

# **A Good Consultant is a Teacher, Not a Dictator**

by Frank Seninsky and Jerry Merola

With the recent surge of leisure and entertainment businesses, the many newcomers to this young industry desperately need as much education as possible. Where does this education come from?

The majority of location developers foolishly believe that they can get this education through hands-on experience. Many have made huge mistakes and just don't know what to do to get themselves back on track. Others have copied the mistakes of others and learned the hard way. Still others have used a consultant and later discovered that their selection was incompatible with the project under development.

Yes, using a consultant can be a blessing or a curse. The right consultant can reduce project costs by hundreds of thousands of dollars and establish an operating plan capable of generating substantially greater revenues over the project's life cycle, all for a very reasonable fee.

The "wrong" consultant, however, can fail to right-size a project and completely miss the market with the wrong design, attraction mix, and marketing plan, leaving you with a sub-standard project and a mountain of debt.

Over the years, we've heard a number of common misconceptions about consulting services. Here's a few:

## **It's Only for the Big Boys**

The truth is that the smaller, independent facilities need education and industry expertise even more than the big chains with the "deep pockets." Those with limited capital and financing capacity have little, if any, financial cushion to absorb mistakes.

And if you have made some big mistakes, now is the time to correct them, with as little financial pain as possible, before it is far too late to even try. Small sites with limited financial resources need to be using proven programs capable of providing immediate results under the direction of a qualified consultant.

## **Consulting is a Long, Drawn Out, Expensive Process**

This may be the case for the huge multi-million dollar projects, but not for the smaller ones. Reaping the benefits of a consultant does not have to take a lot of time or money.

A good consultant, who works even day in the industry, can easily grasp the strengths, weaknesses, and opportunities of a client's business and provide a concise, custom-fitted prescription for maximizing the operation's effectiveness. This can often be accomplished within a defined evaluation period (one to three weeks), usually for a price of \$4,000-\$9,000. Compared to the hundreds of thousands of dollars at risk, this exercise is the best investment your facility will ever make.

## **A Consultant Will Tell Me What To Do**

A good consultant will teach you the basic proven concepts and reasoning behind every recommendation and back it up with hard data from his or her operating experience. You, the owner or manager, will make each decision.

The consultant will direct you to the sources of much-needed information, such as trade associations (LAFEC, LA.-VPA, AMOA, TEA) trade magazines, and credible industry manuals.

Qualified consultants can also recommend visitation to a number of current facilities that offer a cross-section of different industry styles and levels of effectiveness, and then debate with you the pros and cons of each site. This will avoid the possibility of erroneously copying someone else's facility, only to find that you've copied the mistakes as well.

## **Choosing An Industry Professional**

How do you go about choosing the right consultant? Education, again, is a critical step in the selection process. Our recommendations are as follows:

Call several industry associations and see who they recommend. Next, contact the industry's trade magazines and ask the same question. Discuss your consulting needs with others in the business who may have previously utilized the services of

a consultant.

Soon, you'll start to notice a pattern, whereby the same name or names are showing up on each of the lists.

Confirm that the consultant has industry operating experience and is focused on keeping up with current trends and market conditions. Make sure that he or she utilizes a large database, detailing information and performance trends for the types of attractions that are planned for your facility. Be absolutely sure that he or she is quite familiar with the proposed project type, not just the "industry."

For example, don't hire a consultant whose major focus has been theme parks if you are planning a leisure entertainment center. The two are completely different animals and must be designed according to their respective operating formats. A theme park typically has a high gate entry fee and patrons usually spend an entire day at the site. Conversely, a leisure entertainment facility draws from a much smaller area, relies heavily on repeat customers, and has a length of stay of two to two and a half hours per patron visit.

Select a consultant that is an expert in feasibility studies or has teamed up with someone who is. A feasibility study is critical for any new project as well as for every existing project (A study should be redone at least even three years).

The absence of a feasibility study is the first sign that you, the owner/developer, may not have a full understanding of your target market. The consultant must act as a private investigator, and search for the not-so-obvious roadblocks and opportunities present within the project's market region. These may include discovery of other projects planned for the region, potential movement of current anchor tenants critical to your project's success, and/or pending or current legislation restricting leisure-based activities.

Ask plenty of questions and look for satisfactory answers. If you are a current facility owner, a good question to ask might be, "What adjustments can I make today to increase income, improve operating performance and control expenses?" The answers should not be philosophical or vague such as "add value," "increase repeat business," or "increase market penetration," but rather hands-on answers that identify the how-to's along with charts and forms that aid in making such changes.

A good consultant can spot problems and get them turned around quickly. Another important question might be "Have you developed tracking procedures aimed at eliminating inventory shrinkage and revenue disappearance?" "How should I control fixed assets?"

Quick answers identifying what to buy, and what to sell may help in the short run, but ultimately learning how to measure results and revenue impacts return on investment and "real" depreciation factors is even more important. The "hidden part of the balance sheet" needs to be discovered and understood, otherwise investment returns can never be accurately determined.

Does the consultant understand per capita spending patterns and how they relate to attendance and total facility revenues? Every revenue source needs to be broken down into realistic per capita spending and time utilization worksheets to confirm that projected attendance, facility size, attraction types and attraction capacities (throughput) will meet targeted investment returns after accounting for operating costs.

Can the consultant provide you with a solid game plan for the life of your business, which might include exit strategies and/or reduction strategies? Simply relying on projections that offer ever-increasing growth in revenues from year to year, without foundation, creates a false impression for lenders and investors, many of whom might discount the project's estimates as "unattainable" or "inadequately researched."

Instead, a carefully developed program that concentrates initial and future investment dollars into the facility's key profit centers will provide a basis for growth, and ultimately serve as a guide in operating the business during future periods.

### **Getting Your Money's Worth**

Once you've selected a qualified consultant, you'll want to clarify the extent of the initial work to be performed. In the case of a feasibility study, the completed report should answer the following questions:

- What is the make-up of the surrounding population? Take into consideration such variables as age, gender, ethnicity, household composition, and income-related statistics. What market is the project targeting and is it large enough to support its economic thresholds? Has the population's make-up changed since opening day? What is the anticipated make-up of the

population three to five years from now-? Also consider tourism levels, transportation systems, housing composition, and employment characteristics.

- What is the per capita income and average household income for your target markets? How does the population's leisure and entertainment spending levels compare to the national average? Do the per capita spending levels match the facility's projected revenue targets and are they realistic? Are you looking for small per caps from a large volume of customers or vice versa?
- What are the typical travel times to work and shopping for the region's residents? How far will your customers travel for entertainment? This distance can weigh heavily in determining a facility's penetration rates.
- What classes of professions are most common in your markets? Are these careers physical or sedentary in nature? The answer will impact the types of leisure activities in which heads of households will likely participate. What is the local and regional level of employment and what ethnic groups report high unemployment?
- What is the best mix of attractions for your markets? What hard data is available to support the performance of various attractions in markets similar to your own? What affect will selected attractions have on each other's revenue potential, guest experience, and entertainment value?
- What impact will seasons, holidays, times of day, and other variables have on the income of specific attractions? There are several statistical models and historical precedents available to support such conclusions.
- What is the ratio of income to space utilization and investment level for each attraction? Which attraction(s) are you willing to forego as a loss leader, if necessary? What is your exit strategy for rotation and/or replacement of attractions? Has an attraction reinvestment strategy been established for the next five years of operations? What will each attraction's value be in six months, one year, or five years?

### **Looking to the Future**

A qualified consultant knows that the most important objective in your business relationship is to eventually hand over the baton, that is, give you the tools to run your facility profitably and effectively.

This is not to say that your relationship with the consultant must end, but rather, its purpose will change. Instead of creating and implementing the operating program, the consultant is now called upon to audit your performance and offer solutions to maximize its effectiveness.

These "performance audits" as our firm calls them, are by design intended to weed out problems with control procedures, attraction mixes, staffing, marketing, and operating formats. They are an invaluable tool that helps to maintain the standards originally set and prepare the business for future changes in market demographics and levels of competition.

Our best recommendation is to select a consultant with years of operational experience, who has worked on many successful projects, always safeguards the clients interests ahead of his or her own, and who is "always busy." Choose a professional that loves to teach, is flexible, and capable of compromising with other project team members and co-owners, but always prepared to lay out the pros and cons of every project decision - popular or not.

Most importantly, get the consultant involved in the project as soon as possible, even if only to quickly review the project's scope and direction. The consultant is the only one out there looking at the project's big picture, is impartial, and hopefully doesn't have an agenda, other than the recognition of working on a successful project. With the high cost of entry into this industry, and the inherent risks of operating within the retail sector, none of us can afford to go it alone. Can you?

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