THE REVENUE CLOCK: A SUCCESS FORMULA FOR ENHANCED OPERATING INCOME

Alexis Dijksterhuis

How can hotels, malls, theme parks or even a destination such as Dubai increase revenue? An innovative tool used to visualise and improve revenue is the Revenue Clock.

Companies active in the leisure and tourism business have essentially a fixed cost structure. By increasing revenues therefore, the effect trickles directly through to improved margins. The enhanced operating income, results in improved return on capital, especially if capital expenditure is kept under control.

The traditional ways of increasing revenue at leisure destinations are:

Growing the occupancy levels, number of visitors or visits.

Raising the price for rooms, entry tickets and corporate hospitality.

Boosting expenditure in bars, restaurants and retail outlets.

Furthermore, increasing the average length of stay improves and stimulates expenditure.

The Revenue Clock

The revenue clock influences and manages the revenue elements with the aim to increase total revenue at the company's activities. The idea behind the revenue clock is that every tick of the clock results in increased visitor numbers and visits, rise in revenue and increased value of the real estate. What makes the clock attractive is that with every tick the effect is increased.

Previously "unused time" in a hotel, mall or theme park disappears using the revenue clock. More people are spending more time and money at the destination attraction if the revenue clock is used. For example at a holiday resort, revenue can be managed 24 hours a day, seven days a week, 365 days per year.

Aims

To create a successful revenue clock, the owner of the destination attraction aims to achieve the following:

Improve the experience

Create an attractive and animated environment so people stay longer. This could include events or festivals with minimal capital expenditure. This will attract more visitors more frequently, who are spending more money and spreading the word. The destination should build loyalty and thus revenue opportunities with these active and affluent customers.

Build new real estate, with the aim of attracting more people.

Attracting more people more frequently, should result in a real estate development of year round facilities, from spas, indoor attractions, beauty salons, conference facilities, restaurants, themed retail, fitness facilities and golf courses. This in turn influences development outside the destination attraction such as a surge in demand for residential and commercial real estate.

As a result new developments and synergies increase real estate values and stimulate the growth of revenue for the company, creating a year-round destination attraction and growth through time.

How to do it?

For a theme park, the revenue stream can be improved by using the clock like this: Firstly, the day is divided into hours and "unused" time or "low" revenue time is mapped out. The analysis consists of two parts:

Revenue analysis

Investment analysis

Revenue is mapped out on an hourly basis. The result is a clear breakdown of revenues per hour and the return on capital becomes visible and therefore more predictable. The revenue clock approach encourages the creation of distinct activities and real estate developments against time resulting in:

Mixed activities at the destination attraction; broadening the market/visitor mix and increasing the length of stay.

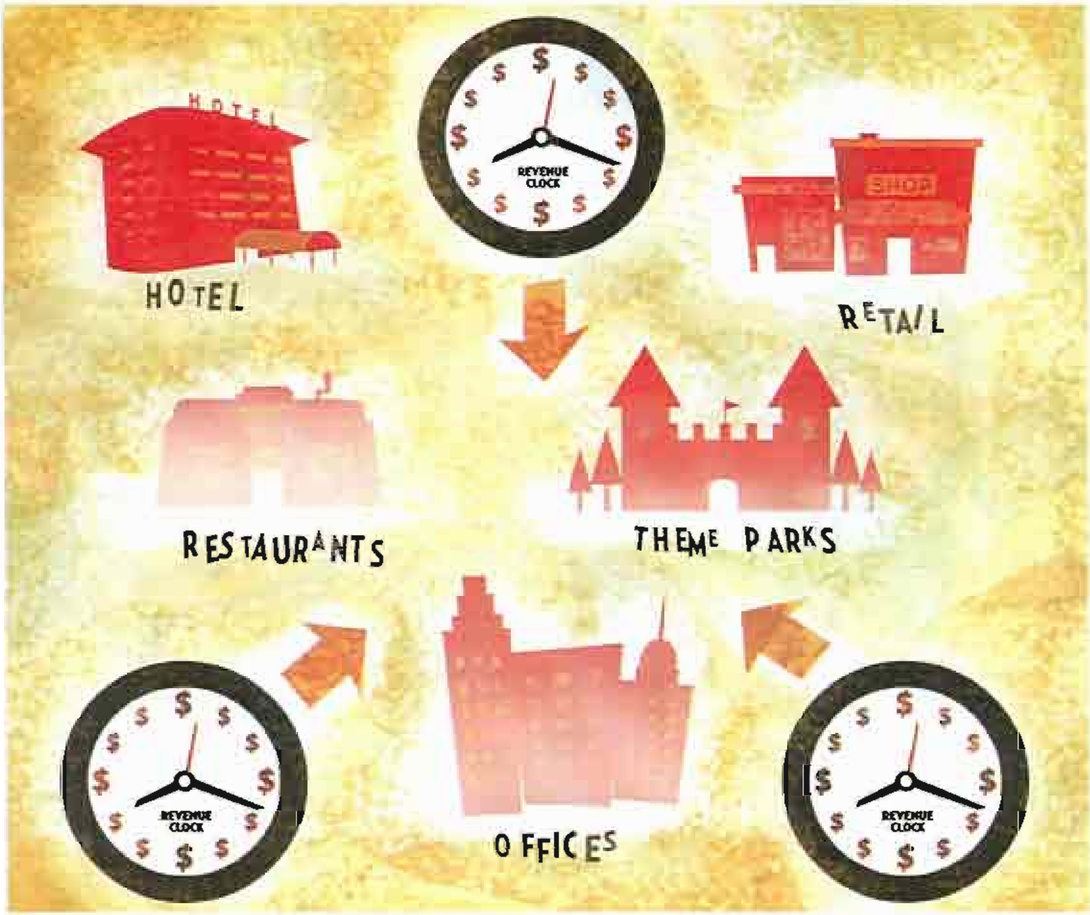
Visitors' increase of expenditure per visit, booking in advance, leading to a diversification of the revenue mix.

Increased occupancy and usage during the week and weekend, with higher utilization of "unused time", higher return on capital and better balanced and improved revenue distribution.

A company that has implemented the revenue clock successfully is - Intrawest, which is a developer and operator of almost 20 village-centred resort destinations (mountain, lake and beach) in North America. The company owns the ski resort Whistler Blackcomb, the location for the next Winter Olympics.

At one of its ski resorts, the Revenue Clock detected a down period between 7pm and 10pm. The company in response decided to develop a family adventure centre, which includes a half-pipe for snowboarders, a terrain park, themed music, night skiing and tubing. The result was a doubling in visits and increasing revenue by over 20 percent.

The revenue clock is an excellent tool for companies, to identify periods of "unused revenue" during a day, week or year providing new opportunities to maximise profitability. Clearly it requires a lot of detail and analysis tailored to the specific destination or attraction, mall, hotel, but it will repay the resources invested for both the investor and the visitor many times over.



The writer is Senior Consultant with Middle East Strategy Advisors (MESA), a strategic hospitality and tourism consultancy.