BRIEF CASES

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Sugar Bowl

Shelby Givens checked her watch as she jogged along Raleigh's Greenway Trail; she was running late again. Since Sugar Bowl's launch, there simply were not enough hours in the day to satisfy the overwhelming demands on her time. Givens couldn't remember the last time she went to dinner and a movie with friends. And though three months had passed, she still deeply regretted missing her college roommate's wedding because of an unanticipated staffing crisis.

Givens had thought that by now, April 2012, a full year after the bowling lounge's opening, her fast-paced and sometimes sleepless entrepreneurial life would be slower, or at least more predictable. But that simply wasn't the case. Givens loved Raleigh and her job—managing her family's bowling legacy was thrilling, professionally rewarding, and potentially lucrative. Profits were on the rise (See **Exhibits 1 and 2** for Sugar Bowl financial statements) but the continual personal sacrifice was starting to wear on her. Was this how she wanted to spend the remainder of her twenties? On the other hand, what job would ever be as fulfilling or as stimulating as the one she had now?

Sugar Bowl's board meeting was two weeks away, scheduled for April 30, 2012. Givens had some exciting opportunities to present to her investors. It was imperative, though, that she work through her own priorities—financial and otherwise—in advance of that meeting. What was best for Sugar Bowl wasn't necessarily best for Givens. Or was it?

Background

After graduating from business school in 2009, Givens returned to her native Raleigh, NC to implement a turnaround of Westlake Lanes. The ailing seventies-style bowling business was started by her deceased grandfather, Dane Sugar, in an old mill in downtown Raleigh. Guided by an entrepreneurial spirit and interest in general management, Givens tightened cost controls and streamlined operations. In just nine months Givens stopped Westlake's spiraling losses and even earned a small profit. Yet Givens questioned Westlake's ability to sustain healthy profits over the long term, due to a number of social and environmental factors (**see Appendix**), including:

- The declining popularity of weekly "league" bowling teams
- The aging population of regulars
- Marginal revenue from Westlake's limited food and drink menu (pizza and beer)
- Continually rising healthcare and utilities costs

HBS Professor Richard G. Hamermesh and writer Alisa Zalosh prepared this case solely as a basis for class discussion and not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. Although based on real events and despite occasional references to actual companies, this case is fictitious and any resemblance to actual persons or entities is coincidental.

- Increasing forms of competitive family entertainment
- Less free "family" time due to dual income families and overscheduled kids.

In March, 2010 Givens persuaded Westlake's board to pursue a different path for Westlake: to create a lively and plush bowling lounge and nightclub. Instead of bright lights, an old juke-box and a menu consisting of pizza, hot dogs and beer on tap, customers would enjoy a full bar, table service and a tapas-style menu of small plates and contemporary finger foods. The lack of any direct competition in Raleigh, paired with Raleigh's ongoing gentrification and influx of young professionals,[1] led Givens to believe a market existed for such a venue. She even had a name to propose for the reconceived business: Sugar Bowl.

Before his death in 2008, Dane Sugar upgraded Westlake's lane machinery and scoring technology. Givens wanted to update the outdated 16,000 square foot interior, reconfiguring the space to foster casual dining and socializing, as well as bowling, for 150 people, nearly doubling capacity.[2] She believed that revenue levels from the new business would support significant jumps in costs, such as rent and insurance.

Givens projected she would need $600,000 to renovate the bowling alley, and forecasted an additional $100,000 for startup costs and incidentals. She raised $200,000 in the form of convertible notes from friends and family, and secured a $400,000 SBA loan from a local bank. Both loans were 5 years in length, commanded 8% interest, and required quarterly interest-only payments with the principal to be repaid in full at the end of the term. The bank, however, listed additional terms; failure to comply would result in rate renegotiation or a truncated loan term.

Loan Terms:

1. Givens provided her home, a downtown Raleigh condominium, as loan collateral.
2. The venue must open no later than 15 months post-funding.
3. Actual revenue must reach 70% of projected revenue (or $1,000,000) after four operating quarters.

Though $100,000 short of her fundraising goal, Givens reasoned that, with a rigorous approach to cost management, she could navigate the shortfall.

> Westlake taught me that to be profitable in this business you need to provide compelling entertainment and closely watch expenses. If customers enjoy their experience they'll return with their friends—that is the cheapest and most effective form of marketing. But no cost should be overlooked. Spending just an extra nickel per customer adds up when volume and customer turnover are high.

Phase I: Preparing for the Transformation (Summer 2010)

> I learned at Westlake the priceless value of asking for help—from friends and colleagues, suppliers, and professional contacts. I kept that in mind as I embarked on Sugar Bowl's launch.

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[1] Between 2000 and 2010, Raleigh's population grew by 46.3% to 404,000. Its median age was 31.9 and those aged 25–44 accounted for one third of the population. Forty-seven percent of residents 25 years or older possessed a college degree (or higher). Source: US Census: http://quickfacts.census.gov/qfd/states/37/3755000.html

[2] Due to change in business, rent for the space was renegotiated and increased by 60%.

Employees

Givens anticipated it would take 9 months to a year before Sugar Bowl was operational. She planned to close Westlake, which was generating weekly revenues of $15,000, in November, 2010 for four months of renovations. Three full-time employees remained from Westlake:

Employee	Salary	Responsibility	Tenure
Gary Spalding (50)	$40K	Maintenance of grounds, buildings & machinery	15 yrs.
Shirley Smith (41)	$31K	Back office, sales and marketing	23 yrs.
Daniel Sinclair (27)	$24K	Kitchen/bar supplies, cooking and serving food	10 yrs.

For employees, a Sugar Bowl transition would mean later hours, more customers and higher service expectations. Of the three full time employees, only Spalding expressed sincere interest in working through the transformation. Givens was not ready to invest in any new hires just yet, so out of necessity she designated Smith, a longtime employee familiar with Westlake operations, manager until the temporary close. Though Smith required frequent direction she was trustworthy and loyal.

Research

Before proposing the bowling lounge strategy to Westlake's board, Givens spent eight weeks analyzing local and nationwide market data and consumer trends related to bowling and evening entertainment. This research provided a solid foundation for the assumptions Givens used to craft pro-forma financials for Sugar Bowl in March, 2010.

Aware of the difference between crafting a strategy and executing a vision, Givens sought an operational mentor. Through a former business colleague, Givens was introduced to Michael Burke, the general manager of "High Rollers," a trendy bowling venue located in the heart of Washington, D.C. After an initial phone conversation, Burke agreed to meet with Givens in Washington, and to provide her with a generous share of inside business information.

> High Rollers exemplified the vision I'd portrayed to my investors," Givens recalled. "When I walked in on Thursday night at 10pm, it was packed with young professionals; most seemed to be in their twenties and early thirties. The lighting was dim, the music was loud; many patrons were bowling, others eating, some were dancing, and all were drinking. I was struck by how much people were willing to pay for the experience.

Like Sugar Bowl, the High Rollers facility held 16 bowling lanes. Burke told Givens that the average customer spent $62.50 per visit, with 50% of revenue from alcohol, 30% from food, and 20% from lane admission. Fees for bowling were charged by the hour instead of by the game (shoe rental was free). High Roller's gross profit margin in 2009 was 70%.

Burke credited cost-effective online marketing, word of mouth "buzz," and private event sales efforts with High Rollers' consistent and robust revenue stream. High Rollers collected email addresses for every customer and sent monthly special offers and "refer a friend" incentives to them to drive repeat and new business. A part-time event planner cold-called targeted companies to pitch private events for slower weeknights.

In Burke, Givens found an experienced mentor. She proposed a standing monthly phone call, and Burke agreed when she made the following offer: "If I pull this off in Raleigh I will return the favor by calling you every month to tell you about new concepts that are increasing my revenue and improving my margins."

Design

Before speaking with any design professionals Givens analyzed the table and bar configurations that would provide greatest profitability for a 150 capacity. She decided that, in addition to plush seating and tables at each lane's end, she would order 25 two-person tables and one pool table for the rear third of the building's space. Flexibility to reconfigure the space for small groups, large groups, and private events was critical.

Givens solicited quotes from three professional Raleigh design firms for Sugar Bowl's renovation. Estimates ranged from $500,000 to $750,000, with fifteen percent of total project costs attributed to design fees.

> I was always thinking about how to shave costs. Who might value the opportunity to work on Sugar Bowl for below-market rates? Two Raleigh universities offered degrees in Architecture and Design. I contacted the deans, proposed our project as an independent study and was contacted by several teams of graduate students willing to work with me for three summer months at no cost in return for academic credit. Though I'd be more involved in the design, I'd save around $90,000 and that was worth it to me.

The team that impressed Givens most also mirrored her desired demographic. She also hired a licensed architect to review design and architectural plans, ensuring they were in line with current safety and building codes. The plans were ready by October, and she selected a general contractor, Mike Walker, whose estimate was 25% less than competitive estimates. What Walker lacked in experience (his business was just 3 years old) he made up for with enthusiasm; he was willing to subsidize his labor for the opportunity to work on a high-profile downtown project and to display signage on Sugar Bowl's exterior.

Food & Beverage

Givens recognized that Sugar Bowl possessed an extremely valuable grandfathered asset beyond bowling lanes: a state-issued liquor license and county permit to serve not just beer but the full range of alcoholic beverages.[3] But bringing the "right" businesses to the neighborhood was important to residents and government officials. They fought strongly against businesses that posed a threat to the newly cultivated district.

Sugar Bowl was also licensed to prepare and serve hot and cold food onsite. The existing menu of pizza and mainstream draft beer would be replaced, but Givens did not have the funds to build and run a full-service restaurant facility in the existing space.

> Though kitchen improvements would be necessary, employing offsite caterers would cost far less than the price of a full restaurant kitchen installation. I partnered with a Raleigh food caterer with an offsite facility that could prepare tapas-style appetizers and small plates.

The terms of the catering contract are listed below.

Cost per menu item	$5.00
Minimum order per night	300 items
# Catering employees required per night	3
Catering wage	$12 per hour
Required advance notice for catering estimates	5 days

[3] In 1997, Givens's grandfather terminated liquor service in an attempt to (1) reduce site damage, (2) deter rowdy customers, and (3) reduce insurance costs. The strategy worked and he kept the policy in place indefinitely.

Phase II: Renovation (Fall 2010 and Winter 2011) and Grand Opening (Spring 2011)

Westlake closed for renovations in November for four months, but by December Walker, the contractor, was already weeks behind schedule due to the following:

- Missed deadline for permit filing: 3 weeks
- Delivery of incorrect materials/reorder & redelivery: 2 weeks
- Builder staffing shortage: 1 week

The Grand Opening, originally planned for early March, was now set for the end of April, and unexpected costs had already diminished Givens' $100,000 "incidentals" budget by $36,000.

Operations:

> Each week's delay, I calculated, would cost me a minimum of $30,000 in lost Sugar Bowl revenue I was worried – about not meeting the bank's timeline for opening, about depleting cash reserves, about the capability of the contractor I'd selected. I figured that firing him, though, would not speed up the process or save money.

Hiring a General Manager

Givens recalled:

> As spring approached, I designated the second week of February to hire staff, finalize catering and bar menus, and research marketing options. But then, another water pipe burst, city officials demanded a walk-through and final design orders needed to be placed. Despite 18 hour days, I couldn't keep up with the demands on my time. I desperately needed to delegate responsibilities, immediately, to someone capable of independent direction.

Burke recommended one of his former wait staff supervisors and bar managers, Sarah Petty, to Givens. Though she lived in Washington DC, Burke felt that Givens could lure her to Raleigh with the right opportunity and compensation.

> I met Sarah at Sugar Bowl – she was eager for a start-up, and I valued her operational experience tremendously. Plus, we clicked on a personal level. But I couldn't afford her current $75,000 salary.

In exchange for a smaller salary of $55,000, Petty requested authority to run the catering and restaurant operation, a 3% equity stake and a two year contract.

> Frankly, it was more than I wanted to give up, economically and personally. However, I trusted Burke's recommendation and my gut instinct, and offered her a job on her terms, with one stipulation: that her two-year contract would take effect only after she met or exceeded specific goals in the first three post-opening months.

Petty started on March 1st and immediately began tackling Givens's to-do list. "Shelby was hyper-sensitive to new and unexpected costs," said Petty. "She asked me to solicit at least three quotes for new products and services, to ensure we were getting a fair market price."

Setting Pricing

Givens leaned on Petty's experience to finalize hours of operation and rates for bowling, food and beverages.

Hours of operation	6pm to 2am, 7 days/week
Lane Rental	$40 per hour, or $10/hour per person
Expected # of customer rotations/night	3
Maximum # of customers	150 (or, 450/night assuming 3 rotations)

Organizational

Givens divided the staff into three divisions. Petty managed restaurant operations, and Givens managed bowling operations and sales (including marketing and events). Both Givens and Petty agreed that hiring a part-time bookkeeper to keep track of receipts and deposits was critical. Reluctantly, Givens acknowledged that eliminating employee health insurance coverage (which had accounted for 12% of Westlake's fixed expenses) was fiscally responsible.

Gary Spalding, with his lane machinery expertise, was an instrumental employee. She offered Spalding a raise equal to the value of his insurance, which he rejected. Ultimately a 30% salary increase and an extra two weeks of vacation annually convinced him to stay. Petty said:

> Smith and Sinclair, old Westlake employees, didn't meet any of the criteria we set for Sugar Bowl employees. Shelby didn't want to terminate them out of a sense of loyalty, but our budget was very tight and we had to make the most productive choices for Sugar Bowl.

Givens terminated Sinclair (a lackluster kitchen worker who had been on temporary leave) but not Smith, who had worked for Dane Sugar for more than 20 years, remained loyal to Westlake after his death, and helped Givens learn the business during her first months on site. However, Smith's passive complaints about late hours and heavier workloads exasperated Petty. Smith was offered a choice of two jobs: (1) an hourly wage greeter and shoe counter cashier or (2) a commission-based private event sales person.[4] She viewed both as demotions, but chose to work in event sales.

The new staff consisted of four full-time employees, five part-time employees (customer-facing cashiers/shoe rental specialists), eight wait staff and two bartenders. A part-time accountant paid bills, tracked weekly expenses and prepared monthly financial statements.

The minimum wage compensation was $2.15 per hour for tipped employees, and $7.25 per hour for hourly workers. Thanks to Sugar Bowl's proximity to nearby universities, college and graduate students filled bar and wait staff positions filled within two weeks.

Financial Controls

"Employing a group of young and sociable employees usually meant higher levels of shrinkage, said Petty, using an industry term to describe employees' unauthorized distribution of free or discounted consumables to friends and acquaintances. "At High Rollers in D.C., most employees found it hard to resist giving freebies to friends. I knew that implementing and consistently applying management controls at Sugar Bowl would be critical."

[4] Smith's compensation was $250 per week, plus 10% of total revenue from private events she booked. Smith did not receive health insurance as part of her new compensation package.

Petty's proposed management controls:

Problem	Control
Liquor theft	Manager present and signature required to remove liquor bottles from inventory closet.
Unexpected losses	Monthly inventory check of food, liquor and supplies.
Shrinkage	Independent auditing of daily cash receipts, checked against number of customers, actual sales and bank deposits.
Unauthorized charges	All deliveries over $150 must be accompanied by an authorized purchase order.

Marketing for the Grand Opening

Advertising: Sugar Bowl's target market consisted of young professionals and older graduate students. Both groups used online tools and services frequently, and Givens believed online ads, direct emails and social media channels offered better value and tracking capability than traditional offline media.[5]

Givens budgeted $40,000 for online and offline marketing materials, advertising and promotions from May launch through the end of 2011. See **Exhibit 3** for results from five summer test marketing campaigns, which Givens used as a reference for marketing and advertising spending.

Public Relations: For the Grand Opening, a low cost, attention-grabbing PR stunt helped boost awareness and intrigue on a sunny Saturday afternoon. A $200 permit enabled staff to assemble two makeshift bowling lanes in the road, with Sugar Bowl t-shirts awarded to anyone who bowled a strike. Music played, wait staff served free lemonade, iced tea and a sampling of menu items, and hefty crowd gathered. A few drivers seemed disgruntled but overall, the mood was positive. Givens, doing meet-and-greet the entire time, made the acquaintance of nearly two dozen commercial and residential neighbors, telling them, "We will be good neighbors. If you ever have a problem, call me directly; here's my card."

The following day three reporters contacted Givens and within 48 hours Sugar Bowl was featured on two television news programs, a radio show, and in the local newspaper's Sunday business section.

Phase III: 2011/12 Operations

Sugar Bowl opened for business on Thursday, May 5th 2011, 7 weeks later than planned due to construction, distribution and permitting delays. The first weekend's attendance averaged 60% capacity.[6]

Unpredictability

Givens struggled to predict catering estimates as early summer attendance fluctuated. One rainy Friday night nearly exceeded maximum capacity with 425 customers, but the next night, a balmy Saturday, there were just 100 patrons all night. By the end of June, attendance was averaging 35%

[5] A third party email service cost $50 per month for unlimited emails, compared to $250 for a single black and white display ad in Raleigh's Sunday paper.

[6] Givens determined that evening capacity was 450 (or, three "cycles" of 150 each).

capacity from Thursday to Sunday, and just 15% Monday through Wednesday. To make matters worse, average spending, at $40 per person, was lower than anticipated. Givens hoped, but could not be sure, that low patronage was due to a diminished summer population. She debated making immediate use of the Q3 marketing funds.

In July, two waiters quit simultaneously because their earnings were lower than expected. Petty caught a third giving away drinks and fired her on the spot; she later overheard Smith grumble to a fellow employee "Well, that's not how it *used* to be around here." That weekend both Petty and Givens rolled up their sleeves and waited tables; Givens had forgotten how stressful and tiring the job could be. Finding, hiring and training each new employee took 10 days and cost roughly $750.

In October, machinery for two lanes unexpectedly malfunctioned while Gary Spalding was on vacation. An out of state servicer repaired them, but it took a week's time and totaled $26,000.

Customer Experience

Givens noted that once inside, customers enjoyed themselves. To verify her hunch she asked customers to rate their experience on a 1 to 5 scale as they turned in their shoes. 85% responded with the most favorable rating. For the less positive responses, complaints focused on cost, wait times, and group (as opposed to singles) orientation.

Private Events

Smith struggled as an event sales agent, focusing her efforts only on Raleigh businesses and academic departments with whom she shared personal connections. In September she quit.

"Smith was close with my grandfather and she knew many of my relatives; it was a delicate situation and I handled it poorly. But, I am not sure what else I could have done. There simply wasn't a good role for her at Sugar Bowl. "

To replace Smith, Givens hired a part-time event planner, Charlie Campbell. Campbell had been unemployed, and was eager for a job. As such he, too, agreed to work mostly on commission. Campbell had both sales experience and an extensive personal network at high tech and biotech companies all over the Research Triangle. Within a month he'd booked two private events (listed below) and made substantive contact with HR managers at 21 companies.

Company	Event Revenue	# People	Length
Symbia	$5,000	60	3 hours
Lerner-Wright	$4,700	50	3 hours

Not wanting to sacrifice revenues from Thursday to Sunday, Givens designated Monday and Tuesday nights for private events. By November, Campbell secured four holiday parties and reported interest in three more for (potentially) $35,000 in revenue. Givens knew she would have to improve his compensation if she wanted to keep him.

Gaining Momentum

September and October revenues grew as word spread among graduate students and the young professional circuit (See **Exhibit 4:** Weekly Attendance Snapshot). Average spending climbed to $45, and by November, Thursday—Sunday nights averaged 60% capacity. But Monday, Tuesday and Wednesday patronage—unless booked with private events—languished at 15% capacity. The spring and summer's lower-than forecasted revenues had drained cash and Sugar Bowl's incidentals "cushion" was a mere $15,000 by December.

With profits in mind, Givens and Petty identified the four menu items and three specialty drinks that offered highest contribution margins and guided staff to gently promote those items. By December, Petty had a good idea of customer tastes and preferences:

> As a result of the meticulous record keeping mandated by our bookkeeper, tweaking menu choices was straightforward. For example, we noticed that of our menu of fifteen tapas offerings, the six top-sellers were ordered 50% more than the least popular offerings. We narrowed menu options, and re-negotiated catering costs (which fell by 25%), and increased prices by 10% for best-selling plates. These changes lifted average revenue per person to $50 by the end of December.

Strategic Partnerships

Bowling leagues attracted a steady stream of customers on slower nights were a key benefit of the "old' Westlake business model. Givens wondered if she had made a mistake in excluding league players completely from her new strategy. In February of 2012, Givens contacted a local dating service to explore a partnership. The dating service said it could gather 60 singles under the age of 35 for an eight week Wednesday night bowling league. The service would pay Sugar Bowl $120 per person for reserved bowling from 7pm to 10pm, a Sugar Bowl t-shirt (cost: $5.00 each), and 50% off one drink per person per evening. With the help of the dating service analyst, Givens projected the average order for each single would amount to 1.5 drinks and 2 tapas plates per person each night.[7] And, a similar 2010 partnership at a rock-climbing facility resulted in 50% of singles becoming repeat customers.

Meanwhile, Petty attended one evening the show of a Raleigh-based amateur eighties cover band with a loyal late-twenties following. The three person band, Zulu, played one sold-out show every other week to a crowd of 120 at a small bar downtown. The bar, however, was closing and Zulu needed a new home for six months for their Wednesday night gigs. With some minor furniture maneuvering, Petty figured Sugar Bowl had enough room to accommodate the band, their instruments, and a standing crowd of 75 in the bar and restaurant area. Zulu's fee was $1,500 per night. The twice-monthly show began at 9pm and lasted 3 hours. Petty estimated, based on past bar and admission revenues, that fans would pay $10 to hear Zulu, and order 2.5 drinks and 1 tapas plate each; she expected only a few of the lanes to be in use during the show. According to the closing bar's owner, fans were loyal to Zulu, not their venue. He guessed that between 5% and 10% of Zulu fans became repeat customers.

April 2012

Sugar Bowl's revenue streams continued to fluctuate, and as summer approached Givens wondered if the number of customers would once again drop precipitously. However, the positive energy on crowded nights was motivating. During these moments, as she watched throngs of customers enjoying themselves in the company of friends, Givens felt tremendous achievement. She sensed her business was poised for growth, but in what direction? A second location? A franchise opportunity? Expansion of the current location?

On a neighboring block, Givens noticed two new businesses under construction—a wine and cheese bar, and an art studio that planned to offer evening painting classes (along with beer and

[7] Q1 2012 average price for one drink was $10, and one tapas plate was $8.

wine) for adults. Clearly, the neighborhood was flourishing. But a 24 lane bowling facility on the outskirts of Raleigh had closed for good after 30 years.

In early April, Givens fielded two surprising and monumental phone calls; the first was from a local investor. He said he'd accompanied his son to Sugar Bowl on several occasions over the last six months, and noted its rise in popularity among his son's peers. He then asked if Givens would consider selling Sugar Bowl and suggested $1 million as a starting point for negotiations. Givens was torn. A sale at the right price could generate Givens and the business's investors, including friends and family, immediate financial benefits—Givens, with a 25% stake, could potentially pay off her student loans. But Givens wasn't sure she was ready to sell now that she'd survived the tumultuous first two years of operations. And how would her extended family feel about selling her grandfather's business to an outsider?

Later that same week, a business school friend called Givens out of the blue. The management consulting firm for whom he worked was growing, and they'd asked him to build and lead a group focused on small business operations. Would Givens be interested in joining his group in New York City, he asked? Though travel was a consideration, work-life balance was a priority for the firm and hours were predictable. Givens's salary would more than double, and a hefty signing bonus would help to ease the transition. It was a line of work that had intrigued her in the past, and an offer she could not ignore.

Pondering the future

Before communicating with her board or responding to the investor and/or her friend, she wanted to understand:

- Whether she was on track to repay her loans within the five year timeframe.
- The number of customers per day needed to break by the end of Q1 2012, as compared to nearly a year earlier, Q3 2011.
- The benefits and drawbacks—economic and otherwise—for Wednesday night options: Singles League or Zulu venue.
- Mondays and Tuesday potential. With customer breakeven in mind, did it make sense to close altogether if no private events were scheduled? Were there other options?

Looking back at her experience at Sugar Bowl, Givens reflected: The past 18 months have afforded me an incredible opportunity; I've been exposed to general management much earlier than most of my business school classmates and for that I am grateful. I'm certainly proud of the progress we've made with Sugar Bowl.

From the outside it would appear that our success has come from leveraging the urban lounge concept. To me, however, that's not the case—it is the combination of careful cost management together with the new strategy that has propelled our success. My greatest accomplishment, I think, was maintaining tight cost controls through our transition.

Bowling is currently experiencing a renaissance, with young professionals enjoying urban lounges like ours and families patronizing big-box entertainment centers. Yet the long term viability of either of these business types is unknown. Who knows what the next trend in entertainment will be? We've made a large investment in Sugar Bowl but I do worry that its novelty will be lost on future generations. Plus, I am saddled with debt and my investors are waiting for a return as well. I also wonder at what point I should pursue a larger general management role to further my own career.

Appendix

Overview of Bowling Industry in 2011

Current figures show there are more than 100 million bowlers in 90 countries worldwide, and more than 70 million in the United States alone; this makes bowling, a $7 billion industry in the United States, the most popular played sport in the United States today. Increased participation from both women and children has fueled bowling's growth over the last decade. The sport's average customer boasts a household income of nearly $68,000.

The most widespread form of bowling in the U.S. is Ten-Pin Bowling. One game consists of 10 "frames" of 10 pins each. With each frame, each player receives two chances (or rolls) to knock down pins, and on the tenth and final frame, three chances. A perfect score—an extremely rare event—is 300. Frequent recreational bowlers generally average between 120 and 175 points per game.

Bowling's popularity in the United States exploded in the 1950s, mostly due to television coverage of bowling tournaments. In the 1960s, improvements in lane machinery and technology fueled additional growth, which continued through the 1970s as widespread participation in league bowling spread. Typically, league bowlers committed to weekly bowling sessions for 32 weeks, ensuring a consistent revenue stream for bowling centers.

Beginning in the late 1980s, however, industry growth stagnated as league participation declined. Bowling centers turned to recreational bowlers for revenues, competing for their dollars against other forms of family entertainment. Also during this time the bowling industry grappled with its reputation as an outdated, old-timers activity. This image was fueled in part by old, worn facilities and an aging customer base.

Over the last 15 years, many bowling centers have updated their facilities with one of two markets in mind—families or young urbanites. Those pursuing families often create family entertainment centers, with bowling providing just one part of a larger entertainment experience. The "upscale bowling lounge" has grown in popularity since roughly 2000 in larger urban markets. These facilities target 21- to 35-year-old urban dwellers, providing an alternative to bars and live music venues. Often with creative lighting displays and themed entertainment they are as much night- and dance-club as they are bowling alley. They may feature pool or billiards as well as bowling, and provide upscale dining options and a full bar.

In the United States, there are 5,350 bowling centers, with an average of 20 lanes each. The industry is highly fragmented. Together, the five largest owners own just 8% of total bowling facilities. Bowling centers are predominantly family-owned.

Exhibit 1 Sugar Bowl Balance Sheet

December 31, 2006-2012	2006	2007	2008	2009	2010	2011
ASSETS						
Current Assets						
Cash	$ 35,488	$ 24,473	$ 29,667	$ 9,057	$ 298,806	$ 66,594
Inventory	$ 15,412	$ 6,571	$ 2,943	$ 4,200	$ 24,005	$ 83,950
Fixed Assets						
Property, Plant & Equipment	$ 54,007	$ 132,103	$ 184,122	$ 178,046	$ 408,500	$ 658,962
Total Assets	$ 104,907	$ 163,147	$ 216,732	$ 191,303	$ 731,311	$ 809,506
LIABILITIES						
Accounts Payable	$ 14,907	$ 15,000	$ 25,000	$ 30,000	$ 25,488	$ 51,995
Debt	$ 40,000	$ 121,567	$ 94,850	$ 124,208	$ 724,208	$ 724,208
Total Liabilities	$ 54,907	$ 136,567	$ 119,850	$ 154,208	$ 749,696	$ 776,203
EQUITY						
Common Stock	$ 30,000	$ 30,000	$ 130,000	$ 130,000	$ 130,000	$ 130,000
Retained Earnings	$ 0,000	$ (3,420)	$ (33,118)	$ (92,905)	$ (160,490)	$ (96,697)
Total Equity	$ 50,000	$ 26,580	$ 96,882	$ 37,095	$ (30,490)	$ 33,303

Exhibit 2 Sugar Bowl Income Statements: Quarterly and Annual

INCOME STATEMENT	QUARTERLY					ANNUAL	
	Westlake Q3 2010	**Sugar Bowl Q2 2011[a]**	**Sugar Bowl Q3 2011**	**Sugar Bowl Q4 2011**	**Sugar Bowl Q1 2012**	**Westlake 2010**	**Sugar Bowl 2011**
Income							
Lane Rental	$ 118,290	$ 106,707	$ 179,021	$ 275,400	$ 267,540	$ 398,850	$ 561,128
Food Sale	$ 17,150	$ 70,392	$ 159,667	$ 448,500	$ 410,270	$ 56,920	$ 678,559
Liquor Sale	$ 20,571	$ 99,460	$ 243,763	$ 559,270	$ 501,550	$ 69,890	$ 902,493
Total	$ 156,011	$ 276,559	$ 582,451	$ 1,283,170	$ 1,179,360	$ 525,660	$ 2,142,180
Variable Cost of Sales							
Food Purchased	$ 5,145	$ 39,420	$ 110,250	$ 181,386	$ 199,336	$ 17,076	$ 331,056
Liquor Purchased	$ 4,114	$ 29,838	$ 105,000	$ 249,530	$ 201,600	$ 13,978	$ 384,368
Food & Beverage Supplies	$ 3,772	$ 35,953	$ 129,157	$ 114,500	$ 147,011	$ 12,681	$ 279,610
Total	$ 13,031	$ 105,210	$ 344,407	$ 545,416	$ 547,946	$ 43,735	$ 995,033
General Overhead Expenses							
Marketing and Advertising	$ 2,820	$ 10,000	$ 15,000	$ 15,000	$ 15,000	$ 9,250	$ 40,000
Salaries: Full Time	$ 29,400	$ 48,498	$ 48,498	$ 48,498	$ 48,498	$ 115,000	$ 145,494
Salaries: Part Time	$ 9,240	$ 20,130	$ 18,720	$ 34,528	$ 23,900	$ 30,800	$ 73,378
Catering wage	n/a	$ 16,128	$ 25,920	$ 32,027	$ 25,920		$ 74,075
Coupons	$ 2,339	$ 7,000	$ 9,000	$ 11,000	$ 9,000	$ 7,090	$ 27,000
Legal and Audit	$ 2,112	$ 3,600	$ 3,600	$ 3,600	$ 3,600	$ 7,040	$ 10,800
License & Permits	$ 440	$ 2,475	$ 2,475	$ 6,000	$ 6,000	$ 6,500	$ 10,950
Office Supplies	$ 794	$ 1,950	$ 3,450	$ 5,450	$ 3,450	$ 2,740	$ 10,850
Rent	$ 26,949	$ 43,000	$ 43,000	$ 43,000	$ 43,000	$ 89,830	$ 129,000
Repair & Maintenance Labor	$ 13,838	$ 14,000	$ 29,550	$ 34,550	$ 29,550	$ 102,700	$ 78,100
Repair & Maintenance Supplies	$ 24,855	$ 45,000	$ 49,000	$ 58,000	$ 63,000	$ 67,500	$ 152,000
Utilities	$ 7,131	$ 15,000	$ 26,100	$ 24,040	$ 23,520	$ 27,560	$ 65,140
Travel & Promotion	$ 263	$ 8,000	$ 3,000	$ 3,000	$ 3,000	$ -	$ 14,000
Insurance	$ 14,700	$ 28,500	$ 28,500	$ 33,000	$ 33,000	$ 49,000	$ 90,000
Miscellaneous	$ 450	$ 6,000	$ 8,500	$ 7,500	$ 9,700	$ 1,500	$ 22,000
Total General	$ 135,329	$ 269,281	$ 314,313	$ 359,193	$ 340,138	$ 516,510	$ 942,787
Interest payment: Bank	$ 1,897	$ 8,000	$ 8,000	$ 8,000	$ 8,000	$ 16,000	$ 32,000
Interest payment: Friends & Family		$ 4,000.00	$ 4,000.00	$ 4,000.00	$ 4,000.00	$ 8,000	$ 16,000
Depreciation	$ 2,100	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 9,000	$ 14,000
Tax	$ 2,678			$ 132,496	$ 101,946		$ 78,566
Net Income	$ 4,973	$ (112,932)	$ (91,269)	$ 231,065	$ 174,329	$ (67,585)	$ 63,793

[a] Q2 2011 represents just 8 weeks of Sugar Bowl Operations. Note the facility closed for renovations in November 2010, and reopened in early May 2011.

Exhibit 3 Marketing Campaigns

Summer 2011: Test Marketing Campaigns						
Channel	Campaign Cost	# Potential customers reached	# Actual customers delivered	Repeat Customers Generated	Cost Per Customer	Cost per Repeat Customer
Direct Email to Sugar Bowl Email List	$50	400.00	30.00	16.00	$ 1.67	$ 3.13
Direct Email to Rented Target Email List	$4,000	4,000.00	80.00	30.00	$ 50.00	$ 133.33
Group Buying Offer	$2000 + 30% of sales	5,000.00	500.00	125.00	$ 11.50	$ 46.00
Social Media Website	$0.75 per click	1,000.00	120.00	12.00	$ 6.25	$ 62.50
Keyword Search	$1.10 per click	500.00	35.00	20.00	$ 15.71	$ 27.50

Exhibit 4 Weekly Attendance and Revenue Snapshot

Weekly Attendance Snapshot [a]									**Average $ Per Person**
2011	**Monday**	**Tuesday**	**Wed.**	**Thursday**	**Friday**	**Saturday**	**Sunday**	**Weekly**	
Q2	67	59	75	154	160	180	124	819	$ 35.00
Q3	67	59	75	200	215	220	172	1008	$ 40.00
Q4	75	94	190	308	350	385	299	1701	$ 50.00
2012	**Monday**	**Tuesday**	**Wed.**	**Thursday**	**Friday**	**Saturday**	**Sunday**	**Weekly**	
Q1	101	125	120	378	411	420	335	1890	$ 52.00

[a] Does not include Private Event patronage