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RICHARD G. HAMERMESH

ALISA ZALOSH

Westlake Lanes: How Can This Business Be Saved?

Introduction

Shelby Givens, general manager of Westlake Bowling Lanes, sat in her cramped office in downtown Raleigh, North Carolina. It was March 10, 2010, two weeks before the scheduled meeting of Westlake's board—Givens's uncle and two close family friends. During her 9-month tenure as general manager, Givens, working 70-hour weeks, reined in costs and gradually grew revenues. As a result, the business generated its first month of profit in over two years (see **Exhibit 1**). Yet Westlake was not on track to soon repay the funds the board had loaned it 16 months before. Givens was proud of her achievements, but she worried that they had been too little, too late. Would the board even consider a different path for Westlake if the loaned funds could not soon be repaid? Givens believed that lucrative opportunities were in Westlake's future, but right now that future seemed uncertain. The board and Westlake's employees were looking to Givens for guidance.

Shelby Givens: Background

Shelby Givens was raised in Charlotte, North Carolina, and attended the University of Virginia, graduating in 2005 with a B.A. in English. For the next three years, Givens worked as a copywriter and creative director for a boutique advertising agency in New York City. She then moved to the Midwest to attend a highly rated business school, from which she graduated in May 2009. As graduation approached, Givens considered several employment options, including consulting. Said Givens, "I liked consulting's focus on business strategy and general management. The pay and the perks were nice. But I knew I'd miss working in a small entrepreneurial environment where my contributions directly impacted the business."

While home for spring break, Givens's uncle spoke to her about the ongoing financial challenges faced by her family's bowling alley, Westlake Lanes, where she had worked for two summers while in college. Westlake was founded by Givens's maternal grandfather, Dane Sugar, who died in 2008. The once profitable bowling alley was struggling with declining sales and increasing costs. Since

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. This case, though based on real events, is fictionalized, and any resemblance to actual persons or entities is coincidental. There are occasional references to actual companies in the narration.

2004, revenues had fallen by more than 40% while costs—especially for employee health insurance, maintenance, and utilities—climbed. Sugar funded improvements in 2007 with a line of credit. In late 2008 the board, motivated by sentiment more than profit, was forced to loan the business $100,000 from personal savings accounts in order to sustain operations.

Eager to work in a small business environment and to exercise her newly acquired management skills, Givens formally proposed to Westlake's board that they hire her to resolve its problems. She requested $75,000 (her grandfather's salary) and a 25% equity share to be awarded if the business returned to profitability within one year. The board agreed and granted Givens the authority to manage the business, but the stakes were high. If profitability was not attained by mid-2010, all agreed Westlake Lanes would be sold—most likely at a loss—resulting in a cousin's depleted college savings and a nearly insolvent and unemployed Givens burdened with student loans.

Westlake Lanes Background

Givens's grandfather was an avid bowler. In the early 1970s Sugar secured a long-term lease for 11,000 square feet on the first floor of an old mill in downtown Raleigh. With a $150,000 bank loan and $100,000 drawn from savings, he renovated the property and installed 16 Ten-Pin bowling lanes. During the 1970s and 1980s Westlake hosted a steady stream of family bowlers and birthday parties. Mr. Sugar also cultivated popular bowling leagues, 32 weeks in duration, for his Raleigh friends and neighbors. After Dane Sugar's unexpected death in October 2008, his Raleigh-based son, along with a pair of his close friends, became the business's owners and board members.

Dane Sugar managed all aspects of the business, drawing a salary plus company earnings, which fluctuated year to year. He wanted to pass on the business to family, but his children, with careers of their own, declined. After Sugar's death, the board needed someone to step in and run Westlake. They offered longtime employee Shirley Smith the chance to be general manager (along with a 30% raise) even though she lacked formal managerial experience.

Westlake Operations (June 2009)

Though three other bowling alleys operated within a few miles, Westlake was the only one in downtown Raleigh close to lively neighborhoods and restaurants. To Sugar, Westlake's competition wasn't other bowling alleys, but a wide range of activities—including soccer practice and happy hour—that competed for his customers' increasingly limited time.

A 2007 business profile in a Raleigh paper stated: "Stepping inside Raleigh's only downtown bowling facility—Westlake Lanes—is like taking a step back in time. Seventies and eighties music plays loudly while families gather to play and eat pizza. On weeknights, league bowlers convene to practice and compete. Loyal patrons and friends of founder Dane Sugar have been bowling here for more than thirty years."

Westlake Lanes Employees

In 2009 Westlake Lanes employed a staff of four; each had an annual salary and was provided with health insurance. See **Table 1** for details on employee salaries and responsibilities.

Table 1 Employee Salaries and Responsibilities

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.
Jenny Bullock (28)	$26K	Lane/shoe rental, customer service	9 yrs.

Westlake Lanes's staff also included a revolving roster of four part-time employees to assist Bullock and Sinclair with customers. Each received an hourly wage of $8.25 and worked an average of 20 hours each week.

Hours of Operation and Pricing

Westlake Lanes was open 7 days a week, 362 days a year. During an average week, more than 75% of Westlake's business came from evening and weekend attendance. During roughly eight weeks during summer vacation and school vacations, daytime **attendance** was significantly higher.[1]

Each lane accommodated up to four players. Bowling shoes were mandatory; most league bowlers owned shoes, while recreational patrons rented. Westlake charged recreational players by the game, and each game consisted of 10 strings. Recreational players averaged two games (or 90 minutes of playing) each. League bowlers reserved all lanes on weeknights for tournaments and practices.

Westlake's menu consisted of pizza, soda and beer; due to low demand Westlake refrained from selling hard alcohol (though they held a license for it). Please refer to **Table 2** for hours and pricing information.

Table 2 Pricing for Lane/Shoe Rental, League Bowling, Food & Beverage

Bowling Fees			**Other Fees:**	
Monday - Thursday	Recreational	League	Shoe Rental	$2.00
12pm - 6pm	$3.80	n/a		
6pm - 9pm (League Flat Fee)	n/a	$10		
			Food Prices:	
Friday - Sunday			Pizza Pie	$12.00
12pm - 6pm	$4.10	n/a	Pizza Slice	$3.00
6pm - 9pm	$4.10	n/a	Soda	$1.50
			Draught Beer	$3.75

Ambience

As Shirley Smith explained, "When I started working for Mr. Sugar in 1986, the décor was sparse—just the alleys and a few vending machines. By the late 1980s, we had food and liquor licenses, a simple kitchen and some formica-topped tables for eating. We served plain and pepperoni pizza, draught beer and soda, and our menu hasn't changed much since then."

Though Givens felt that the building's interior was outdated aesthetically, she was relieved that its infrastructure, for which they paid $9.80 per square foot annually, was healthy. At the end of each

[1] Weather impacted revenues also; on rainy and steamy hot summer afternoons there was often a waitlist to play.

lane was a round table and vinyl booth that seated six comfortably. Fluorescent lights shone above, and a dark wall-to-wall carpet covered the area behind the booths.

Understanding Operations

Givens arrived at the bowling alley on June 5, 2009. She re-introduced herself to each full-time employee, and then headed to the manager's office—a small warren containing a metal desk covered with urgently worded sticky notes from Shirley Smith, stacks of unpaid invoices, and unopened mail. As she tallied the invoices, Givens quickly realized that payables were 50% higher than the estimate given to her by the board. Also concerning was a month-old voice message left by an insurance broker, communicating an 8% increase in employee health insurance premiums. Givens said:

"That first day was overwhelming. There were so many pressing problems, I didn't know where to begin. I started by organizing unpaid invoices into two piles: those that could threaten operations if left unsettled and those that could wait."

Gaining Control of Finances

Organizing the invoices provided an ancillary benefit. "As I studied the line items," Givens explained, "many charges seemed excessive. Had anyone performed competitive research for routine services like carpet cleaning?" She organized the invoices and listened to a slew of voicemails regarding outstanding payments, then resolved to personally visit each local vendor and call those further away. "Speaking directly with vendors made me uncomfortable, but many of these folks had known my grandfather and were sympathetic. Most agreed to waive penalties and institute payment plans for us at no cost."

Many expenses, from bowling shoes to cups for the bar to floor wax, were lumped into a general "supplies" category. Confused by the financials, Givens wanted to clarify which costs were fixed and which were variable. (See **Exhibit 2**, 2004–2009 income statements, and **Exhibit 3**, 2006–2009 balance sheets).

Employee Morale

Spalding, Smith, Sinclair, and Bullock were full-time employees. They had been close with Sugar and had kept the business running without any significant direction from the board for two years. Each had assumed Givens had arrived to liquidate assets and close the business.

"I remembered Shelby from my early days at the bowling alley," said Spalding. "Was she now here to fire me? I'd worked to keep everything running but had no idea if my performance was up to par, or if the alley was to close. I was grateful for my job during tough economic times, but a few kind words from the board to thank me for my honesty and loyalty would have been nice."

Givens scheduled one-on-one meetings at the beginning of her second week. It quickly became clear that everyone was aware of the business's financial troubles. Yet the board's infrequent communication left employees disgruntled. With no job descriptions they simply executed routine tasks, not knowing whether they had any authority to do things differently. Givens noticed if business was slow, Bullock and Sinclair took time to read the paper or wandered outside to talk on their cell phones.

Givens said, "For some reason, the thing that bothered me most was this small corner of vinyl wallpaper that had come unstuck and now hung down about a foot, right next to the snack bar. Any of the employees could have pulled out the ladder and used adhesive to paste it back into place, but none had done it. Maybe they hadn't even noticed it."

During the slower afternoons, Givens often bowled a few rounds to help clear her head and ponder the challenges she, and the bowling alley, faced. She wanted to quickly write a mission statement, outline roles and responsibilities for each employee, and engage them in the turnaround. "Can I energize this team," Givens wondered, "or is it too late?"

Food and Beverage

Givens met with Sinclair and learned pizza was served from 4pm to closing on weekdays, and all day on weekends. The pizza was purchased from a food supplier, delivered frozen and heated on-site. Looking at just revenue and costs, pizza delivered a gross profit margin of 65%, draught beer 77%, and soda 86%. Though Sinclair felt the pizza was only "so-so," he wasn't sure if he could research new suppliers. Pizza sales were declining (on average less than 30% of patrons ordered it) and Sinclair felt this might be attributable to the recent opening of a few inexpensive eating establishments within walking distance of Westlake.

Maintenance

Westlake's on-site maintenance employee, Gary Spalding, was a former auto mechanic. He kept the building, machinery, and grounds in good shape, and ensured that the bowling machinery was regularly serviced and the lanes polished daily. A "jack-of-all-trades," he resolved plumbing and air conditioning issues, repaired leaks, and kept the building up to code.

Westlake's lane machinery was from the 1970s; scoring technology was added in the late 1980s. With a life expectancy of 30 years, machine maintenance and replacement costs had begun to spike in the late 1990s. Machinery for 11 of 16 lanes was replaced at a cost of $19,000 per lane, and in early 2007, Sugar upgraded scoring and screen technology for all 16 lanes at a cost of $120,000. Spalding expected at least three additional machines to expire by the end of 2010.

Back Office and Customer Service

Shirley Smith had found it hard to prioritize payables and was uncomfortable making operational changes. Givens could see that she was a hard-working employee but needed direction. When asked her for details on revenue—how many customers per hour, average spent per customer, etc.—Smith said it was too time consuming to continually track. See **Exhibit 4** for snapshots of weekly customer attendance and spending habits.

Jenny Bullock appreciated the simplicity and consistency of her job at the cash register and shoe rental counter. She was friendly with customers and trained part-time employees. Givens noticed that Bullock often read magazines discreetly behind the counter when business was slow.

Sales and Marketing

Despite any strategic marketing effort, there was a consistent weekly flow of walk-in and league bowlers. Dane Sugar recruited many of Westlake's league patrons himself. Though league bowlers spent little on food and drink, they ensured an ongoing revenue stream on slower weeknights for nine months of the year. Advertising to promote recreational bowling included thrice-weekly print advertisements, coupon inserts in local newspapers, and print coupons distributed to customers.

Using the 2008 income statement, weekly attendance snapshots and average per-person revenue, Givens projected the number of weekly customers required to break even. Increasing both the number of customers and the average expenditure per customer was critical.

According to Smith, two distinct groups formed the bulk of customers: league bowlers and families with children. Beyond this, Smith had no detailed insights. Through a few days of observation, Givens estimated that 70% of league bowlers were male and that the average league bowler was roughly 65. Family bowlers ranged from ages 4 to 90.

To collect more credible data, Givens had Bullock distribute an anonymous demographic survey to incoming customers. Results showed that average income was $55,000; those over 55 were the largest segment (33%) of customers, followed by 16 and under (15%). The remaining 52% of customers were distributed fairly evenly among 16-54 year olds. See **Table 3** for responses to questions related to bowling frequency:

Table 3 Bowling frequency

How often do you bowl?		**If your response was 1x per month or less, what is preventing you from bowling more?**	
5x or more per month:	5%	I don't have enough time	45%
2x - 5x per month	24%	I prefer other activities	35%
1x per month	19%	It's too expensive	17%
1-2x every 6 months	32%	I don't like to bowl	3%
1x per year or less	20%		

Understanding the Locale

Givens left Raleigh to attend college in 2001, and during her absence Raleigh had blossomed. The city was well-kept, and an array of new shops, galleries, and restaurants enhanced several newly gentrified downtown neighborhoods. Givens suspected that she could leverage Raleigh's active Small Business Association to garner free or inexpensive consultative advice.

The Research Triangle[2] expanded steadily during the first decade of the 21st century and by 2009 was a hub for both high-tech and life sciences employers. Businesses valued proximity to students, engineers, scientists, and research facilities at Duke University, UNC Chapel Hill, and NC State. In turn, young professionals flocked to the region for high-growth jobs and an affordable standard of living.

According to the US 2010 Census, Raleigh was one of the ten fastest-growing cities in the United States. Between 2000 and 2010, the population grew by 46.3% to 404,000.[3] Raleigh's 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), and nearly one-third of all Raleigh households earned between $50,000 and $100,000 per year. More than 46% of Raleigh's citizens worked in a professional or managerial capacity.[4]

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[2] Refers to the three North Carolina cities of Raleigh, Durham, and Chapel Hill

[3] US Census: http://quickfacts.census.gov/qfd/states/37/3755000.html

[4] US Census: http://factfinder.census.gov/servlet/QTTable?_bm=y&-qr_name=DEC_2000_SF3_U_DP3&-ds_name=DEC_2000_SF3_U&-_lang=en&-_sse=on&-geo_id=16000US3755000

Nine Months Later: March 2010

Establishing Financial Control

By seeking competitive rates from suppliers, renegotiating contracts, and canceling nonessential services, Givens had cut fixed expenses by 8% in 2009 and was on track to save another 8% in 2010. Givens recounted:

> My first challenge was health insurance, growing 8% year over year. I researched new providers and different plans, and ultimately selected an in-network plan that reduced 2010's projected expense by 13%. The impact on financials was significant, and I aspired to focus on costs—big and small—every day.
>
> We canceled the corporate cleaning service and replaced it with a small local team for half the price (plus bowling credits) and purchased cleaning supplies ourselves. A government-sponsored rebate for commercial compact fluorescent lighting subsidized 60% of our electric bills for 24 months. Our monthly electricity expense dropped by 30% as a result.

A meeting with a member of Raleigh's Small Business Association introduced Givens to an industry association—the Bowling Proprietors Association of America. The annual membership provided pre-negotiated, discounted rates on nearly every small business service. Givens canceled most of the existing service providers, whose contracts had been renewed automatically for years, and leveraged the membership discounts to save nearly $11,000 annually.

Maintaining Employee Morale

Shortly after starting as manager, Givens invited her full-time employees to help define a mission statement and job descriptions. She instituted a weekly meeting, followed by a round of bowling for which she baked homemade treats. "I wanted to establish a personal rapport and to encourage idea generation in a comfortable setting," said Givens. "On a personal level, this small effort helped."

Givens grew close to Spaulding and Smith, who welcomed her enthusiasm. Sinclair and Bullock, however, resisted change. "Should I fire them," Givens wondered, "and will they find new jobs in this economy?" Though revenues were in decline, Givens resisted meddling with loyal employee wages or eliminating health insurance. "My grandfather felt insurance was a moral obligation, and I wanted to honor that legacy," said Givens. "But it wasn't an easy decision, especially when Bullock and Sinclair grumbled when asked to do something above and beyond their daily duties."

After six months Givens was ready to make changes to the full-time staff. She'd keep Spalding; his technical/repair skills would be difficult (and expensive) to replace and he was a good sounding board for the business. Smith would stay for the short term, as she understood many elements of the business that Givens had not yet mastered. Givens, though, was unsure about Sinclair. After she spoke to him about his cellphone breaks he ceased using his phone at work. Perhaps sensing Givens's dissatisfaction, he contacted a handful of gourmet distributors, reviewed and tasted products, and proposed to Givens two delicious, similarly priced thin-crust pizza alternatives. Givens decided to keep him, at least for the short term. Bullock's behavior unfortunately did not change after warnings about her cellphone breaks and magazine reading. Though she performed her duties, she wasn't engaged in her work or with her colleagues. Givens dismissed her, asking Smith and Spalding to help fill the gap while she sought a replacement

Growing the Customer Base

"We desperately needed more customers, but our advertising expense was too high," said Givens. "I dreamed of cost-efficient online and email advertising. Were enough of our core customers tech-savvy?" Givens questioned the efficacy of overpriced newspaper advertising, but resisted discontinuing it altogether. "By the end of 2009 I'd cut the advertising expense by more than half. I needed some efficient ideas to attract new customers."

Spalding thought that league participation might increase if required commitments shrunk from 32 weeks to 8 weeks. Givens agreed, and advertised new leagues in print ads and in-house flyers. She cold-called HR departments of nearby corporations, pitching the short leagues as a way to foster camaraderie in the workplace. With deal coupons as incentives, two biotech firms instituted a Wednesday night league as a result.

Givens wanted to learn more about the mindsets of *non*-customers, too. She arranged for a group of business students from nearby UNC to conduct a market positioning exercise targeting university students. Though reluctant to bowl on their own time, students responded favorably to the idea of private group bowling events for clubs and organizations with outside catering. Givens awaited the student team's recommendation for pricing and catering partners.

Pricing and Hours of Operation

League, lane, and shoe rental prices had not increased in six years; in December 2009 Givens implemented a 20% price increase. She left food and beverage prices unchanged. Shortly after the price increase, league participation shrank by 10%, recreational traffic dropped by 12%, and food and beverage sales dropped by 19%. The price increase mostly offset these declines; Givens estimated that December revenues fell by just 3%. She felt the increase had been appropriate and that losses would be quickly recouped.

Based on the high energy level at closing on Friday and Saturday night closings, Givens extended Westlake's hours, beginning in January 2010; Westlake remained open until midnight on those evenings. Bowling capacity was steady during the extra three hours, though food and beverage consumption dropped; weekly attendance increased by roughly 285 customers per week. Opening hours on weekdays shifted from 12pm to 2pm due to low attendance. See **Exhibit 5** for an attendance snapshot from the first week of February 2010.

Together, changes in pricing and hours of operation boosted revenues. January and February 2010 figures indicated that patronage had increased by 26%. But getting customers to linger while eating and drinking was crucial to sustained success. "Should we offer a daily happy hour?" thought Givens, "or revamp the menu?"

Preparing for the Board Meeting

Givens began her memo to the board by summarizing her 2009/Q1 2010 achievements:

- 6% revenue increase
- 8.5% cost reduction
- Forecasted 2010 net income: $20K
- Corporate outreach
- Customer (& non-customer) demographic data
- Increased patronage (30%)

"By paying close attention to costs," she wrote, "we have returned Westlake to profitability. It's my belief that continued cost scrutiny, along with profit-enhancing changes to our menu, staff changes and new marketing plans could generate up to an additional $40K this year."

Givens paused. Westlake's progress would please the board and likely secure another year of employment—and equity—for Givens. But the thought of grinding away at Westlake for another year made her uneasy. After spending nine months making small changes, she had begun ruminating on some big ideas. But were they the right ones—and was the board ready for them and the costs they would entail? What would happen to her existing employees? Was the best path instead for Givens to search for a suitable replacement for herself at Westlake?

Givens had two compelling ideas for updating the business. "I was excited by both strategies," Givens explains. "I guess I'm an entrepreneur at heart. I knew the work, stress, and responsibility surrounding either strategy would be overwhelming, but I wanted to pursue them anyway."

The first strategy targeted families and involved adding kid- friendly video and arcade games and a designated private party space to complement the existing lanes. The second idea, aimed at well-paid, single young professionals in Raleigh, was to create an urban bowling lounge—a plush, intimate space with a full bar, tapas-style appetizers, table service, and room for events. Several upscale bars and restaurants catering to that market segment had opened close to Westlake's location within the last five years and were successful.

Entertainment venues for kids had fared well despite the economic recession. Judging from admission rates to nearby laser tag and rock-climbing centers, popular sites for birthday parties, parents paid a premium, up to $20 per child, for kid-focused entertainment, even while they were spending less on themselves. Similarly, Givens learned that trendy bowling-and-cocktail lounges consistently attracted swaths of young professionals who spent upwards of $60 per night on bowling and drinks alone.

Convincing the Board

Givens wanted the board to back a new strategy. So to quantify Westlake's ongoing financial challenges, she readied two breakeven analyses: one based on 2008 figures and a second based on results from January and February 2010. She then projected aggressive and conservative revenue and cost scenarios for both kid-friendly and lounge options. Givens projected annual traffic could reach 52,000 and 40,000 for kid/lounge strategies, respectively.

She wanted to follow these formal analyses with her personal recommendation. To guide her thoughts, she jotted down a more personal list of pros and cons:

Kid-Friendly ($200K-300K investment)	Upscale Bowling Lounge ($700K-$1M investment)
*Limited upfront costs, free arcade games with revenue share model.	*Exploits liquor license & high-margin alcohol sales
*No major structural remodel costs	*Customers less price sensitive
*Lower damages (no alcohol)	*Low marketing expense (online & pr)
*Minor food/bev changes	*I understand the target market and would enjoy working here
* Increase PT staff to 8	*Higher costs: Rehab, insurance, damages
*Higher advertising expense	*Food: We'd need a professional chef
*Not sure I know what kids, or parents, want	* Staff: Replace most of existing full-time and increase PT employees to 15
*Do I want to be around kids all day?	*Longevity: Is this a trend or LT business?

Now it was up to the board. Would they stand pat, sell, or support one of her bold new ideas?

Appendix

Overview of Bowling Industry in 2011[5]

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.

[5] Sources include: Hansell & Associates, Bowl.com, US Bowler magazine

Exhibit 1 Westlake Lanes: Monthly Income Statement, January & February, 2010

	2010 January	2010 February	YTD
Income			
Lane Rental	$ 39,885	$ 38,975.00	**$ 78,860**
Food Sale	$ 5,692	$ 5,741.00	**$ 11,433**
Liquor Sale	$ 6,989	$ 6,725.00	**$ 13,714**
Total	$ 52,566	$ 51,441.00	**$ 104,007**
Variable Cost of Sales			
Food Purchased	$ 1,708	$ 1,722	**$ 3,430**
Liquor Purchased	$ 1,398	$ 1,345	**$ 2,743**
Food & Beverage Supplies	$ 1,268	$ 1,247	**$ 2,515**
Total	$ 4,374	$ 4,314	**$ 8,687**
General Overhead Expenses			
Advertisement	$ 925	$ 955	**$ 1,880**
Salaries: Full Time	$ 9,800	$ 9,800	**$ 19,600**
Salaries: Part Time	$ 3,080	$ 3,080	**$ 6,160**
Coupons	$ 709	$ 850	**$ 1,559**
Legal and Audit	$ 704	$ 704	**$ 1,408**
License & Permits	$ 147	$ 147	**$ 293**
Office Supplies	$ 274	$ 255	**$ 529**
Rent	$ 8,983	$ 8,983	**$ 17,966**
Repair & Maintenance Labor	$ 2,470	$ 6,755	**$ 9,225**
Repair & Maintenance Supplies	$ 6,750	$ 9,820	**$ 16,570**
Utilities	$ 2,377	$ 2,377	**$ 4,754**
Travel & Promotion	$ -	$ 175	**$ 175**
Insurance	$ 4,900	$ 4,900	**$ 9,800**
Miscellaneous	$ 150	$ 150	**$ 300**
Total General	$ 41,269	$ 48,951	**$ 90,219**
Interest	$ 632	$ 632	**$ 1,265**
Depreciation & Amortization	$ 700	$ 700	**$ 1,400**
Operating Income (Loss)	$ 6,924	$ (1,823)	**$ 5,101**
Tax	$ 2,423	$ (638)	**$ 1,785**
Net Income	$ 4,501	$ (1,185)	**$ 3,315**

Exhibit 2 Westlake Lanes Annual Income Statements, 2004–2009

	2004	2005	2006	2007	2008	2009
Income						
Lane and Shoe Rentals	$ 708,765.00	$ 637,888.50	$ 548,584.11	$ 521,154.90	$ 489,705.00	$ 417,533.00
Food & Soda Sales	$ 191,366.55	$ 159,472.13	$ 153,603.55	$ 145,923.37	$ 137,889.00	$ 87,681.93
Beer Sales	$ 134,624.00	$ 165,851.01	$ 120,688.50	$ 114,654.08	$ 126,456.00	$ 83,506.60
Total	$ 1,034,755.55	$ 963,211.64	$ 822,876.17	$ 781,732.36	$ 754,050.00	$ 588,721.53
Cost of Sales						
Food	$ 66,978.29	$ 55,815.24	$ 53,761.24	$ 51,073.18	$ 48,261.15	$ 26,304.58
Alcohol	$ 30,963.52	$ 38,145.73	$ 27,758.36	$ 26,370.44	$ 29,084.88	$ 16,701.32
Supplies	$ 98,301.78	$ 91,505.11	$ 78,173.24	$ 78,173.24	$ 90,486.00	$ 47,097.72
Coupons and Discounts	$ 31,042.67	$ 28,896.35	$ 24,686.28	$ 23,451.97	$ 22,621.50	$ 17,661.65
Total Cost of Sales	$ 227,286.26	$ 214,362.43	$ 184,379.12	$ 179,068.83	$ 190,453.53	$ 107,765.27
Gross Profit	$ 807,469.29	$ 748,849.20	$ 638,497.05	$ 602,663.53	$ 563,596.47	$ 480,956.26
General Expenses						
Employee Wages	$ 231,960.00	$ 236,599.20	$ 234,233.21	$ 231,890.88	$ 219,390.00	$ 205,390.00
Advertising	$ 31,042.67	$ 31,973.95	$ 32,293.69	$ 32,616.62	$ 29,354.96	$ 15,865.00
Legal and Audit	$ 8,898.90	$ 8,453.95	$ 8,623.03	$ 10,951.25	$ 24,648.96	$ 15,900.00
Licenses and Permits	$ 2,276.46	$ 2,299.23	$ 2,345.21	$ 2,368.66	$ 2,392.35	$ 2,416.27
Office Expenses	$ 3,104.27	$ 3,414.69	$ 3,482.99	$ 4,702.03	$ 6,112.64	$ 3,346.00
Repairs and Maintenance	$ 77,606.67	$ 100,888.67	$ 70,622.07	$ 115,447.00	$ 76,974.00	$ 86,432.00
Utilities	$ 51,737.78	$ 52,255.16	$ 53,822.81	$ 54,899.27	$ 55,448.26	$ 36,672.00
Insurance	$ 50,000.00	$ 54,000.00	$ 58,320.00	$ 62,985.60	$ 68,024.45	$ 63,412.00
Rent	$ 107,800.00	$ 107,800.00	$ 107,800.00	$ 107,800.00	$ 107,800.00	$ 107,800.00
Miscellaneous	$ 3,104.27	$ 3,166.35	$ 2,374.76	$ 2,422.26	$ 3,148.94	$ 3,510.00
Total General Expenses	$ 567,531.00	$ 600,851.19	$ 573,917.76	$ 626,083.57	$ 593,294.56	$ 540,743.27
Interest	$ 2,400.00	$ 2,800.00	$ 3,200.00	$ 3,200.00	$ 9,725.36	$ 7,588.00
Depreciation & Amortization	$ 1,200.00	$ 1,200.00	$ 1,200.00	$ 1,782.23	$ 4,359.40	$ 6,076.01
Operating Income (Loss)	$ 239,938.29	$ 147,998.01	$ 64,579.28	$ (23,420.04)	$ (29,698.09)	$ (59,787.01)
Tax	$ 83,978.40	$ 51,799.30	$ 22,602.75			
Net Income (Loss)	**$ 155,959.89**	**$ 96,198.71**	**$ 41,976.53**	**$ (23,420.04)**	**$ (29,698.09)**	**$ (59,787.01)**
Dividend	$ 155,959.89	$ 96,198.71	$ 41,976.53			

Exhibit 3 Westlake Lanes Balance Sheet, 2006–2009

December 31, 2006-2009	2006	2007	2008	2009
ASSETS				
Current Assets				
Cash	$ 35,488	$ 24,473	$ 29,667	$ 9,057
Inventory	$ 15,412	$ 6,571	$ 2,943	$ 4,200
Fixed Assets				
Property, Plant & Equipment	$ 54,007	$ 132,103	$ 184,122	$ 178,046
Total Assets	$ 104,907	$ 163,147	$ 216,732	$ 191,303
LIABILITIES				
Accounts Payable	$ 14,907	$ 15,000	$ 25,000	$ 30,000
Debt	$ 40,000	$ 121,567	$ 94,850	$ 124,208
Total Liabilities	$ 54,907	$ 136,567	$ 119,850	$ 154,208
EQUITY				
Common Stock	$ 30,000	$ 30,000	$ 130,000	$ 130,000
Retained Earnings	$ 20,000	$ (3,420)	$ (33,118)	$ (92,905)
Total Equity	$ 50,000	$ 26,580	$ 96,882	$ 37,095
Check	$ -	$ 0	$ (0)	$ (0)

Exhibit 4 Weekly Customer Attendance Snapshot, 2009

Weekly Attendance Snapshot	Time of day	Monday	Tuesday	Wed.	Thursday	Friday	Saturday	Sunday	Weekly
Week 1 February	12pm - 6pm	44	42	39	33	88	99	85	430
	6pm - 9	21	20	30	45	146	185	129	576
	Total	65	62	69	78	234	284	214	1006
Week 1 August (Vacation Week)	12pm - 6pm	40	60	90	100	75	188	120	673
	6pm - 9	96	85	104	115	190	176	160	926
	Total	136	145	194	215	265	364	280	1599

Averages	Weekly	Annually
Average # Customers: 12pm-6pm	467	24,304
Average # Customers: 6pm - 9pm	630	32,752

Customer Spending Averages	
Lane & Shoe Weekday 12-6	$5.80
Lane & Shoe Eve/Wknd	$6.10
Average Food Spend 12pm-6pm	$1.20
Average Food Spend 6pm- 9pm	$2.75
Average Beverage Spend 12pm-6pm	$1.20
Average Beverage Spend 6pm-9pm	$3.50

Exhibit 5 Weekly Customer Attendance Snapshot, 2010

2010 Weekly Attendance Snapshot	Time of day	Monday	Tuesday	Wed.	Thursday	Friday	Saturday	Sunday	Weekly
Week 1 February	2pm - 6pm	10	12	20	43	66	115	84	350
	6pm - 9	20	35	44	56	146	156	115	572
	9pm - 12am					139	154		293
	Total	30	47	64	99	212	271	199	1215