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11 Future STEM projects

WWA report
SATE review
IAAPA news

ON THE COVER

Pamela Landwirth

Celebrating 30 years of Give Kids the World

Statue of Liberty Museum

Diane von Furstenberg leading the investment drive

LINDA CONLON

on the big issues facing science centres part four

THE ATTRACTIONS BUSINESS

Planning a new attraction

In part four of our series, David Camp explains the step by step evaluation process that every new venture should follow

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

CONTENTS

1. An overview
2. How are you perceived?
3. Benchmarking
4. **Planning a new attraction**
5. Driving revenues
6. Controlling costs
7. Is it worth it?
8. Benefits and impacts

Visitor attractions are like restaurants; everyone visits them, and everyone feels they could run them better than the current operators. I've lost track of the number of people I've met who have no background in the leisure, entertainment or hospitality industries, but are convinced they know exactly what Disney did wrong in Paris or why a particular attraction is not performing well.

Like all businesses, there are multiple factors impacting attractions, but the most common problem is not treating them as businesses. Attractions are expensive to create, challenging to operate and are completely reliant on the public being interested enough to make a visit. Visiting a leisure attraction is a discretionary activity and there are many external factors affecting attendance levels.

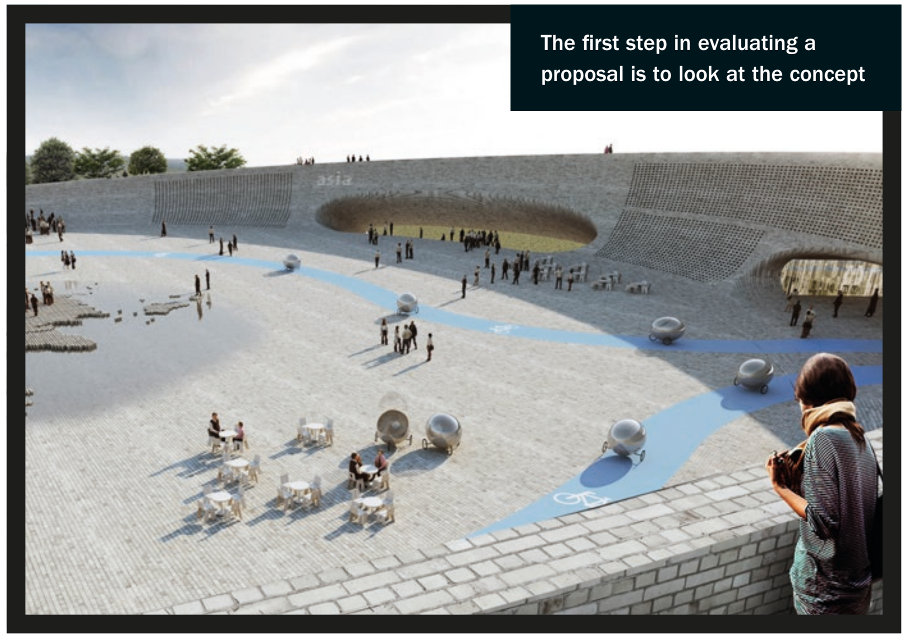
This footfall risk is the biggest concern to funders, yet is often subject to the least amount of early-stage research. All too often developers secure a site, have designs drawn up and build up a business case to support their vision, sometimes solely based on their belief that if they build something that they think is entertaining then people will come.

It is only when they go to seek funding and the potential investors undertake an external due diligence assessment that they realise that the basic assumptions underpinning their plan are flawed.

For new attractions, it's critical developers are realistic with their proposals and design and plan for market opportunities.

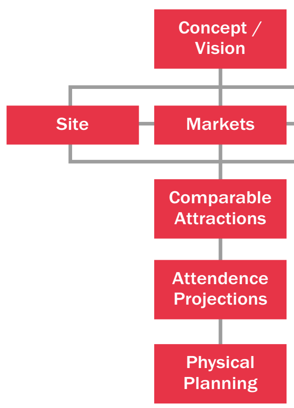
The worst thing they can do is to look at what total attendance a similar attraction in a different location is achieving and use that figure to set the target. It takes no account of markets, competition, product, price or operations, but is often the most common basis for forecasts.

When we assess the potential attendance that a new attraction could generate, we follow a well-established, sound evaluation process. In this article we'll cover the core aspects of this assessment process, shown in the diagram below:



The first step in evaluating a proposal is to look at the concept

IMAGE OF ZOOTOPIA: BIG ARCHITECTS



Evaluating the opportunity

Shanghai Disneyland: physical planning was key to accommodating the anticipated crowds

IMAGE: SHANGHAI DISNEYLAND

"Understanding the size, topography, accessibility, distance from resident or tourist markets and land cost of the proposed site is critical"

Vision, site, catchment markets

The first step is to understand the **vision** for the attraction. Attraction developers often declare that their concept is unique. While this may be true for the city or region that they're operating in, there are always attractions somewhere in the world that are the same, or have similar characteristics. It's important to recognise this and look to learn from how these have performed.

An assessment of the **site** is important. Understanding the size, topography, accessibility, distance from resident or tourist market centres, adjacent land uses, constraints, environmental considerations, planning context and land cost of the proposed site is critical.

The most important aspect is the size and nature of the available **catchment markets**. In this respect, size is important, and bigger markets are generally better than smaller ones, but the dynamics of the markets can change this.

Evaluating the market

We look to evaluate the market within the four segments discussed in the previous article, which looked at benchmarking: 0-60 minute residents; 60-120 minute residents; overnight domestic tourists; and international tourists staying in the area.

Within resident markets, age profile, employment levels, income, expenditure, and leisure behaviour patterns need to be considered. Among tourists, aspects such as visitor origin, age profile, party composition, purpose of visit, length of stay and expenditure patterns are all factors, so a market that attracts two million all-inclusive package tourists may not offer as much potential as one that has 500,000 independent, mobile tourists, for example.

In a similar way, 1 million young, affluent residents may be a stronger market than one with 3 million low-paid people.

It's important to evaluate which segments of the market are the core targets for the attraction. Nothing attracts everyone. As discussed in part two of this series, different attractions appeal to different age groups, while some attractions are interesting to tourists but actually hold little interest for people who live locally.

This analysis needs to reflect likely future changes in market sizes and demographics. In most European counties population growth is low, for example, and the market is ageing. In the Middle East, by contrast, counties have young, rapidly-growing resident markets.

Often schemes are devised with the aim of growing tourism to an area. While this can happen over time, it is rare for a single attraction to fundamentally change the market. It is, therefore, important to evaluate the potential based on the current tourism market and if the market grows over time this can be factored in. Basing an attraction's success on significant growth in the tourist market is a recipe for disaster.

IMAGE: ENDA CAVANAGH

Catchment needs to be assessed: Guinness Storehouse attracts more international tourists and fewer locals

Competition and comparison

The scale and nature of the local area **competition** needs to be examined to understand pricing, attendance levels, audience profile, length of stay and the dynamics of the market. Any new attraction needs to reflect local area pricing, although it's possible for new, stand-out attractions to change the nature of a market.

Learning lessons from **comparable attractions'** performance is critical. As discussed in part three of the series, an examination of market penetration rates achieved by similar attractions around the world within the four catchment market segments provides an important base appreciation of the potential for a new attraction. This is an important stage

One World Observatory, New York: high-up attractions are a growing area for investment

IMAGE : EVAN JOSEPH IMAGES

in the research process and is often the most time-consuming, as it should include an assessment of pricing, physical planning and the financial performance of a wide range of attractions.

It's important the benchmark attractions which are selected are relevant to the concept. There's no use comparing a small kiddie park against Disneyland or a local museum against a national collection. Comparable attractions should have a similar product, be located in similarly-sized markets and have similar pricing.

Once the base data has been gathered, then it's possible to make an assessment of the potential for the attraction. In this regard it's important to undertake a qualitative review of the scheme to complement the quantitative data. This needs to consider the proposed scheme in relation to the local area market and will include the relative strength of the concept, pricing policy, site considerations, market size and demographics, and the competitive environment.

Attendance and planning

From here it's possible to prepare high, medium and low **attendance projections** for a stable year, along with five- or 10-year projections. In this regard it should be recognised that attraction attendance rarely increases over time. In fact, attendance often declines after the first year or two, and it will certainly do so if the business plan does not allow for regular ongoing reinvestment to be made.

The next step is to determine the **physical planning** requirements for the attraction to meet the anticipated attendance levels. This takes account of the target audience, likely seasonality of visitation, guest length of stay and area available for development. In designing an attraction, it's important to allow for enough space to accommodate guests on busy days but not so much that it feels empty during quiet periods, and so the planning is typically based on a "design day" attendance volume rather than a peak day.

This provides an output of design day and peak on-site attendance volumes, guest area space requirements and parking demand levels, which equip the design team with guidelines that help them plan or refine the size and scale of attraction that will meet the opportunity.

Obtaining a sound assessment of potential demand is the cornerstone of a good business plan. In future articles we'll examine how to evaluate potential revenues and operating costs and how to carry out a valuation of the business. ●

IMAGE OF ST KILDA VISITOR CENTRE: DUALCHAS ARCHITECTS

The evaluation process needs to assess the location and accessibility of the attraction

Get in touch with David Camp at D&J Consulting: david.camp@djintcon.com website: www.djintcon.com