
Crystal ball gazing

High-profile destination failures such as The National Centre for Popular Music, Royal Armouries at Leeds and Earth Centre have been grabbing the headlines in recent months. As with the Millennium Dome, commentators are compelled to ask how their visitor forecasts could have been so wildly inaccurate. Daniel Anderson looks at some of the common misconceptions of market analysis and visitor forecasting, and outlines the real issues facing destination business plans.

Spurred by the National Lottery and the Millennium Commission, the past few years have seen the development of many new destinations across the UK. The Dynamic Earth, the National Botanic Garden of Wales, the Lowry Centre, At-Bristol, and the Tate Modern, to name just a few, have already been launched. Others, like the Norfolk and Norwich Millennium Project, Belfast Odyssey, and Millennium Point in Birmingham are just around the corner.

Although most have been successful, meeting or exceeding their Year 1 predictions, much of the attention has focused on the high-profile disasters: the Royal Armouries in Leeds, the National Centre for Popular Music in Sheffield, the Earth Centre at Doncaster and the Millennium Dome. These attractions all faced the nightmare scenario for any new destination development – low attendance levels, rapidly mounting deficits and intense public criticism. All have been criticised for making what is perceived to be an elementary mistake – overestimating visitor numbers. The question is, could better market analysis have prevented these disasters, and can it prevent similar situations in the future?

Because market analysis relies on market research and uses quantitative methods, it is often perceived to be an exact science. In fact, market analysis is much more a blend of art and science – relying exclusively on mathematical models can easily lead to mistakes. It is worth looking at four of the most common pitfalls of market analysis in turn.

False expectation of market share

This idea is the product of drastic oversimplification. Conveniently leaving aside all of the 'complex' variables such as content, marketing and management, it assumes that in a market of x people with three major attractions, any one can expect more or less one-third of the market.



The National Centre for Pop Music has been a high-profile casualty of visitor overestimation
Picture courtesy of Sheffield Star

It is critical that the same visitors are not counted twice

Unfortunately, this reduces destinations and their visitors to the status of variables in a simple formula. It assumes that people will visit a destination simply because it is there. In fact, all other things are rarely equal. Existing destinations may have particularly strong content; they may have an especially loyal clientele; and they may enjoy marketing of a very high calibre.

Belief in an infinite number of possible visits

Accepting that some more sophisticated research is necessary, a destination maker might look to other nearby attractions as comparators. Imagine, for example, the following situation. A town has two attractions: a museum that receives 500,000 visits and a theme park that receives 1 million visits per annum – a market of 1.5 million visits in total. Another museum developer then does some market research and concludes that the new museum is likely to be more popular than the existing museum, but not as popular as the theme park. It can therefore expect about 750,000 visits per annum.

Competitor analysis such as this is vital to any market analysis, but not in isolation. In this case, the developer assumes that the market as a whole can generate an *additional* 750,000 visits. Given the limitations on people's leisure time and spend, this assumption cannot be taken for granted, especially in smaller markets (such as Leeds and Sheffield). This particular market may only be large enough for, say, 2 million visits in total. If the theme park were distinct enough to maintain its market share, the two museums would have to fight for a smaller market of only 1 million visits.

The 'infinite visits' assumption has been fuelled by the often-cited statistic that visits to attractions have been increasing year-on-year for almost 30 years. However, this neglects the fact that the number of attractions has been growing even faster. Average attendance for individual attractions has therefore been *declining*.

Assumption that location is everything

Oddly enough, for a destination, location is not everything. Although it helps for a destination to be situated in a convenient and popular location, this idea can lead to one of the most insidious flaws in many market analyses.

The theory goes like this. If an attraction is located in a popular area with high levels of passing trade and visitor footfall, then even a very small penetration of that market can be enough to sustain the attraction. Whilst this

may hold for retail and catering outlets that serve impulse shoppers, it is not enough to guarantee the success of a destination.

The Norfolk and Norwich Millennium Project is a useful example. A Heritage Visitor Attraction is situated opposite a public library that receives over 1 million visits per annum. One might be tempted to say, 'If we could attract just 5% of that passing traffic we could expect 50,000 visits before even accounting for tourists, residents, schools, and so on.' However, when the Norfolk and Norwich Millennium Company broke down the 1 million visits to the library, it appeared that the vast majority were made by the same core group of registered library users who made more than 10 visits per annum. The actual market for *visitors* (as opposed to visits) is therefore much closer to 100,000 than 1 million.

The key to interpreting the strength of a location is to accurately assess the size *and nature* of visitor flows, making appropriate distinctions between visitors and visits, tourists and residents and, critically, between regular commuter traffic and leisure day visitors.

The latter distinction is particularly important. A visit to an attraction typically involves a fixed commitment of time, money and energy and is often planned in advance. A recent survey of 30 attractions in southern England showed that 87% of visitors plan their visit in advance, compared to 13% who decide to visit whilst passing by. The assumption that vast numbers of people who walk past the front door will suddenly decide to spend a couple of hours in a museum or visitor attraction is, in most cases, patently false.

Double counting

Double counting is arguably the most common contributor to over-ambitious visitor projections. There are two types of double counting and they appear routinely in market analyses.

The first revolves around day visitors. Typical target market segments that are analysed separately are:

- residents (in a 30-minute, 30–60 minute, 60–90 minute, and 90–120 minute travel time);
- tourists (domestic and overseas);
- tourist groups;
- school groups (primary and secondary);
- others (inc. enthusiasts, special interest, adult education, free admissions, etc).

In addition to these, many market analyses include day visitors as a separate category – people making a visit to the locality that lasts longer than three hours, but does not include an overnight stay. The day visitor segment tends to be large and it is generally assumed that a relatively high proportion will want to visit an attraction.

Yet there are very few destinations with the requisite 'pulling power' for attracting visitors from outside a 90–120 minute travel time. Even the Tate St Ives would not have been so successful were it not located in what is *already* a popular holiday destination. The Royal Armouries in Leeds and the National Centre for Popular Music in Sheffield were not so fortunate. It is quite likely that, in these cases, any 'day visitors' would have already been accounted for in the residents segment.

The second type of double counting, which is less common, but can distort visitor projections even more, involves attractions situated within larger visitor destinations, such as a large shopping centre or a major waterfront development. Here, in addition to all of the segments included above, some market analyses will include *another* segment representing visitors to the destination as a whole: the proportion of the total number of visitors to the shopping centre or the waterfront who choose to visit the attraction.

This analysis ignores the fact that a majority of the people visiting the shopping centre or the waterfront will be local residents and tourists who have already been accounted for elsewhere.

What recent high-profile failures have demonstrated is the danger of basing a business plan on 'optimistic' forecasts, rather than on robust market analysis

Depending on the scale of the destination as a whole, as well as site factors such as access and visibility, there are two better approaches to choose from. One is to treat the destination as a self-contained market and look only at the penetration of that market. A second approach is to ignore destination visitors as a separate segment but, accepting that the favourable location will raise the attraction's profile among local residents, increase assumptions about the number of *residents* that will visit. Regardless of the approach one chooses, it is critical that the same visitors are not counted twice.

The value of market analysis

Notwithstanding these common pitfalls, market analysis, when properly conducted, can be valuable as a predictor of visitor numbers. A cogent market analysis should inform all critical planning processes from strategic and forward planning through to marketing and business planning. A robust methodology will usually involve the following:

- A view on the concept, product and 'visitor experience' being offered.
- A view on the site and location of the proposed development and consideration of capacity, access and visibility issues.
- A review of national trends in tourism and visitor destination performance.
- An examination of the performance of comparable destinations.
- Identification of target market segments for the visitor destination, both existing and potential.
- An examination of the size, profile and behaviour of the market segments and their potential level of interest in the destination. It may be appropriate to 'test' the attractiveness of the 'visitor experience' through qualitative market research and focus groups with key market segments.
- An evaluation of existing and potential competition for these markets.
- An examination of price, dwell time, value for money, seasonality and repeat visitation issues, all of which can have a large impact on attendance performance.
- The preparation of an indicative visitor admission forecast based on the above research and an understanding of the distinctiveness and competitiveness of the visitor experience on offer.
- A thorough 'audit' of the market forecast through a detailed analysis of market segment penetration rates – the percentage of each market that can reasonably be expected to visit a destination. Too often, penetration rate analysis is used as the sole method of *generating* a visitor forecast. Instead, penetration rates should be used to *test* a visitor forecast and ensure that it is realistic.

In the development stage, visitor numbers are sometimes deliberately over-projected by destination managers. In the private sector, they are motivated by the need to show a bottom-line profit; in the public sector, high visitor projections are used to demonstrate access benefits. What recent high-profile failures have demonstrated is the danger of basing a business plan on 'optimistic' forecasts, rather than on robust market analysis. It is always better to take the conservative view, and risk a happy surprise, than to set the goal too high and risk a public fiasco.

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