Eat, Drink, Party: Ancillary Income Opportunities for Ice Arenas

by Thomas W. Bahls

In years past, many ice arenas concentrated their efforts strictly on operating the ice surface(s) in the facility, opting to lease the available space in the arena to either an outside vendor, local business, food service company, or local hockey association. The philosophy behind revenue source leasing was simply that arena ownership had no expertise in any other type of business activity other than ice. They did not recognize the potential level of profits from these revenue sources, typically viewing personnel expense as a liability, and they held the common belief that eliminating liability led to greater profits.

Today, ice arenas have become "entertainment centers," broadening their scope of activities in an effort to widen their year-round customer base and create a greater annual revenue stream.

Food Service

Until the "arena revolution" in the mid-1980s, many arena operators viewed concession stands and related food service activities as an insignificant and secondary source of revenue, often giving the right to sell food and beverages in the arena to the local hockey association, in an effort to give the hockey clubs the financial ability to buy more ice time from the arena.

Today, food service is viewed as an opportunity to generate additional revenue from an arena's operation. The average cost to sell product from a concessions type food service is between 42 percent and 45 percent. The average per customer sale for a concessions type food service area is approximately $ .55 per visit, with the per cap amount going much higher for broader menus and alcohol sales (beer and wine).

A typical twin sheet, multi-sport ice facility will receive over 300,000 customer visits per year. This patronage accounts for $175,000 in gross food service sales (excluding alcohol sales), translating to $100,000 in net cash flow from a concession stand and vending machines.

Planning for appropriate food service must be a high priority for any proposed ice arena project. Types of activities, number of expected customer visits, and construction costs must be examined and weighed to determine if the concession stand should serve frozen, non-perishable items or if a broader menu is desirable with a full service kitchen including: fryers, a grill, dishwasher, etc.

When considering what type food service scenario will work best for any proposed project, staff efficiency and lost labor time typically dictate the design of the space. Questions such as "If a full kitchen is in place, can the expected sales support increased labor cost?" and "Will the expected sales pay for the cost to construct a full kitchen?" should be addressed. The space available for serving, preparation and storage may determine what type food service is appropriate for any arena project.

BAHLS & Associates recommends a food service area and configuration that is able to serve all types of frozen food, beverages and packaged items throughout the course of a business day, with the opportunity to serve fried and grilled food during heavy customer use times. There is a wide selection of vent-less grills and fryers on the market that can accommodate this method of food service.

During the early planning stages of a project's development, architects and arena developers should meet with local representatives within the food distribution and service industry to determine power and space requirements for food service and vending areas. Additionally, wholesale distributors of food and beverages are willing to give equipment and even cash payments to an ice arena in exchange for their products' exclusivity within the facility.

The arena staff should always stock vending machines, both soda and packaged goods. Vending sales operate on an approximate 60 percent cost of goods basis, which is much higher than the typical percentage offered by a professional vending company. The beverage machines will be provided to the facility free of charge from the arena's soda distributor in exchange for exclusivity of their product.

Pouring Rights

A twin surface ice arena with 300,000 annual customer visits can ask for and receive upwards of $20,000 annually for soda pouring rights. Additionally, whichever vendor you work with, all fountain equipment, vending machines, event advertising banners, printed material, neck advertising hangars and spokesman visits can easily be worked into an annual agreement.

The vendor will undoubtedly want some advertising in trade, such as a dasher board in each arena, wall space in the lobby area, etc., but a multi-year deal that pays out $100,000 over five years in trade for a couple of dasher boards is well worth the minimal advertising space and direct expense to an arena. An arena management group should send out a request for proposal to all potential bidders. Once several proposals are received, the management team can create a competitive bidding environment between all bidders to raise the value of the contract.

Parties

Group activities, including birthday parties, corporate parties, business meetings and other group related functions, are good ways to expose the arena and its programs to individuals and businesses that may not normally frequent the facility. They can also provide a steady year-round revenue stream for the arena operation.

A typical twin ice facility that offers all ice sports will host over 250 birthday parties a year. The price point of a birthday party is usually fairly low, as the arena is exposing itself to a group of potential long-term customers who, if satisfied with their party experience, will become long-term users of the facility.

Multi-use meeting rooms should be incorporated into the design of the facility so that they are able to accommodate groups of from 10 to 75 people.

Conclusion

Obviously, non-ice or ancillary revenue sources are needed to provide sufficient income to accommodate operational expense. Ancillary revenue opportunities often require additional capital investment and/or ongoing operational expenses, so it is very important for the arena management/developers to determine what opportunities are most cost effective and will provide the greatest return on the initial or ongoing investment prior to plan institution.

Recognize the needs of your captive audience and the opportunities presented by their patronage and implement a plan to institute or maximize revenue generating sources that will not only give your customers a better experience but will provide the arena operation greater annual revenue.

** Thomas W. Bahls is general manager of Coach USA Center and president of BAHLS & Associates.*