adults who say that people using cellphones during social gatherings hurts the conversation

Frequently	37%
Occasionally	45%
Rarely	14%
Never	4%

Source: Pew Research Center American Trends Panel survey, May 30-June 30, 2014

Percent of cell owners who did the following using their cellphone during their most recent social gathering

Read a message/text/email	61%
Took a photo/video	58%
Sent a message/text/email	52%
Received a call	52%
Checked for alerts	34%
Placed a call	33%
Used an app	29%
Searched/Browsed the Web	25%

Source: Pew Research Center American Trends Panel survey, May 30-June 30, 2014

Competing with at-home & screen-based digital social connectedness

In a recent report, *Nielsen* noted an increasing consumer desire for communal gathering spaces within their communities, places that serve as a counter-balance to ever-increasing digital engagement. This desire for authentic physical gathering spaces extends to many types of destinations, including shopping centers, restaurants and leisure venues.

Despite continuing advances in digital social connectedness, the digital world will never totally replace real world socialization. People will still desire to visit a physical place for communal gathering. Today and in the future, people will go out, but just not as often as in the past.

The flight to high fidelity experiences

To counter all the expanding DSC options, to get time-pressured consumers out of their homes and away from their digital screen options now requires a much higher entry bar than in the past, and that bar is continually rising. It requires not just a social experience, but what is called a *high fidelity* one. If you want them to come, to take the time to travel there and spend their money and precious leisure time, it now has to be great. Mediocre experiences no longer work.

In our increasingly experiential economy, consumers make leisure choices in terms of two key dimensions – the experience and convenience. Every decision consumers make involves a trade-off between the quality of the experience - its *fidelity* - and *convenience* - the ease of access in time, effort and money. Offerings that are at one extreme or the other – either high in *fidelity* or high in *convenience* – tend to be successful. The more *convenient* digital social connectedness becomes, the higher the *fidelity* an out-of-home social experience has to become to complete and attract people. To really win, an offering needs to be multiple times better than what you're aiming to compete with, which means many times higher *fidelity* or many times more *convenient.* The last thing you want do is end up in the *fidelity belly* where you are neither high in *fidelity* nor *convenience*. Music fans no longer buy CDs as CDs fell into the *fidelity belly* between *high fidelity* music concerts with high-ticket prices and low music fidelity, inexpensive, *convenient* MP3 music.

This graphic illustrates what happens over time. If the *fidelity* of the overall real world experience isn't increasing over time to compete with the *convenience* of alternate digital options getting better, you eventually end up in the *fidelity belly* with the same fate as the CD.
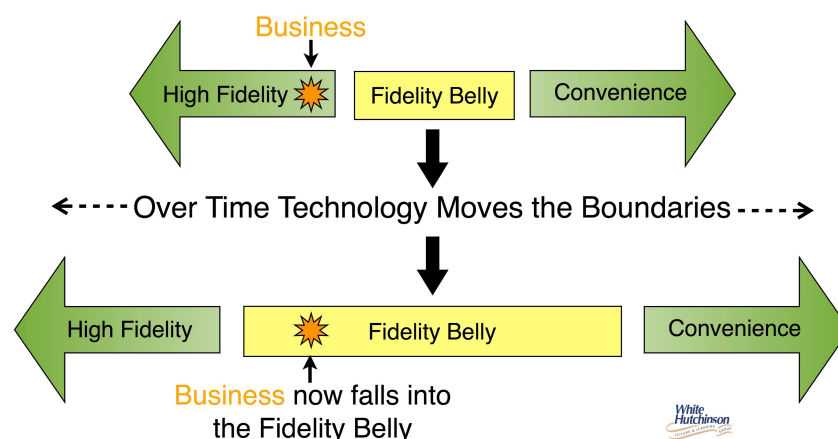
Today, to get people out of their homes, you have to offer them a very *high fidelity* experience. And the *fidelity* needs to constantly increase as more *convenient* DSC options such as VR and AR become available. The upper socioeconomic consumers who have the spending power and account for the lion's share of out-of-home entertainment spending, but have less leisure time than lower socioeconomic consumers, are focused on getting the highest quality experience for their precious leisure time and they are willing to pay a premium price for that *high fidelity* experience. It's now more a time value equation dealing the *fidelity* of the experience, not just a price equation.

Countering the siren call of DSC

To counter the draw of DSC and to future-proof themselves, location-based entertainment venues need to transform their current business models into *high fidelity* ones. This transformation requires a paradigm shift from thinking that LBEs and FECs are fun entertainment destinations to transforming and rebranding them as great social destinations. Rather than calling them LBEs or FECs, the industry needs to change its thought processes by calling them location-based leisure or social venues. For the balance of this white paper, we'll refer to them as location-based social (LBS) venues.

To survive and prosper in the future, LBS's need to offer a great *high fidelity* social environment and overall experience that is not available to someone sitting in her or his family room. LBSs need to become such appealing destinations that people will want to leave the comfort and convenience of their digital cocoons to visit them to spend a share of their leisure time and discretionary dollars socializing and having fun with their friends and family.

So how can LBSs compete with digital social connectedness as well as the many evolving forms of highly *convenient* at-home digital entertainment? In many respects, it's about getting back to the basics of early mankind that gathered around the campfire to socialize, share food and be entertained.

Destination food & beverage

Restaurants aren't just places to eat; they're places to meet friends and celebrate special occasions. Sharing food and drink together strengthens social bonding. Today we are seeing a major cultural shift towards a deeper interest and participation in food culture. Food has now become an adventure.

Great contemporary food and beverage becomes a necessary and major component of attracting consumers to LBS while the entertainment shifts to a less prominent role. Sharing food and beverage, dining and drinking together is one of the best tools for creating social interactions. Setting aside drive-thru and fast food restaurants, which are really about getting refueled, most families and groups go out to dine for the social experience as much as, if not more so, than the sustenance. If you add great destination F&B to interactive social group entertainment, you have the optimal socialization environment. It's really getting back to early man siting around the campfire, sharing food and telling stories. We're hardwired to seek out the equivalent of that experience in the modern world (Ever wonder why we like candles on dining tables? It's our modern day equivalent of the campfire.)

One thing the digital world can't offer is food and beverage. In an increasingly time-pressured society, dining out is perceived as a time saving activity. People in most Western cultures eat out a lot, typically multiple times a week. Those venues that feature destination food and beverage become a much *higher fidelity* social experience that drives attendance and achieves much higher revenues per square foot than entertainment-only venues. In fact, those venues that achieve a mix of at least 50% food and beverage have demonstrated their staying power and long-term profitability, some for over 30 years. There is a synergy when quality food and drink is combined with entertainment, raising the *fidelity* of the overall experience. Food and drink is essential at community-based entertainment venues, which require repeat business to succeed. Even tourist-based attractions such as the theme parks now recognize the importance of food to their success.

Social spaces

The campfire is a communal experience. Research clearly shows that when people socialize in the same space face-to-face, it supercharges the positive emotional impact and strength of social bonding that takes place. Incorporating multiple pleasant and comfortable 'social spaces', social seating and gathering areas throughout the venue promotes socialization. We are seeing this trend in many other types of leisure venues including hotel lobbies and health and fitness centers.

Social games

We also know from research on happiness that we don't feel better after a passive activity like watching a movie, but we are happier after being physically involved in a game or activity with friends. It causes the release of oxytocin into our bloodstreams, a neurochemical that makes us feel good and strengthens bonding. That probably explains the timeless appeal of bowling, billiards, golf, miniature golf and the growing popularity of bocce. All have a common rhythm of one person playing while the others watch and socialize. Interactive social games such as bowling, laser tag, bocce and multi-player social arcade games are a very important component to creating a *high fidelity* LBS.

Using technology

Digital technology can enhance the LBS experience as well. Venue debit or membership card systems can be used to introduce gamification to the overall venue experience. Tied in with CRM (customer relationship management) back-of-the-house software, guests' visits to LBS venues can be personalized. Beacon technology tied to venue apps can be used to personally recognize and reward guests. Digital technologies as simple as video masking units at bowling lanes and menus on tablets help raise the *fidelity* of the experience.

Time is the new luxury

In our time pressured lives, leisure time is considered very valuable. Time is the new luxury. In fact higher socioeconomic consumers are more concerned about wasting their time then wasting their money. There are two options to time as the new luxury: either give people their time back or help them make the most

of the time they have. Innovations such as advance reservations for all the entertainment and dining offerings enhances an LBS' appeal as it assures guests that they will efficiently use their disposable leisure time.

Customization

We have also been trained, in fact we now expect, to be able to customize everything. It started with *Burger King's*, "Have it your way", and has evolved to the point where *Starbucks* gives us 30,000 different drink combinations. Now we even have *CocaCola* Freestyle soda machines where you can chose from 100+ drinks or create your own custom mix with their mobile app.

Our individual identity and social status matters more to us than just about anything else. Anything that enhances it will increase the *fidelity* of the experience. In a sense, in Western societies, dining and entertainment are really a form of self-expression and enables Maslowian self-actualization. Just think of all the foodporn of their meals people today post on social media. Enabling the customers to customize their leisure experience enhances their self-esteem and thus the perceived value of the LBS offerings.
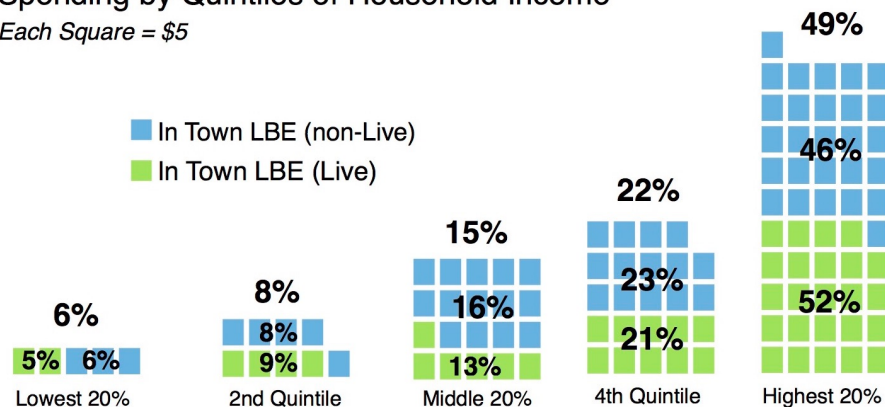
FOMO

Too many entertainment venues just stay the same with little variety. This creates what is known as *hedonic adaptation* – been there, done that. The appeal to visit decreases over time. That is why fixed entertainment attractions alone won't hold long term repeat appeal.

Offering live and limited time events is becoming increasingly important to attracting customers. It harnesses the power of FOMO, fear of missing out. Customers share their experiences and become the marketing on social media. Over half of all Millennials and Gen-Xers considering unique and limited experiences better if they can share them on social media. Live events including sports, concerts, traveling exhibits and wine, beer and food festivals are growing to become a large share of out-of-home leisure spending, especially for upper socioeconomic households.

45% of community-based entertainment spending for the top 40% of income households is for live entertainment, not passive or attraction spending that is typical at most LBEs and FECs. Those 40% of households account for 71% of all community-based entertainment spending.

2014 Average Annual Household Location-Based Entertainment Spending by Quintiles of Household Income
Each Square = $5

- ■ In Town LBE (non-Live)
- ■ In Town LBE (Live)

49%
46%
52%

22%
23%
21%

15%
16%
13%

8%
8%
9%

6%
5% 6%

Lowest 20%   2nd Quintile   Middle 20%   4th Quintile   Highest 20%

Source: U.S. Department of Labor, Consumer Expenditure Survey

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Food and beverage offers an opportunity to introduce not only change to the food and drink menu, but also to hold limited time specials and F&B events. Likewise, offering other special events and limited time live entertainment is increasingly important to not falling victim to hedonic adaptation.

Decibel hell

Socialization is all about conversation while you are eating, drinking, one of the party is rolling a ball or while doing other things together. Unfortunately, most venues where people go out to socialize, including most FECs, are too loud and as a result, become a barrier to having quality conversation, as you have to talk loudly, sometimes almost shout, and have a hard time hearing.

Noise levels in restaurants are a growing concern for both diners and employees. The 2015 *Zagat* Dining Trends Survey found that noise in restaurants was ranked as diners' 2nd top complaint after service. The *Times-Picayune* newspaper recently asked its readers, "How do you feel about restaurant noise?" Nearly 80% said, "Loathe it." Nationally known restaurant reviewers have started to consider the noise levels of restaurants as factors in their ratings.

Our company has taken sound readings in many entertainment venues and have found sound levels in the 80 to 90 decibel range and even higher. 90db is equivalent to standing near a subway train or gasoline-powered lawn mover. When two people are only three feet apart, a noise level of 78db or greater means they have to shout to be heard. Most entertainment venues are even worse than restaurants when it comes to noise levels.

Studies of young adults' attitudes about high sound levels at music concerts, discotheques and techno parties found that that a significant number consider the venues too loud. In one study, 42% consider discos, 35% thought pop and rock concerts and 39% considered techno parties too loud. Another study found that 60% of young people consider the sound level in discotheques and music concerts too loud.

Noise interferes with communication as we age. Older adults find it difficult to distinguish speech from background noise, making it even more difficult to socialize in noisy environments.

Loud noise even affects how food tastes. Loud, noisy environments make the intensity of sweet taste less intense and makes umami taste more pronounced [Journal of Experimental Psychology: Human Perception and Performance].

Loud environments also induce physiological stress in the body, increasing adrenaline flow, blood pressure and heart rate. In creates an unconscious desire to flee, not exactly what you want for a relaxing social experience where you want people to spend time and they money.

Creating good acoustic environments where people can socialize and hold a conversation without needing to raise their voice or shout is not that difficult if acoustics are considered in the earliest stages of design. Unfortunately, the current design trend of industrial design with exposed ceilings, hard surfaces and concrete floors creates the worse possible acoustic environment.

A high fidelity out-of-home social venue needs to offer a great acoustic environment where people can have a conversation as comfortably as in their family room at home.

High fidelity social example

To see an example of these considerations being used to enhance social *fidelity* at an entertainment venue, you only have to look at the movie theater industry. Not only are they using digital technology to enhance the *fidelity* of movie viewing with digital projection, 3D, IMAX and even 4D offerings, but they are also learning how to better compete with watching a streaming movie in your family room on a high definition TV. Many theaters are tearing out their seats and replacing them with large plush electric leather recliners. They are also increasing the social aspect of moviegoing, and in turn, how happy customers feel when they leave. They are installing restaurants, bars and lounges. Some are even adding bowling to introduce an interactive social gaming element to the visit experience. Many now offer online reservations where you can reserve your seats so you don't have to waste valuable time arriving early to assure you'll get good seats or even seated at all for a blockbuster movie. Their latest time-saving innovation is a app you use to preorder and prepay for food and drinks that you pick up at a kiosk when you arrive, eliminating what is know as the "popcorn pinch point," the time moviegoers spend waiting in line at the concession stand.

High fidelity social communal gathering spaces are the answer

Modes of digital social connectedness and the digital world at large are evolving at an ever-increasing speed, becoming even more attractive, *convenient* and addictive. There can be no doubt that creative destruction by the digital world is eroding market share for a large variety of social destinations, including entertainment and leisure venues, especially those that are not *high fidelity* social destinations. Extinction will come to many leisure venues that fall into the *fidelity belly*. The entertainment venues that survive and prosper in the digital age will be those that understand how both the customer and the playing field are evolving. They will be the ones that learn to create and orchestrate *high fidelity* social communal gathering spaces where guests can have and share meaningful social fun leisure experiences together.

* For details on the disruption and long-term decline of participation and spending at LBEs, see our white paper: [Disruption gives rise to a new business model. Future proofing community-based entertainment venues](#) (pdf file).

The White Hutchinson Leisure & Learning Group is a multi-disciplinary feasibility, design, consulting and production firm that creates compelling and financially successful leisure, entertainment, eatertainment, edutainment projects for our clients. Since 1989, we have worked for over 500 clients in 33 countries in the Americas, MENA region, Africa, Europe and Asia. Our work and expertise has been recognized by *Time* magazine, the *New York Times,* the *Wall Street Journal*, *USA Today*, the *Food Network*, the book *The Experience Economy* and by many other books and publications. Our projects have won 16 different 1st place design awards.

Our services cover every aspect of planning, designing, opening and managing projects, including:

- Site selection
- Concept development
- Market feasibility
- Financial feasibility
- Brand & theme development

- Master plans
- Full design
- Food & beverage
- Equipment & procurement
- Management start-up & consulting

When it comes to designing a project—both its physical facility and its operations—our comprehensive development process results in a uniquely branded business with exceptional attention to the hundreds of important details required to produce a project:

- That is the most competitive,
- At the most economical cost,
- That operates efficiently,
- That is culturally appropriate,
- That produces a quality guest experience,
- Is highly profitable, and
- Is future-proof with long-term staying power.

Our experience and expertise covers many different types of location-based leisure venues including;

- Restaurant-Entertainment Venues
- Adult-oriented Entertainment Venues
- Family Entertainment Centers of all types
- Children's Edutainment & Enrichment Centers
- Agritainment & Agritourism
- Bowling Entertainment Centers
- Entertainment for Shopping Centers, Malls & Mixed-Use Projects
- Resorts & Tourist Attractions

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