

Contents



Industry Overview: What Is Revenue Operations?
Revenue Theory: Why Is Revenue Operations Important?
FunWorld Park's Revenue Operation
Revenue Operations in Practice
Skills Exercise – Case Study

Revenue
Operations

2

Objectives



Upon completion of this course, attendees will be able to:

- Describe the ways in which attraction revenue operations differ from high street retail
- Discuss the importance of revenue operations to an attraction's total revenue
- Definition of terms: per capita, penetration, cost of goods, etc.
- Review the three major types of revenue operations
- Identify the key operational challenges for each area
- Describe pricing, layout and merchandising strategies to improve revenue operations results

Revenue
Operations

3

Industry Overview



What do we mean by revenue operations?

- All the non-gate revenue sources in a typical attraction
- Revenue types:
 - Food & Beverage-In-park options, catering opportunities
 - Retail-Merchandise
 - Games of skill, videos, redemption
 - Other (lockers, parking, rental [strollers, wheelchairs, etc.]
 - Revenue partners (leased or concession operations) – Opportunity to diversify offerings and increase bottom line by leasing to established brand outlet for food or retail services

Revenue
Operations

4

Industry Overview (cont'd)



What are the operating characteristics of these revenue areas in the attractions industry?

- Limited park season – Approx. Memorial Day to Labor Day
- Impulse purchases – One chance to capitalize; need to have right product available at the right time in the right location...
 - Limited repeat business – Many guests come only once a season
- Season pass holders often do not spend much per visit (no need to “bring home a memory”)
 - Effects on buying/pricing

Revenue
Operations

5

Industry Overview (cont'd)



What makes park retail different from traditional retail?

- Seasonality (limited opportunity for business) Attractions have one opportunity to make sale
- Majority of sales are at day's end This is a difficult shift to staff and competes with guests' desire to get home or to reserve last of disposable income
- Inventory commitments made months in advance of opening (difficult to change and limited time to update)
 - Merchandise Planning-Categories/Pricing/Quantities/Imports v Domestic
- Need to turn inventory quickly -2X Goal (traditional retail 3+) Difficult to hold from one season to the next
 - POS-Item (SKU) sales/Projections...

Revenue
Operations

6

Industry Overview (cont'd)



Characteristics of midway games or games of skill

- Important to entice guests' interest through employee salesmanship, flash (merchandise display), and excitement of the area
- Play encourages play When one guest plays, more are drawn in
- Prize drives play, guest will play based on prize assortment, size and price
- Cash handling procedures & systems are different than traditional retail and must be managed carefully
- Midway games add incremental per cap to attractions which can be approximately 10%
- Redemption games are becoming increasingly more popular
- Videos are becoming more difficult

Revenue
Operations

7

Revenue Theory



Why is revenue operations important?

- All three types (F&B, retail, and games) are very profitable operations in and of themselves – They contribute significantly to the facility's bottom line
 - F&B/retail/games sales are critical to success – The industry's business formula is based on volume Funworld=36+% VS USA Parks=23%
- Revenue outlets are needed at the facility to meet guest demand – For food/drink, gifts/souvenirs, entertainment, variety
- A part of the park experience

Revenue Operations

8

Revenue Theory (cont'd)



Operations revenue and expense figures

- Potential revenue opportunities from the key revenue areas – Proportion of total income (All reporting amusement parks)
 - **32.6%** – Total % of income from all three revenue types, made up of:
 - Food & beverage: **19.2%**
 - Retail: **7.1%**
 - Games: **6.3% (2007 survey 9.8%)****
- Typical revenue and expense ratios:
 - Globally, *all in-park revenue** of amusement parks averages from 43% to 49% of the park's total income
 - Globally, amusement park operations expenses average between 50% and 70% of the park's total income

* Includes F&B, retail, and games revenue plus tenant/concessions, sponsorships, and other revenue. (no parking)
Source: IAAPA, *Managing Attractions for More Profit: An International Survey of Operational Performance*, 2009

Revenue Operations

9

Revenue Theory (cont'd)



Key terms in revenue operations

- **Per capita (per caps)** – Revenue divided by the number of visitors; Calculated for an individual location/facility, or sold item, and for the park as a whole, for a period (day, week, etc.)
 - *Importance:* “Levels the playing field”; enables comparison of the sales on any item, or sales outlet, with any other
 - Effective management tool
 - Sales per square foot.....sales per operating hour
- **Cost of goods** – Wholesale price retailer pays to obtain an item
 - *Importance:* Directly impacts margin – Expense is taken directly from the bottom line
- **Labor costs** – Cost of the labor that was required to sell item
 - *Importance:* Impacts margin, is important indicator of both insufficient labor (understaffed) and surplus labor (overstaffed)

Revenue
Operations

10

Revenue Theory (cont'd)



How operations (in-park) revenue is analyzed

- To determine operations revenue, subtract the cost of goods and labor cost from sales revenue:
$$\begin{array}{r} \text{Revenue derived from sales (minus sales tax)} \\ - \text{Cost of goods} \\ \hline = \text{Gross margin} \\ \hline - \text{Labor cost} \\ - \text{Supplies, equipment repairs etc.} \\ \hline = \text{Net/Operating profit} \end{array}$$
- The result is the net profit from revenue operations

Revenue
Operations

11

Revenue Theory (cont'd)



Average (Mean) cost of goods sold for each revenue operations area – Cost-of-sales ratios (Includes product,packaging.freight,tax)

- As percentage of revenue produced in that area

Category	Park Location				Number of Guests			TOTAL
	U.S. & Canada		Europe	All Other Countries	500,000 or Fewer	500,001 to 1,500,000	1,500,001 or More	
	Open ≤ 200 Days	Open > 200 Days						
Redemption Arcade Games	16%	20%	25%	20%	23%	20%	17%	23%
Plush/Operator Games (2004)	25%	27%	27%	28%	27%	27%	24%	26%
Food and Beverage	33%	30%	40%	38%	33%	38%	34%	34%
Merchandise (note variance)	32%	37%	31%	36%	32%	39%	35%	34%

Revenue Operations

12

Revenue Theory (cont'd)



Key metrics for all revenue operations

- Per caps – Amount spent per visitor
- Penetration – Sales/Checks-measured against **total** number of visitors in any given period
- Factors that influence the above two metrics
 - Visitor mix
 - Tourists – More likely to buy souvenirs
 - Local repeat visitors – Less spending per trip
 - Group outings – School classes, seniors, etc.; patterns vary
 - Weather
 - Facility's mix of offerings

Revenue Operations

13

FunWorld Park's Revenue Operation



Revenue operations outlets at FunWorld

- 7 F&B outlets-3 Stands, 2 Sit Down Fast Food, 2 Full Service
- 12 carts
- Small catering operation- Picnic Grove-700 capacity
- 5 retail outlets-2 gift Shops, 2-Tee-Shirt Stores, General Store
- 2 games venues-22 Total Games



Revenue Operations

14

FunWorld Park's Revenue Operation (cont'd)



Food & Beverage outlets*

- Types of F&B Relative advantages and disadvantages (from operations viewpoint)
 - Food stands/carts (no seating) (12)
 - Pros/Cons
 - Walk-up food & beverage outlets (3)
 - pizza, snacks, etc.
 - Pros/Cons
 - Sit-down fast food restaurants (2)
 - Pros/Cons
 - Sit-down table service restaurants (2)
 - Pros/Cons



* Note: FunWorld Park does not have branded food outlets.

Revenue Operations

15

FunWorld Park's Revenue Operation (cont'd)

Food & Beverage outlets (cont'd)

- Key metrics and measures of success for F&B
 - Per Capita/Average check
 - Number of table turns per day (times a table is used by different party)
 - Cost of Sales
 - Labor cost
- Challenges for FunWorld's F&B operations manager
 - Analyze sales information to determine food items that are selling and those that are not and modify orders accordingly
 - Improve per caps/Margins



Revenue
Operations

16

FunWorld Park's Revenue Operation (cont'd)

Retail outlets

- Types of retail Relative advantages and disadvantages
 - **Carts** Pros/Cons: Capture midway traffic, quick transaction time, ease of setup & tear down / high exposure to theft/inventory/cash control, weather, challenge to re-stock during business hours-Impulse items
 - **General gift store** Pros/Cons: Specific, unique product mix, higher average transaction, upsell opportunities / drawing guests into the store, slower turn & higher risk on inventory/high number of SKUs (3)
 - **Souvenir/gift stores at exits of rides** Pros/Cons: Forced traffic flow, relevant product mix, memory of the day impulse / lower spend per cap, limited opportunity to capture attention & sale (2)
 - **Photo booth** Pros/Cons: Incremental spend, low inventory investment, opportunity for multiple location / equipment maintenance, new technologies/concession?

Revenue
Operations

17

FunWorld Park's Revenue Operation



Retail outlets (cont'd)

- Key metrics and measures of success for retail
 - Per Capita/Gross Margins/Markdowns/Cost of goods
 - Inventory control - POS
 - Turns
 - "Open to buy" - Retail management tool
- Challenges for FunWorld's retail operations manager
 - Merchandise Plan-need to make buying decisions months in advance - Anticipate styles and fads-Import/Domestic
 - If items are not selling they must be unloaded quickly or they'll need to be written off -A reality....



Revenue Operations

18

FunWorld Park's Revenue Operation



Games/arcade

- Types of games Relative advantages and disadvantages
 - Single-player games (midway-type)
 - Pros/Cons
 - Multi-player games (midway-type)
 - Pros/Cons
 - Redemption centers (arcade game venue; points won earn tickets, which the player can accumulate to redeem for prizes at different value levels)
 - Relates especially to video games/arcades
 - Pros/Cons



Revenue Operations

19

FunWorld Park's Revenue Operation



Games/arcade (cont'd)

- Key metrics and measures of success for games
 - Virtually the same...New terms Gaffe (set-up), Give (cost of goods), Flash (merchandising) for the game; how many winners-How to control
- Challenges for FunWorld's games operations manager
 - Purchasing challenges are similar to retail: Need to make decisions six months in advance as to what will be "hot" prizes-
 - Popularity of prizes can be major driver of whether visitors play games or not-Outgoing staff helps (Hiring practices)
 - Redemption centers - The redemption tickets equal cash; there must be an effective system to control them-Think Skee-ball
 - Videos-How many?/Mix?/Redemption Component?/Who owns?/Split?

Revenue
Operations

20

Revenue Operations in Practice



Practical factors affecting revenue operations

- Layout/placement of F&B, retail, and game areas **
 - Location of all types of outlets must preserve traffic flow
 - Must be integrated with the attraction design and layout
 - Outlets easily accessible from, but not impeding, main flow of traffic
 - Ride exit flow (recent trend: exiting a ride through a gift shop)
 - Food - Offer convenient venues for all types of food needs
 - Quick drink stands, vending machines, snack shops
 - For popular restaurants, open location - Space for lines, in shade
 - Provide convenient cold drinks on hot days, and vice versa
 - Retail - Expert visual merchandising, reflect theme/brand
 - Make it as easy as possible for people to spend money, but not feel they're being pressured

Revenue
Operations

21

Revenue Operations in Practice



Practical factors affecting revenue operations (cont'd)

- **Layout/placement of F&B, retail, and game areas (cont'd)**
 - Games – Should be located in high traffic areas
 - Display the plush (prizes) outside – Appealing, draws interest
- **Pricing strategies**
 - Products should be at prices relative to competitors (both in the park and on the street) and customer profile
 - Product offerings should cover all price levels to meet the spending composition of all guests
 - “Trading guests up without trading them away” – Focus on average retail size of transaction (\$5-7) and increase units per transaction, while balancing the layering of price points

Revenue
Operations

22

Revenue Operations in Practice (cont'd)



Practical factors affecting revenue operations (cont'd)

- **Inventory control**
 - An attraction selling \$5 million at retail is dealing with thousands of items, which need to be sold to be profitable
 - Need for strong policy and procedures, good systems, and good management to move the merchandise
 - Important to develop inventory and cash control procedures and physical inventory procedures
 - “Open to Buy” report
 - Definition: The dollar amount of merchandise budgeted for a particular period that a buyer has not yet ordered
 - A management tool – Tells buyer what is selling and not selling, to allow decisions early in season of what to discount-TRENDS/PROJECTIONS

Revenue
Operations

23

Practical factors affecting revenue operations (cont'd)

- Inventory control (cont'd)
 - Shrinkage/ loss prevention/ Cash Control – Cannot afford to ignore
 - Goal is not to eradicate it (which is impossible), but to get it down to a number that is manageable
 - Need to have enough controls to “keep the honest people honest” but not make the park an unpleasant place to work
- Employee training Upselling
 - Employees – Well-trained in cash register, suggestive selling
 - Guest contact – Individual sales to each customer; focus on individual sales, upselling, and transaction speed-Eye Contact/Smile
 - The right employees are crucial in games – Fun, energetic, engaging, outgoing; they will make or break success of games

Creating new operations revenue sources

- Non-traditional revenue sources/opportunities: VIP tours, front-of-line access, birthday parties, sleepovers
- Mitigating the unpredictability of retail – Increase operations revenue by:
 - Targeting outer-market visitors: Learn what demographics are being marketed and focus product mix to that market
 - Leveraging group sales: Find out (from Group Sales Dept.) about park's group business and tailor food and retail products specifically to reach those groups
 - Wooing repeat customers: Local visitors may respond to effective couponing and promotion of non-logo items (fudge, candy, etc.)

Skills Exercise Case Study



FunWorld Park's Revenue Operations have shown consistent results, but each department has areas in which it can improve...

- Identify each area's:
 - Major strengths and weaknesses
 - New operating strategies you would employ to improve performance
 - Any capital investments you would propose to improve the bottom line

Revenue Operations

26

PROFIT PUSHERS

- PILE IT HIGH & WATCH IT FLY
If you don't have enough stock during your peak season, you will miss out on sales.
- ALWAYS BUY FEW ITEMS AT A HIGH PRICE POINT
This makes your middle-priced items look like a great value, and make your lowest price points look like a bargain.
- TANTALIZE ALL SENSES IN THE STORE-SOUND, SMELL, TASTE, TOUCH, VISUAL
Make coffee, offer free candy, play family music, put your soft plush at a kid-friendly level, and make your displays eye-popping.
- USE YOUR PRODUCT AS PART OF YOUR VISUAL MERCHANDISING
Souvenir products are FUN! Use them to theme!
- DON'T BE AFRAID TO TAKE MARKDOWNS
If it isn't selling, it is making you ZERO money sitting on your shelf at full price.
- STEALING FROM TARGET IS OK.
Pay Attention Wherever You Shop & Steal Ideas. Note the Grocery's displays. What colors does Target or Wal-Mart have up front?
- INVEST IN PROFESSIONAL FIXTURES THAT CAN MOVE
Change and rotate the fixtures/product within the store to add variety and excitement to the shopping experience for repeat customers.
- IF YOU HAVE TIME TO LEAN, YOU HAVE TIME TO CLEAN!
Your employees should be dusting, straightening, & folding during slow times.
- PAINT CAN PERK THINGS UP
An inexpensive can of paint can be used to paint your fixtures & walls and keep things looking fresh.
- FABRIC AND PAPER ARE TWO EASY DISPLAY HELPERS.
Use them under or behind a display to provide a backdrop, use them to add color and interest to a boring display. Use colors and textures that complement your store design and merchandise.
- KEEP THINGS CONSISTENT
Hangers, fixtures, and signage should all be similar & professional.
- PRETEND YOU ARE THE CUSTOMER
Walk into the store like it's the first time & note the details. Are things organized, clean? Was there stuff to look at/buy while waiting in line?
Did you cashier suggest additional items?
- ASK THE RIGHT QUESTIONS TO YOUR guests.
Need sunscreen? Hats? Water?
- GIVE SOMETHING AWAY & MAKE MORE IN RETURN
Give the kids a free coloring page or sticker. The parent & kids will remember when they come back to buy souvenirs.

FUNWORLD RETAIL OPERATIONS



THE IMPORTANCE OF A RETAIL STORE

- **PROFIT CENTER**
 - The difference between your overhead costs & retail sales & is profit!
- **PROMOTION**
 - Your customers go home advertising your park with the custom souvenirs they buy.
- **CUSTOMER SERVICE**
 - You provide a convenience to your customers!

MERCHANDISE BUYING

- GENERAL
 - BROAD SELECTION
 - APPEAL TO DEMOGRAPHICS OF GUESTS
 - KEEP ASSORTMENT FRESH & UPDATED
 - MAINTAIN AMPLE INVENTORY LEVELS
- MERCHANDISE ASSORTMENT
 - CUSTOM SOUVENIR ITEMS
 - CONVENIENCE ITEMS (SUNSCREEN, WATER, ASPIRIN)

VISUAL MERCHANDISING STORE LAYOUT

❖ DIRECT TRAFFIC



- **Decompression Zone:** The entry area where the customer makes an adjustment to being inside (removes their glasses, re-adjusts bags, etc) , takes visual stock of the entire store . Few sales happen here.
- **Strike Zone:** Customer looks at the price of the first item, generally to their right, to gauge store prices. Place affordable & fun products here!
- **Right Hand Read:** 90% of Customers veer to right as they enter. Make this wall/section look great!!

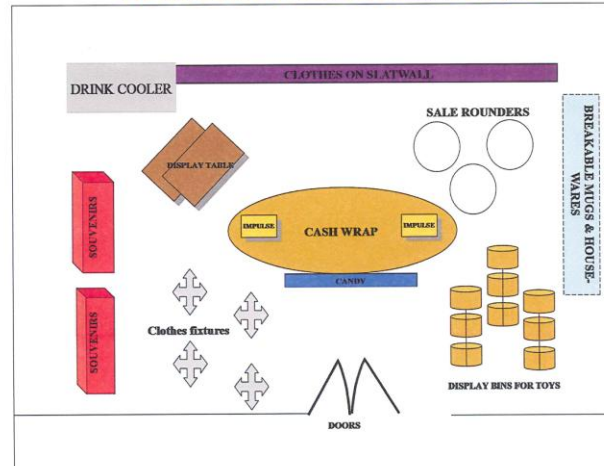
VISUAL MERCHANDISING STORE LAYOUT

- **Necessities:** High demand products are placed in the rear of the store to pull customers through the store, increasing the visibility of other products along the way.
- **Checkout/Registration:** This location offers the most captive audience and usually is the busiest. Place reasonably priced impulse items (Souvenirs, candy, toys)

VISUAL MERCHANDISING STORE LAYOUT

- **SHELF SPACE**
 - Reasonable heights
 - Shelves not too deep
 - Utilize high shelves for visual displays
 - Child Friendly & Safe
- **AISLES**
 - Must be wide and clearly defined for emergency exiting
 - Must keep with ADA (Americans with Disability Acts) directives
- **SEE PICTURE A**

VISUAL MERCHANDISING STORE LAYOUT-MAIN GENERAL STORE



VISUAL MERCHANDISING PRODUCT

❖ OPERATIONAL

➤ LIGHTING

- General lighting illuminates both the merchandise and the traffic path in a store. It is usually not flexible.
- Accent lighting can accentuate merchandise and is usually designed for adjustability.
- Task lighting is used in work areas, such as under the counter of the cash wrap or in a stock room.

➤ CLEANLINESS & ORGANIZATION

- Dusting/cleaning
- Folding and facing

VISUAL MERCHANDISING PRODUCT

• MERCHANDISE

– PRECISE BUYING

- Visually appealing products
- ABUNDANT Inventory
- Plan where product will go

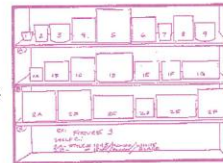


Illustration by Linda Cahon, Cahon & Company

– PRODUCT DISPLAY

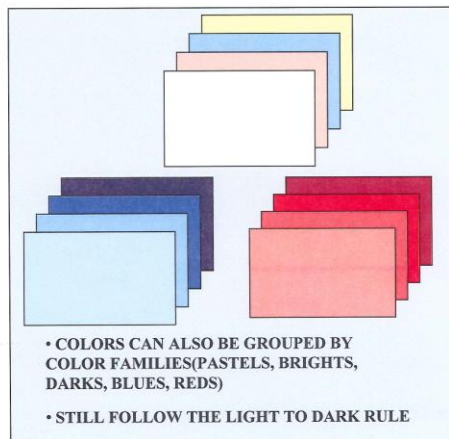
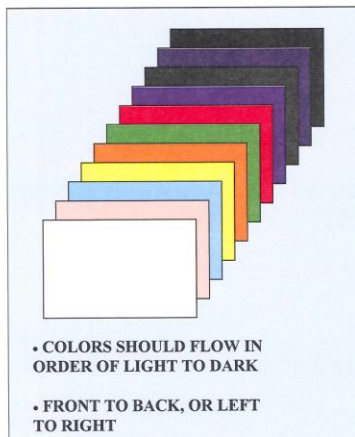
- Layering
- Product Rotation
- Create Product "Niches"
- Use "props"

– DISPLAYS-COMMERCIAL QUALITY

- Use POS (Point of Sale) signs & displays to theme store
- Separate Sale
- Seasonal/Theme

– COLORS-Light to Dark (See Picture B)

VISUAL MERCHANDISING PRODUCT-Picture B



SELLING STORE PROMOTIONS

- Great customer service is the best way to promote your store!
 - Personnel-Hire the right people
 - Friendly & Polite
 - Salesmanship
 - Comprehend & follow all policies/procedures
 - Proactive in store maintenance
 - Product
 - Understand & train employees on product knowledge
 - » Where/Why/How
 - Offer the right product selection at the right prices
 - Pricing should be easily located, Clear, and professionally priced
 - Store
 - Create a clean, organized, and "shoppable" layout
 - Make it child & camper friendly
 - Set & maintain merchandising standards