Originally published in our Leisure eNewsletter in December 2003 and then published in Vending Times magazine July 2004.

The Clampetts Were Fictional: Why and How to Target the Upscale Market

by Randy White, CEO, White Hutchinson Leisure & Learning Group

You know the story, the one about a man named Jed, the poor mountaineer who barely kept his family fed. He's out shootin' for vittles and an errant bullet taps into bubblin' crude. That'd be, you know, oil. Twenty-five million bucks later, he has the kids in the truck and his mother-in-law in her rocker atop all their worldly possessions, and they're headed for Bever-lee. Hills, that is. They end up living next door to their obsequious banker, Mr. Drysdale, and his snooty wife in a mansion with a cement pond out back.

Wasn't that a fun TV show? And what a catchy theme song! (No, it won't leave your head for at least 12 hours. We're very sorry about that.)

What does an article about the upscale market have to do with the Clampetts? That banjo pickin' in your head is the fault of all those FEC owners who act as if the Clampetts were real people. Not only that, but they seem to think there are a bazillion wealthy Clampett ancestors hunkered down in McMansions nationwide.

Next we'll be telling you the nun couldn't really fly.

Trust us on this one: There are no Clampetts in white-collar neighborhoods. Cultured, college-educated professionals live in white-collar neighborhoods, and they want the kind of upscale experience you'd get at a high-end hotel, not a warehouse full of screeching games with all the charms of a Wal-Mart. But that's what many FEC owners give them -- in the months leading up to closing the doors for good.

Deny if you must, but class matters

The reason *The Beverly Hillbillies* was so funny was that the characters ran counter to what we all know is true: Birds of a feather flock together. (Elly May's hot pants didn't hurt the show's popularity, but that's another article entirely.) As much as we Americans like to pretend class doesn't matter, it does.

In our September 2003 issue of this eNewsletter, we wrote an article called Luxury for the Masses. We discussed the trend of today's consumers wanting to experience luxury and believing they deserve it. Consumers have come to expect the very best and now take for granted that everything should cater to their highest expectations. Starbucks is just one example of this phenomenon.

However, not all consumers are the same. Their expectations vary greatly, driven by a factor that doesn't get discussed much: class. That word isn't used much in the U.S., but like almost every other country, the U.S. is very class-conscious, both overtly and subconsciously. Discussed or not, class is a major factor in the design of products, services and experiences, as well as in their marketing.

Don't just sell; sell to the SEL

People of the same class, or socio-economic/lifestyle status, feel comfortable together. They know the rules. They fit in. They live in neighborhoods with people like themselves; they shop in stores and eat in restaurants frequented by people like themselves. And they take their recreation with people like themselves. There may be exceptions, of course, but this is the rule.

Socio-economic/lifestyle level (SEL) is determined by many factors, including income, education, whether people live in cities, towns or rural areas, values, tastes, age, whether they have children at home, and so on. Education and income (which is highly correlated to educational attainment) are key determinates. So when you talk about poor and low-income SELs, you are typically talking about people without college degrees who work in lower paying blue-collar and service jobs. When you talk about high-income and affluent people, the vast majority will be college educated and working in professional and white-collar jobs. Middle-income can have a mix of education and job categories. Upper-middle-income can include some blue-collar workers. That's the simple explanation. In reality, depending on the SEL segmentation model, there can be as many as 66 distinctive SELs.

In the market area for a community-based leisure facility, however, there will never be that many. Typically, there will be about 30 SELs, with certain ones dominating and a large number being closely related.

Just as flamingos and sparrows (or Granny and Miss Jane) don't really know what to make of one another, people from divergent SELs are uncomfortable when they have to mix. Blue-collar workers don't hang out in country clubs, not only because cost is an issue, but because it just doesn't feel right. By the same token, white-collar people often feel uncomfortable in working-class bars.

Las Vegas has made a science out of targeting very specific SELs, and each casino very carefully targets a narrow SEL niche. If you walk through a half-dozen casinos, you'll notice differences among the guests they attract. You'll also see differences among the casinos' design, ambiance, level of finishes and service. To use an example at the extremes of the SEL spectrum, Bellagio is quite different from the Tropicana, which is significantly different from Circus Circus - as different as the regular customers of each. It's not just the Vegas casinos, either. Many successful retailers, restaurants, and motels/hotels differentiate themselves based on the SELs they try to attract.

None of this happens by chance. Each of these destinations very carefully chooses the SELs they are targeting, and then deliberately designs their facilities, products, services, and the entire experience to make sure they attract and retain those SELs as loyal, repeat customers. Or at least they try.

Targeting the right SEL for your market

When our company performs market feasibility studies, does concept development and designs leisure and entertainment facilities for our clients, we analyze the SELs in the market, select the most desirable ones to target, and then very deliberately develop the mix and design to attract those targeted SELs.

Under no circumstances would we design the facility to try to attract everyone in the market. Why not? Wouldn't it be better to try to bring in more people? Actually, no. There are two reasons for this. First, what attracts one type of person will repel the other, so it's a losing proposition. And second, success depends on delighting a specific group of guests, and exceeding their expectations. If you try to be everything to everyone, and that includes SELs, you end up being nothing special to anyone.

Designing to SELs is a combination of science and art. Here's one real-world example to demonstrate the point:

A few years back, a 10-year old family entertainment center (FEC) retained our company to conduct a feasibility study for a major expansion. After determining the geographic market area for the center, we analyzed the SELs of the market area's families with children. Based upon our analysis, we recommended that the expanded and totally rebuilt facility target two dominant SELs as the primary target niche.

We then examined the consumer preferences for those two SELs, and noticed a number of preferences they had in common. One was that both SELs had a strong preference for Caffeine-Free Diet Coke. This was back in the days when Caffeine-Free Diet Coke was not that well distributed and available, which made this finding even more significant. So naturally we recommended the expanded center offer the drink. Shortly after that I was visiting the owner at the still-operating old facility and noticed one of the fountain drinks was, you guessed it, Caffeine-Free Diet Coke. When I asked him why he served it, he said it was because his guests had continually asked for it.

Based upon SEL analysis, you can not only determine products that should be offered, but just as importantly, the level of design, finish, ambiance and service that needs to offered to match the tastes and preferences for those SELs. Although Ruth's Chris Steakhouse and Shoney's both serve food, they have completely different levels of finish, looks, levels of service and quality of products. And they attract completely different SELs. The same is true for an entertainment experience. It needs to be designed to attract your desired target market.

It seems so obvious. Why, then, do so many FECs miss this important step?

Don't design for Jethro in Mrs. Drysdale's neighborhood

Although restaurants, hotels, and retail shops have learned to design their décor and offerings to match the target market, this lesson has somehow not sunk in with many location-based entertainment (LBE) owners. I can't tell you how many LBEs I have visited over the years (most of which are now industry road kill) that were nothing but a bunch of rides, games and tables and chairs placed in a painted warehouse space. And most of these were located in upscale white-collar communities. Heck, even Denny's does a better job of it than that.

The problem with this stripped-down finish approach is three-fold. First, it doesn't match the tastes and expectations of any market, especially the upper SEL neighborhoods within which they're located. Secondly, it's least likely to alienate the lower SELs. The presence of people from lower SELs drives away people from the upper SELs. Thirdly, facilities with little finish, which are dark and voluminous (warehouse-scale spaces) attract teenagers, who drive away the family (mom) market. Perhaps FEC owners assume that their market is always lower income families or teenagers because they've alienated just about everyone else.

Even if an LBE is located in a blue-collar area and wants to target a lower SEL group, the generic games-in-a-warehouse model isn't the way to do it. These folks may tolerate minimal finishes and lousy food, but you are unlikely to delight them or exceed their expectations. As soon as their options increase, they're gone. For an LBE to be profitable with any target market, it has to put some effort into delighting its specific customers.

But, amazingly, LBEs have done an especially lousy job of delighting the upper SEL families that are the cream of the market. These families go out more often for entertainment and dining and spend more money on those activities than lower SEL families. For example, households with incomes $70,000 and above spend twice as much on both food-away-from-home and entertainment fees and admissions as do households earning $30,000 to $39,999.

If we look strictly at educational attainment, there is a similar correlation. Households with college graduate adults spend twice as much on both food-away-from-home and on entertainment fees and admissions as households with only high school graduate adults. So higher income, well-educated families are the dream market for retailers and restaurateurs, and likewise are the dream market for entertainment facilities. In spending, one upper-middle or higher income, college-educated white-collar family easily equals two or more middle-income blue-collar families. Unfortunately, most family entertainment facilities totally miss this great target market, and that assumes they even understand which groups they should be targeting in the first place.

If your facility is located in an upscale area, you need to offer your target market an upscale facility and experience. Matching the experience to the upscale market not only attracts that market, but it also affects perceived value and what prices can be charged. Upscale facilities that offer an upscale experience command premium prices. People don't pay a premium for Starbucks coffee because the coffee is that much better than McDonald's or Dunkin Donuts' brew. They pay more because the store makes them feel good. And it makes them feel good because it matches their tastes in ambiance and service. It feels like a place where they belong. Starbucks has taken what in many respects is only a commodity product and raised it to the level of an experience, in this case to what sociologists call a "'third place" (home and work being the first and second places). The design, finishes, ambiance and customer service of the stores has a whole lot to do with that.

Panera's, the phenomenally popular, fast-growing chain of quick-casual restaurants we often cite, is another example. The company isn't succeeding just because of the food. The finish and ambiance of the restaurants has a lot to do with their ability to attract a customer who is willing to pay more than for a fast food meal. If you haven't seen a Panera's, the restaurants have lots of richly finished woods, contemporary colors, natural light, upscale hanging light fixtures, attractive and comfortable fabric-finished booths, even fireplaces. They are upscale, and as a result, attract that lucrative white-collar market that includes lots of moms.

Dave & Buster's figured out upscale many years ago and doing that helped the chain last 23 years and counting. The company has done a great job of designing an upscale facility that attracts a target market of young white-collar adults. You don't do an average of $13 million in sales per facility based on only having games, billiards tables and other entertainment. You do it based on the total experience you offer your guests. That requires the container for the experience -- the facility and its finishes -- to appeal to the market with the bucks to spend. The company took billiard tables out of the pool hall and games out of the arcade and repackaged them with food in an upscale atmosphere with upscale service. The formula includes alcohol, which is 17% of sales, while food and non-alcoholic beverages are 34% of sales.
Entertainment is a lot like chicken; you can serve it up different ways for different markets, as fast food fried chicken at KFC, as rotisserie chicken in a quick-casual

format such as Boston Market or as a gourmet meal in a white-tablecloth restaurant. You can make money from the low end or the high end, so long as you know what your customer wants -- and you exceed their expectations.

Expectations, and your ability to exceed them, determines success

Upscale customers are a lot like stock market investors. The match between the entertainment experience and their expectations is a major determinant in their reaction to visiting, and ultimately their repurchase loyalty.

There's an odd thing that happens to stock prices when company earnings are announced. Companies, and often stock analysts, will make predictions of what sales and earnings will be. Then, when the actual results are announced, the market tends to react in one of three ways:

- If actual earnings were less than projected, even if there was still a significant growth since the previous year, the stock usually goes down in price.
- If actual results are met, not much happens with the price.
- If actual results exceed projections, even if the projected results were for not much growth over the previous year, the stock price rises.

The market basically reacts based upon how actual results compare to expectations. Meet or fall short of expectations, and the market isn't too happy. Only when expectations are exceeded does the market respond favorably.

Consumers, and especially upscale consumers, behave in the same way. They come with expectations. If you don't exceed those expectations, you may as well drain the ce-ment pond and head back to Bug Tussle. The reality is, you must exceed expectations to win. And upscale consumers have upscale expectations formed by every other consumer destination they frequent -- restaurants, resorts, shopping malls or wherever.

Not long ago Xerox did a study of repurchases based on customer satisfaction. For customers who were satisfied, meaning their expectations were met, only 6% repurchased. When customers were highly or extremely satisfied, when their expectations were exceeded, repurchases were 66%, or 10 times as high. Visiting entertainment facilities is no different than purchasing copiers. In fact, community-based entertainment destinations, such as family entertainment centers, are even more dependent on repurchase or repeat business to succeed.

It's more than just the games and rides

About the only kind of restaurant that can get away with serving great food in a shack is a barbecue joint, and even then there are limits. Other restaurants and all LBE owners don't have that luxury.

LBE owners consistently confuse the entertainment product with the entertainment experience. They focus on one, and pay little or absolutely no attention to the other. But the entertainment products - the games, rides, bowling, play components, etc. - constitute only one of five parts of what makes up the entertainment experience. The five basic dimensions of an entertainment experience are:

1. The service, including the staff's appearance, behavior and interaction with guests;
2. The entertainment components;
3. The environment, which includes every aspect of the facility's design and ambiance including layout, landscaping, theme, décor, finishes, furniture, lighting, acoustics, signage, music, smells, all making up what we call quality-of-place. (See quality-of-place article and theming article in previous issues.)
4. The food and beverage.
5. The maintenance, which includes cleanliness and repairs

Most entertainment businesses focus on the first two, make little investment in the third, consider the fourth to be a snack bar or concession stand, and are haphazard, at best, on the fifth. But all five dimensions need to come together, as only then can they create a compelling social setting. Most people who seek an out-of-home entertainment experience come in groups and are seeking a social experience, often more so than entertainment. The games, and if you do a good job, the food and beverage, are really the excuses for going to an LBE, while socializing is the reason.

The interaction of the guests with the entertainment components, food and beverage, the environment and staff affect their social interaction. In many respects, a quality entertainment experience is really a successful social experience. Missing the mark on any one dimension negates the efforts with the other four with upscale customers and results in a disappointing social experience.

Imagine we've pulled the billiard tables, games and other entertainment components from a Dave & Buster's and plopped them down in a sparsely finished warehouse space like a Wal-Mart. Instead of comfortable $150 chairs, we have $25 plastic seats. We've gotten rid of foods that cater to the discerning palate of upscale guests and substituted chili dogs and nachos with Day-Glo cheese. I don't even want to think how many LBEs like this I've seen over the years. No surprise they were poor performers or that many have since failed.

This is one of the primary reasons so many FECs in the Northeast are closing, especially in white-collar areas in New Jersey. Most could best be described as carnivals in a painted box. How likely is it this kind of FEC will make the $13 million in sales that's typical for a Dave & Buster's? About as likely as Miss Jane developing a taste for Granny's possum pie. Creating an upscale environment and experiences can make the difference between $20-$60 per square foot in sales and $100-$200 per square foot in sales.

Yes, it costs more to develop an upscale facility (Dave & Buster's cost about $200 per square foot), but that higher investment will make the difference between success and limping along, or often even failure. The mistake many project developers make is thinking the cheaper they can build it, the higher the investment returns will be. Just the opposite is true. There is an investment sweet spot that will maximize sales and profitability, and for the upscale market, the investment required is on the higher side. This is counter-intuitive, but it is less risky to spend too much money than it is to spend too little. (For more on this, read our article Finding the Investment Sweet Spot)

It doesn't cost twice as much investment to earn twice as much in revenues and profit from an upscale market. The difference in investment to create an upscale experience is roughly in the 25% range -- and it results in at least twice as much in sales. The result is not only a much higher return on investment, but greatly increased odds for long-term success. It takes bucks to get bucks, especially from the upscale market with the most bucks to spend.

For years, our company, using findings from our market research, has been designing and producing successful upscale entertainment businesses that match target SELs. When we do market research, sometimes we find the area doesn't include an adequate upscale market with the bucks to spend at an entertainment facility. When that happens, we advise our clients to find a better location. Market feasibility involves much more than just the number of people or children. The market's SEL composition is critical, as that directly affects potential revenues.

It's not necessarily the number of people living in the market area that matters, but rather the number in the target market. And when the market has the right SEL composition, we zero in on the targeted SELs with the design of the facility, its entertainment elements, storyline, theme, quality-of-place, signs, service, and maintenance. That means integrating every single detail into a cohesive whole, into a brand identity that fits the targeted SELs like a glove and delivers an entertainment experience that exceeds their expectations. Like magic, this generates a premium price and creates loyalty of repeat visits. The bottom line is longevity and profitability for the facility.

Randy White is the CEO of the Kansas City, Missouri- and Doha, Qatar-based White Hutchinson Leisure & Learning Group. The company specializes in the feasibility, design and production of location-based entertainment and leisure venues. Randy can be reached at +816.931-1040, ext 100 or via the company's website www.whitehutchinson.com