

Attractions

MANAGEMENT

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Björk

Bringing
VR to the masses

JOEL MANBY

SeaWorld's CEO is changing the industry



Does Disney
Shanghai deliver?

Science centres and
the need to diversify



part three



David Camp

SERIES ROADMAP

This eight-part series outlines the patterns and dynamics that define every attraction – from visitor behaviour and guest spending to operating costs and profitability

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THE ATTRACTIONS BUSINESS

Benchmarking

In part three of our series, David Camp of D&J International Consulting looks at how to gauge your attraction's success and how to work out market penetration rates

Attraction operators often wonder how well they are doing and while large attractions groups or large municipal departments can examine key performance indicators across a number of locations and types of operations to establish this, individually-operated attractions do not have that opportunity. For most, the only option is to look at one year's performance against a previous year and while this is useful, it doesn't help them understand what they could do better and who they can learn from.

This is where benchmarking and learning from others is important. But unfortunately, although this can be an effective way to improve performance, operators can be reluctant to share information with competitors to enable this to happen.

However, there are publicly available sources of data which can be used instead and some of the most useful can

be accessed through trade and industry associations across the attractions sector.

Organisations such as the International Association of Amusement Parks and Attractions (IAAPA), the International Council of Museums (ICOM), World Association of Zoos and Aquariums (WAZA), World Waterpark Association (WWA) and the Association of Science-Technology Centers (ASTC) organise conferences and events, produce reports and publications, and provide training programmes and advice.

These international organisations often have regional groups that focus on a country or area. In addition, there are large numbers of national or area-specific organisations and associations that can provide useful data sources.

Another important source of information is the trade press. It's a lot easier to search for articles and information online today than it was in the past; indeed, the Internet has transformed research. However, with almost 1 billion websites, a lot of time can be spent searching fruitlessly. There's no guarantee that information posted is accurate or up to date, so it's important to double and triple-check such data.

Interpreting data

Many attractions and operators produce annual reports that are available via their websites. Museums, zoos and aquariums are the most likely to publish reports along with some of the large attraction operators such as Disney, Merlin, Six Flags and Compagnie des Alpes. These reports can provide valuable understanding of sources of revenues, operating cost ratios and profitability. We will look at these aspects of financial reporting later in this series.

There is also data available through government statistics departments, tourist organisations and regional authorities.



Zoos like San Diego Zoo in San Diego, California, publish their financial reports every year



“Identical attractions in different locations report very different numbers – KidZania gets 900k visits a year in Tokyo and 225k in Lisbon”

In the UK, VisitEngland undertakes annual surveys among attractions and publishes an annual survey of attendance. In the US, visitation data is available online for all of the 412 National Parks Service operations and a range of data on museums across Europe is collated by the European Group on Museum Statistics.

But gathering information is only part of the story. Unless it's evaluated, understood and lessons are taken from it, then the data has no value. This is particularly true with visitor attendance figures, where similar attractions in different locations can attract very different volumes of people.

The KidZania brand is a prime example of this. There are now 24 KidZania attractions around the world, all providing similar role-playing experiences to under-14s. The attractions follow a standard design template, within a 5,000 to

10,000sqm (53,800 to 107,600sq ft) space located inside a retail mall; however, they achieve very different attendance volumes. The most popular is in Tokyo, attracting around 900,000 visits each year. By contrast, the Lisbon KidZania attracts only a quarter of this volume.

The reason for these variances lies in the size and make-up of their respective catchment markets. There are 23 million people living within the one-hour catchment market for Tokyo and almost 3 million of these are under 15. Lisbon's total one-hour market is just over 3 million people with half a million of these being under 15.

Applying a simple ratio would suggest that Tokyo should be able to attract five or six times as many visits as Lisbon, but Tokyo is operating at capacity for many days of the year, so this limits the total numbers the attraction can accommodate.

Having an identical footprint globally means KidZania franchises have a limiting capacity in busy locations

Market penetration

An examination of the available markets and catchment areas is critical to understanding the potential of an attraction. When doing feasibility studies, we typically consider four segments: residents living within a one hour drive time; residents living between one and two hours away; domestic tourists staying in locations within one hour; and international tourists staying within one hour of the site. Where appropriate we would also assess any on-site accommodation users, such as those staying at a theme park hotel or camp site. ▶



Data on attractions' performance is produced by industry trade associations



Every location for a Merlin midway, like this Lego Discovery Centre in Osaka, Japan, meets a strict set of criteria

▶ Having determined the size of the market, the next step is to evaluate the mix of visitors. This information should be available through guest survey research and applying these ratios to the annual attendance leads to calculations of the mix of visits. Dividing the attendance by the size of the segments reveals market penetration rates as shown in Table 1 (right).

Most attractions achieve their highest penetration rates among the 0-1 hour resident market. However, there are examples where tourists are dominant. At the Guinness Storehouse in Dublin, over 90 per cent of visits are from international tourists, which gives a market penetration of over 25 per cent in this segment.

In Table 2 (right), we provide typical market penetration rate ranges for different attraction types. Entertainment attractions (theme parks, waterparks, brand centres, indoor attractions) have the highest overall market penetration rates. Cultural attractions such as museums and historic properties have more modest penetration rates, although they're important in cities with strong tourist markets.

The ranges provide indications for the bulk of the market, but there are always attractions that achieve significantly higher penetration rates within particular segments – such as Guinness Storehouse.

Size matters

Important factors impacting these penetration rates are the competitive environment and size of the market segments. Cities like New York, Paris and

Table 1 : Example market penetration rate calculations

	VISITOR MIX	ATTENDANCE	MARKET SIZE	PEN. RATE
0-1hr resident	50%	125,000	1,500,000	8.3%
1-2hr resident	35%	87,500	2,000,000	4.4%
Domestic tourist	12%	30,000	1,000,000	3.0%
International tourist	3%	7,500	500,000	1.5%
TOTAL	100%	250,000	5,000,000	5.0%

Table 2 : Penetration rates for attraction types

	CULTURE	WILDLIFE	ENTERTAINMENT
0-1hr resident	2-7%	6-15%	6-20%
1-2hr resident	1-4%	1-8%	2-7%
Domestic tourist	1-7%	2-11%	2-12%
International tourist	2-14%	2-7%	1-10%
TOTAL	2-7%	3-9%	3-11%

London have very popular attractions, but because of the size of the catchment and range of offers available, penetration rates are often relatively modest. By comparison, attractions in smaller markets such as the Guggenheim in Bilbao, Spain, and the Eden Project in Cornwall, UK, can achieve stronger penetration rates.

Understanding the available markets and an attraction's ability to penetrate these is critical to success. When Merlin's development team is considering locations for midway attractions (SeaLife, Madame Tussauds, Lego Discovery Centre and

the Dungeons), the first thing they do is evaluate the size and nature of the market against their internal planning criteria.

Merlin knows the size and nature of the market which is required for their attractions to work and if a potential location doesn't meet the criteria, then it isn't considered. For Merlin and other operators, sound market research provides the foundation of their success. ●

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