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Keywords:

leisure consumer markets,
expenditure, trends, consumer
behaviour

Regular Feature

Leisure property trends: Consumer markets and behaviour

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Received: 30th March, 2001

Abstract

Against a background of growing fears about a US-led global recession, this paper examines the latest UK data on consumers' expenditure, as an indicator of the overall health of the leisure consumer market. Key differences from the overall picture are identified for those activities that are typically found in commercial leisure properties. It is then argued that quantitative trends in consumer expenditure need to be viewed alongside evolving patterns of consumer behaviour, which will influence how and where consumers decide to spend money on leisure activities in the future.

INTRODUCTION

Rising disposable incomes in the post-war period have freed consumers from spending only on basic needs, and at the same time unleashed an entirely new consumer culture in which people's identities are increasingly shaped by the goods they own and the experiences they buy.

As Morley and Evans show in an earlier issue of this Journal,¹ leisure services — and the hardware that support these services (TVs, videos, sportswear) — have been major beneficiaries of the shifting balance of consumer spending from essentials to wants and desires and then to fantasies.

Although leisure spending has historically been very volatile² (because it is the most discretionary, and thus disposable, item when household finances are stretched) some commentators are beginning to argue that consumers are treating leisure increasingly as an essential, and non-negotiable, part of their lives.³ Growing market concerns about the global impact of the US economic slowdown, however, are set to test this hypothesis. The first part of this paper reviews recent key consumer trends, drawing in particular on data from the Government's latest family spending survey.⁴

As Morley and Evans also rightly point out, what is meant by 'leisure' varies very significantly between official and industry data sources. In particular, aggregate leisure spending trends can hide

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often significant differences in performance between individual sectors. Data for the sectors that occupy commercial leisure property are, in any case, limited — both in quantity and quality. This is a potentially dangerous situation for the property industry, in which investment decisions are so heavily driven by quantitative data. As well as looking at aggregate trends, therefore, the paper also comments on consumer trends for those activities typically located in commercial multi-leisure schemes, where data are available.

While an overview of aggregate spending trends may provide leisure investors and developers with some comfort about their decisions, at the level of individual schemes, more will need to be known about target customers, their choices and their expectations. Local demographic and competitor analysis is clearly an established methodology for considering demand for individual venues. However, emerging research in the consumer behaviour/marketing field suggests that this approach may be necessary, but no longer sufficient, for ensuring successful trading. The final part of this paper therefore introduces some ideas about consumer behaviour that are helpful to thinking about consumers' choices of leisure (and shopping) venues.

CONTINUING SHIFT TO LEISURE SPENDING

Data from the Office for National Statistics' (ONS) latest family spending report (the Family Expenditure Survey or FES) confirm a continuing shift in consumers' expenditure in favour of leisure, and a long-term decline in the importance of 'essentials' in household budgets (Figure 1).

According to the FES, for the first time in 1999/2000 the average household spent more on leisure goods (mainly audio-visual and computers) and leisure services (including holidays but not eating

Shift in consumer spending in favour of leisure

Source: ONS Family Spending 1999-2000
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Figure 1: Long-term rise of leisure spending

out) combined than they did on food. The picture in 1970 was very different, when households spent almost three times as much on food as on leisure goods and services. The rise of the annual holiday, particularly overseas, has made an important contribution to a growing leisure market share.

The shift in favour of leisure spending is, in reality, even greater because an increasing proportion of food budgets is being spent in restaurants and cafes. In 1999/2000 spending in such outlets amounted to £10 per week for the average family, or 17 per cent of overall food expenditure. This compares to a share of 15 per cent in 1997/1998. When translated into food spending across the whole economy, this rising share amounts to very significant volumes of additional turnover for restaurants and cafes. Forecasts from the Leisure Industries Research Centre, for example, indicate an increase of £3bn in eating out expenditure in 1999/2000.⁵

LEISURE SPENDING DRIVEN BY HIGH INCOMES

Such a dramatic reversal in the pattern of household spending behaviour has been driven by the very significant rise in disposable incomes in the post-war period, which is well documented elsewhere. Survival needs are now easily met for all but the poorest households, and most consumers are looking for other products and services on which to spend money in order to enhance their sense of physical and psychological well-being.

Growth in leisure spending has also been aided by a significant widening of the wealth gap between rich and poor families. According to the Henley Centre, in their report on leisure for Barclays and the Joint Hospitality Industry Congress, between 1971 and 1996 the disposable income of the richest 10 per cent of earners increased nearly twice as fast as for the bottom 10 per cent of earners (increases of 77 per cent and 40 per cent respectively).⁶

The significance of high-income households to leisure spending is highlighted in the 1999/2000 ONS FES, with the richest 20 per cent of households contributing 43 per cent of leisure spending (Figure 2). Taking eating out as an example, the richest 10 per cent of households spend nearly five times as much per person per week in restaurants and cafes than do the poorest 10 per cent.

It is therefore not only rising incomes overall that are crucial to leisure markets, but the continuing security of the incomes of the wealthiest. This is an important point to bear in mind when thinking about the potential consequences of a stock market/service sector-led downturn in the economy.

IS LEISURE SPENDING SECURE?

In the past, leisure spending has been notoriously volatile in response to either switches in long-term fashions (eg cinema) and/or movement in consumer sentiment over the economic cycle.

However, some commentators, including the Henley Centre, have begun to suggest that leisure markets are becoming more immune

Widening of wealth gap

Source: ONS Family Spending 1999-2000 © Crown Copyright 2001

Figure 2: Contribution to spending on leisure services by household income

to the overall performance of the economy.⁷ Clearly, this hypothesis has important implications for the commercial leisure property market, especially at a time when sectors such as cinema are already oversupplied and there are growing concerns about the global economy.

Robustness of leisure sector owes much to the economy overall

While it is certainly true that leisure has captured a growing share of consumer expenditure over the long term, the apparent robustness of leisure in recent years owes much to the stability of the economy overall.⁸ Economic stability has, crucially, allowed consumers' confidence about their own finances remaining buoyant, leaving them free to spend more casually than when finances are tight — to the great benefit of entertainment, holidays and eating out.

Most leisure forecasters currently anticipate a slowdown in economic growth over the next few years, which will reduce leisure spending growth rates but not interrupt the rise of the leisure sector's share of spending overall.⁹ However, with concern growing in UK markets about any knock-on effects from the collapse of consumer demand in Japan and a possible recession in the USA, leisure may prove to be less invulnerable than some have come to believe. Data from the ONS up to the third quarter of 2000 show that consumer spending on recreational services and meals and accommodation was still rising, but had slowed sharply since 1999.

Figure 3: Volatility of Eating Out Expenditure

Past experience suggests that, in a UK recession, leisure is one of the sectors that suffers most from a cut back in expenditure. The catering market is a very good example of how rapidly, and extremely, fortunes can change (Figure 3). Over the course of the early 1990s' recession (1989–1992), the volume of spending on eating out fell by 16.6 per cent over the three years while consumers' expenditure overall declined by less than 1 per cent, in real terms (excluding inflation).

Against a background of continuous growth in consumer markets since 1992, the 'non-discretionary' hypothesis has not been tested. If the economy does indeed move into recession, rather than slow gently, then in all probability leisure spending will fall disproportionately. The property industry has a nasty habit of being caught unawares, and now is a time when the possibility of a (perhaps significant) dip in leisure spending should be built into development plans.

Dips in leisure spending should be built into development plans

CONSUMER TRENDS IN 'LEISURE PROPERTY' SECTORS

Although useful as a guide to future performance of the sector overall, headline indicators of 'the leisure economy' need to be treated with some caution when being used to support particular leisure investment decisions, not least because definitions of what constitutes 'leisure' are so variable.¹⁰

One of the reasons that the property industry falls back on these headline figures is the lack of official, or reliable, data on individual leisure sectors. Official statistics exist for cinema box offices, although these are typically lower than industry estimates that include other income, such as popcorn. Industry-led estimates¹¹ tend to vary considerably in their calculations of both size and growth of individual leisure markets, and great caution is required in using these data to inform investment appraisals.

Growth across leisure park activities has been variable

Notwithstanding the inconsistencies between industry sources, it is apparent that the activities typically found on leisure parks and other multi-leisure venues account for only a tiny fraction of the overall 'leisure' market. Using official and other sources, the author has estimated that, when combined, cinema, ten-pin bowling, night clubs, health clubs and bingo account for around only 3–5 per cent of all out-of-home leisure spending, while eating out accounts for over half.

This finding is important because the property industry tends to focus strongly on growth rates when coming to a view about market prospects. In leisure consumer markets, it is easy to get carried away with the idea of apparently *fast* growth rather than *large* growth. Over the last five years, for example, cinema spend grew by over 60 per cent and eating out by 50 per cent, but this translates into an extra £12bn spent on eating out compared to only £230m extra on cinema tickets.¹²

Moreover, recent growth across leisure park type activities has been variable. According to Mintel's *British Lifestyles 2000* report, spending on cinema and health and fitness grew much faster than spending on out-of-home leisure in aggregate from 1994 to 1999 (12 per cent and 11 per cent per annum respectively in current prices, compared to 9 per cent for aggregate out-of-home leisure).¹³

By contrast, night clubs, bingo and ten-pin bowling all saw spending grow at well below the average rate in this period (4 per cent, 1 per cent and –0.7 per cent respectively). Mintel expect this pattern to persist during the next five years, with spending in cinemas and health and fitness clubs expected to grow five times as fast as spending in bingo and night clubs.

A key message from this argument is that developers, investors and analysts have to be careful with any data that are being used to support arguments for more development. Significant growth in leisure expenditure overall does not mean that any, or all, schemes will necessarily attract the number of required visits, nor that turnover will be rising for all types of occupier.

TARGET CONSUMER MARKETS

At the level of individual schemes, other factors can indicate whether any particular outlet will do better or worse than the national average forecast. Analysis of the demographic composition of the catchment area of a development is, clearly, an established methodology for indicating potential turnover of a particular park or venue.

Market research data derived from industry sources suggest that the customer profile of leisure parks is diverse. Table 1 shows the groups that are typically overrepresented in the visitor profile of different types of activity normally found on leisure parks. Two features, in particular, are notable: first, the pronounced youth of leisure visitors, typically being pre-family adults; secondly, the

Table 1: Leisure venue visitor profile

	Groups typically overrepresented among visitors	
	Age	Social class*
Cinema	under 35	ABC1
Bingo	over 50	C2D
Bowling	under 45	ABC
Night clubs	under 35	CD
Health and fitness	under 35	AB
Pub restaurants	over 25	ABCD
Fast food	under 35	CD

* A is most affluent, E is least affluent

Source: Author based on industry market research reports

social profile of core visitors differs between activities, with cinema and health and fitness the most up-market and bingo and night clubs more down-market.

FROM LEISURE VENUES TO LEISURE OCCASIONS

Recent publications within the field of consumer behaviour and marketing suggest that the use of socio-demographic analysis is, in fact, becoming less useful as a tool for predicting customer demand.¹⁴ This is because:

- accepted norms of social behaviour ascribed to people of particular social class or life stage are breaking down under the pressure of rapid economic change;
- whittling away of standard social role models means that people are increasingly defining their identities with reference to purchases of goods and services;
- in exploring their identities, consumers adopt different modes of behaviour in different social settings and in relation to different kinds of consumption; for example, the roles of mum, co-worker, lover and friend provoke different expectations about behaviour, but in modern society one person could be expected to ‘act out’ all of these roles, perhaps in the same day.¹⁵

As a result, consumers’ motivations for choosing particular leisure (and shopping) experiences, and thus venues, have become increasingly differentiated. The spectrum of motivations can be characterised crudely as encompassing:

- purposeful shopping — securing goods and services that provide for basic needs;
- leisurely shopping — wants rather than needs, that help to define who we are (eg lifestyle goods and designer clothing);
- casual leisure — low-effort but enjoyable activity in the company of people we like, including activities such as browsing shops and casual dining;

Criticisms of socio-demographic analysis

- leisure events — opportunities to be excited or thrilled, often as ‘special treats’, ‘big nights out’ or ‘dating’.

These differently motivated trips are typically referred to as (purchasing) ‘occasions’. Different occasions fulfil different needs for the consumer — both physical and psychological. Consumers thus hold different expectations about what any particular type of occasion will deliver. To be successful, leisure (and shopping) venues need to provide experiences that are in harmony with these expectations.

Specifically in relation to leisure venues, the Henley Centre argues that four aspects of the ‘leisure experience’ exert a stronger influence on choice of venue than do consumers’ demographics:

- group composition;
- mental and physical energy;
- location — proximity and relationship to other venues visited on the same occasion;
- deals and events.

Group composition is seen to exert a particularly strong influence on choice of venue since, the Henley Centre suggests, ‘most leisure time is about investing in relationships’.¹⁶ The Henley Centre argues that as low-maintenance traditional family and community ties diminish, people are having to work harder to preserve diverse, and more fragile, relationships — for example, with children separated by divorce, with work friends, with spouses etc. As a result, consumers need a portfolio of venues that they can use as locations for investing in particular types of relationship. Leisure venues are well placed to ‘host’ these relationships (as opposed to people or events).

Consumers need a portfolio of venues

IMPLICATIONS FOR COMMERCIAL LEISURE PROPERTY

This strand of consumer behaviour research implies that multi-leisure venues, such as leisure parks and urban entertainment centres, need to attract complementary types of ‘occasion’ or ‘relationship’, or they risk undermining consumers’ experiences and satisfaction.¹⁷ Behavioural approaches seem especially relevant to consideration of the so-called synergy between shopping and leisure, and between different types of leisure outlet. In this respect the synergy of mixing ‘laddish’ venues (pubs and clubs) with venues for couples and family entertainment (cinema and bowling) appears questionable.

Clearly, this is a very different perspective from one that looks at target *individuals* (eg men under 35 from the AB social class) in relation to specific leisure *activities* (eg a film, bowling session etc). Behavioural approaches, especially the work by the Henley Centre, suggest that new perspectives need to be developed that predict consumer demand on the basis of *groups*, *occasions* and

relationships. The Henley Centre argues that this will help leisure venues avoid ‘the temptation ... to try and be the entertainment, rather than host and facilitate it’.¹⁸

In so far as consumer market data can help guide leisure property investment decisions, the discussion here suggests that quantitative headline indicators can be useful in providing general reassurance. However, general trends can be misleading in such a multi-faceted market as leisure, and one in which the reliability of data on individual sectors is so variable.

The first generation of leisure parks was able to tap into generally rising leisure expenditure and previously unmet local demand. The future is likely to be less easy for developers and owners as local markets become more competitive and leisure spending slows overall. Given this market context, it will become increasingly important for leisure owners to manage and facilitate — as opposed to manufacture and dictate — the leisure experience by taking on board new ideas about customer moods, modes of behaviour and relationships.

References

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2. *Ibid.*
3. See, for example, Henley Centre (2000) *Leisure in the New Millenium*, for Barclays and the Joint Hospitality Industry Congress.
4. Office for National Statistics (2000) *Family Spending: A Report on the 1999–2000 Family Expenditure Survey*, Crown copyright.
5. LIRC (2000) *Leisure Forecasts 2000–2004*, Sheffield, Leisure Industries Research Centre.
6. Henley Centre, ref. 3 above, p. 7.
7. Henley Centre, ref. 3 above.
8. Professor Chris Gratton, of the Leisure Industries Research Centre, presented this argument at a Leisure Property Forum Seminar in January 2001. He argues that the essential volatility of leisure markets has been hidden by eight years of consistent consumer market growth. He suggests that a sustained recession would, once again, produce a cut-back in leisure spending of greater magnitude than in expenditure overall.
9. For example, LIRC, Mintel (various reports; full list available at mintel.co.uk) and Key Note (list at keynote.co.uk).
10. For example, two of the most commonly used headline leisure indicators are official statistical series that are based on different definitions. The FES definition of leisure services includes holidays (of which most is spent on overseas holidays), which is clearly of little relevance to UK leisure property. Equally, the Government’s National Accounts definition of ‘recreational and cultural services’ includes spending on TV licences, rental and repairs, as well as household education spending. Neither definition includes catering, which is probably the most important component of leisure spending.
11. For example, Mintel, Key Note, and membership organisations.
12. Author’s estimates based on ONS data.
13. Mintel (2000) *British Lifestyles 2000*, London, Mintel. Eating out is not included in this definition of out-of-home leisure.
14. See, for example, Underhill, P. (1999) *Why We Buy*, London, Orion Business; Henley Centre (2000) ‘Tribal leisure’, in *Planning for Consumer Change*, July; Miller, D., Jackson, P., Thrift, N., Holbrook, B. and Rowlands, M. (1998) *Shopping, Place and Identity*, London, Routledge.

15. Henley Centre, ref. 3 above.
16. Henley Centre, refs. 3 and 14 above.
17. Brook Lyndhurst has argued that the 'personality' of the venue has to match up with the 'mood' of the visitor.
18. Henley Centre, ref. 3 above, p. 23.