

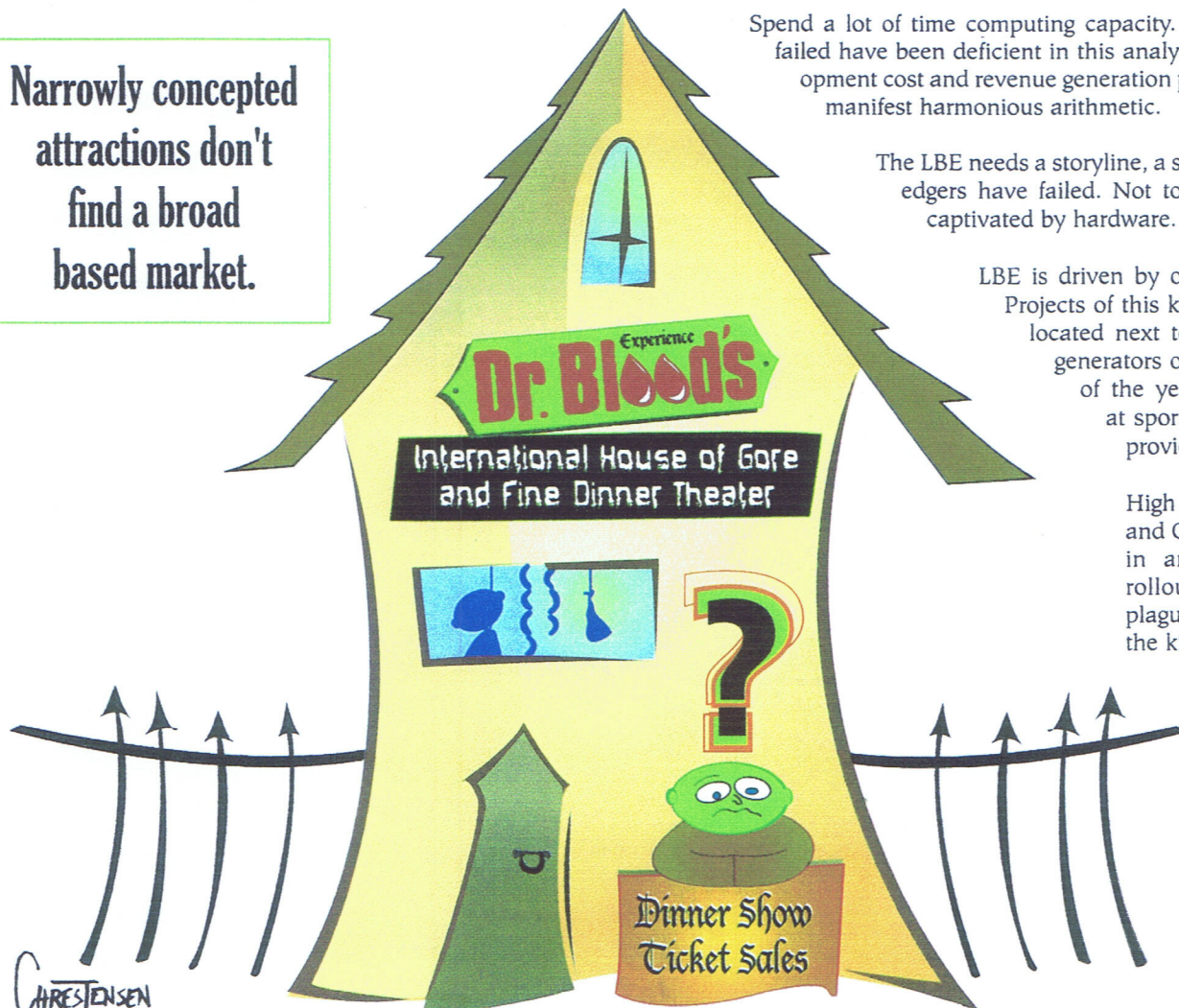
How to Avoid Chapters 7

Come 11

We were asked by the crack editorial staff at Behind the Themes to review the record of failures and closures in the attraction business. Presumably, a rash of closures and/or failures in the location based entertainment (LBE) segment of the business stimulates interest in the subject.

In response, we took a look at some attractions that have not performed according to plan. We asked the question, "What went wrong?" Perhaps with hindsight we could ascertain what happened and come up with a protective checklist for new ventures in this field, first for the LBE and second for attractions generally.

Narrowly conceived attractions don't find a broad based market.



The LBE:

For this article, we define location based entertainment as themed restaurants that offer entertainment and merchandise and indoor attractions offering video games, rides and and/or film based attractions in addition to food and beverage and merchandise.

Indoor entertainment is a constrained revenue generating system, which has intrinsic, economic performance limits related to its physical plan. Therefore, cost of development must be managed to precise limits or the project won't fly. Let design run wild and you could get a \$1,000 per square foot development cost, which can't function without subsidy. It's a question of obtainable revenue throughput per square foot.

Balanced revenue generation is required in major categories; attractions, foodservice and merchandise. That is difficult to achieve indoors. LBE facilities are generally based on food service and merchandise. It should be top rate and too often it is not.

Spend a lot of time computing capacity. Many projects that failed have been deficient in this analysis. Capacity, development cost and revenue generation per square foot must manifest harmonious arithmetic.

The LBE needs a storyline, a soft edge. Many hard edgers have failed. Not too many people are captivated by hardware. Romance is better.

LBE is driven by opportune locations. Projects of this kind work best when located next to major attendance generators operating all or most of the year. Stadium crowds at sporting events may not provide the required flow.

High front end R & D and G & A costs incurred in anticipation of fast rollout have been a plague. If you staff up for the kill early on, you can get killed instead.

By Harrison A. Price and Jill Bensley

and/or Early Recycling

In addition to these LBE constraints, other do's and don'ts are broadly applicable.

Market Analysis: Understanding Your Particular Customer:

Study the market in depth and understand the nuances of its preferences. Pick your niches carefully and stick to them throughout planning and operation. Don't try to change consumer behavior. Glory is in the details. Do your homework with market research, and if relevant, conduct focus groups with expected core customer segments. Then, heed the advice provided. Many projects have failed because of developer omniscience.

Design:

Keep your eyes wide open and try to be objective about your pet project. You may think it's the best thing ever but your market may not. On the other hand, be passionate about the project and be its greatest cheerleader. Keep a balance between your passion and market driven objectivity.

Narrowly conceived attractions don't find a broad-based market.

Clear and concise branding is also important. Make sure your brand message is clear to your customer.

Make sure you have a critical mass of attractions to generate visitor interest for the length of stay. Create enough capacity for your maximum design day on-site crowd.

Projecting Attendance and Revenue:

Use realistic assumptions when looking to the future. Respect comparative and competitive performance. If you do better than projected, you can fix the problem.

Price the attraction correctly based on perceived value for the experience, length of stay and market-based affordability. You will be judged relative to competitive offerings.

Financial Considerations:

Undercapitalized projects have a high failure rate. Bootstrapping is a rare alternative in this business. The attraction must start up fully formed. Phase 1 needs to be a complete show.

Create realistic models for development cost, revenue and expense.

When building the attraction, stick to budget. You will likely not cover a 100 percent increase in pro forma capital cost. Overrun projects have a very high rate of failure.

Other Considerations:

Governments often score poorly as attraction developers.

Monitor all fronts carefully, including food and beverage and merchandise. If you can't cover these services yourself, bring in a partner who can.

Attractions that have bottlenecks at the arrival point such as islands, towers, complex entry systems and other elements add costs. The result is constrained throughput.

Indoor attractions are toughest because of the basic economics of development cost vs. revenue and throughput. Constrained throughput puts a cap on revenue. Unit capacity is more expensive indoors. Always keep an eye on targeted ROI.

Along with remembering the Maine, let us not forget those woe-begotten projects in our collective memory from which these lessons are derived. Out of respect, we haven't listed them by name.

May they rest in peace. ✦