Environmetrics
social and market research

Where is everybody today? Did my research let me down?

Let's begin with a nightmare. Imagine a new theme park with the rides operating, the music playing but no visitors anywhere in sight. Picture a new museum with the doors wide open but the galleries and halls empty of visitors. Conjure up the idea of a newly opened restaurant, the staff all bright-eyed and eager but not one diner at the tables. Chilling visions for everyone who develops a leisure venue in the belief that people will flock through the doors in numbers great enough to ensure success.

Now, while I cannot recall any case where absolutely no one came to a new attraction, I can think of any number where not enough people turned up and the attractions slowly faded away.

Sometimes "slowly fading" is not what happened at all. "Catastrophic collapse" would be a more accurate description of the process. In one case within the last decade, for example, investors put millions of dollars into an attraction that needed hundreds of thousands of visitors per year to break even. In the first year only tens of thousands of paying visitors passed through the entry and the attraction and the money are no more.

How can this happen? Didn't the people associated with the venture explore the business potential of their idea? Didn't they conduct research in advance to feel the pulse of the market? Yes, they did, as did many of the developers of the attractions that faded away less dramatically. So, what went wrong with their plans?

There is no single simple answer to what goes wrong when a new attraction performs below the developer's expectation. It may be that the concept is an excellent one but that the execution is poor. Or it may be that both the concept and the execution are fine but that because of poor advertising and promotion the attraction never makes it to the public menu of "must do" things to experience.

Often, however, the problem lies in the initial prediction of the appeal of the concept to the intended market; in the way marketing research is used and interpreted. Unfortunately, visitor forecasting is often conducted so poorly that the developer is misled by excessively optimistic expectations.

Sometimes these expectations arise because the so-called research on which they are based is too simplistic.

Three common but flawed ways of estimating future patronage are based on appealing but incorrect assumptions about market behaviour. These can be thought of as the "fair share", "infinite visits" and "blotting paper" assumptions.

The “fair share” assumption

A favourite in the hospitality industry, the ”fair share” assumption can be heard in conversations that go rather like this: “There are four hotels in town drawing 4,000 bed nights per year. When we open, we will get our share of the total plus a bit extra because we are new”. Built into this approach is the belief that consumers behave more like balls in a lottery barrel than anything else and will rattle into the new hotel through a process akin to gravity. If everything else is equal, it may be helpful first-cut at estimating the market, but in most case all things are not equal and branding, loyalty programmes and marketing skew the prediction.

The "Infinite Visits" assumption

When a new attraction is being planned it is often not as similar to existing attractions as one hotel is to another hotel. In this case a variant of the fair share approach often surfaces. It works as follows: The developer looks to see how many people are going to other attractions; compares details such as entry prices and the amount of time spent in each attraction and makes as close a match as possible between existing venues and their brain-child. The comparison is used to forecast future visitation at their venue.

Built into this approach is the hidden assumption that the market can generate an infinite number of visits—that the main impact of adding yet one more museum to a market already crowded with museums, for example, will be to encourage consumers to make more visits to museums. Research, however, shows that most of people have constraints on their time and money that make it very difficult to add even one more outing to their existing social schedule. What really happens is that the majority of visits to the new attraction have to be subtracted from those that would have been made to other places. Failure to appreciate this means that the magnitude of the task of capturing the necessary visits is often underestimated.

While the comparison approach does say something about patronage patterns in the market before the new attraction is developed, it says little about what will happen when the market is altered by the appearance of the new attraction. And, to be useful at all, it is important that the comparisons be realistic. We have heard people seriously arguing that the annual number of visitors to an attraction in Britain, located in the middle of a potential day-trip population as large as the total population Australia, was a useful estimate of patronage for an attraction in Sydney.

The "blotting paper” assumption

When an attraction is planned to be part of a leisure precinct such as Darling Harbour or The Rocks in Sydney; Southgate in Melbourne or Southbank Park in Brisbane it is common to hear the blotting paper assumption being used as a part of forecasting visitor numbers. This assumption owes more to wishful thinking than to science and is often expressed like this: "A very, very large number of people visit the precinct. We will be located in the precinct so we should be able to get at least five percent of those people to come through our door just by opening it, and five percent of a very, very large number is still a large number. We're laughing!" The history of precinct development in Australia shows that, while this assumption has some limited validity for retail outlets selling impulse or food and beverage items, it has almost zero validity for paid attractions—something that seems to be rediscovered with great disappointment by each new attraction as it opens.

The blotting paper assumption has two insidious flaws. The first is to confuse visits with visitors. Visits are what are measured by clicks on the turnstile, ticket sales and crowd counters. Visitors are the individual people making the visits. Sounds obvious doesn't it? But the frequent confusion of the two "V-words" has important implications for forecasting the financial viability of attractions.

The Venue Monitor surveys that have been collecting data from samples of residents in Sydney, Victoria and South-Eastern Queensland for some years, show that different kinds of attractions have consistently different profiles of repeat visitation. For example, visitors to an art gallery typically make around four visits per year while visitors to a museum make somewhere between one and two visits and visitors to large clubs make around seven visits per year. This means that an art gallery, museum and club with the same number of visits (clicks on the turnstile) actually have different numbers of visitors. Because it is visitors who have the funds to spend, each is looking at a different number of potential sales opportunities.

A second flaw in the blotting paper assumption is that it ignores the factors that shape the ways in which people actually allocate their discretionary time, money and energy. Again, careful research reveals that a visit to a precinct is often seen as having a sense of freedom about it. Freedom to wander and browse as whims dictate at the time.

In contrast, a visit to an attraction that requires a fixed commitment of time and money tends to be planned well in advance of reaching the precinct. So even though both visits occur in the same physical geography, they occupy quite different parts of people's mental landscape that is the world in which leisure decisions are really made.

The idea that people will drift happily through a precinct and then suddenly decide to hand over money and allocate a substantial block of time to an attraction is, by and large, an inaccurate image of what actually happens. An attraction in a precinct has to market itself to people where they live just as if the precinct was not there at all.

When yes means maybe

Sophisticated market research tools can also be misinterpreted. Part of planning for a new attraction often involves a survey of the target market to assess enthusiasm for the concept being proposed. Typically, the survey is conducted without any benchmark against which the accuracy of statements about interest in the attraction can be judged. This is a problem because there is a very understandable tendency for people responding to such a survey to feel they will keep their options open by saying they might visit the attraction when it opens, even when their real interest is marginal.

The repeated *LeisureScope* surveys have given us a chance to contrast the levels of intention to visit existing attractions with the actual levels of visitation as time goes by. These comparisons show the “foot in the door” phenomenon very clearly and highlight the need to discount statements of interest and intention very carefully before making final forecasts. And, to complicate matters, the level of over-estimation seems to be greater for some kinds of attractions than others. This means that a simple discounting by, say, only believing a small proportion of the people who say they will turn up at the new attraction, works well for some kinds of venues but not others.

Carefully conducted surveys of the market, combined with focus groups can give a very useful indication of future market response. However, history has shown that unless both sources of information are interpreted with skill, there is a high risk of expecting more visitors at the door than will actually arrive.