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# How to make more money from your attraction or tour business

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*Yield management for small to medium-sized  
attraction and tour operators*



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## What is this booklet about?

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It is increasingly recognised that a sustainable and viable tour and attraction sector is vital to the long-term growth of tourism.

This booklet is designed to help small and medium-sized attraction and tour operators increase their yield or profitability.

The booklet summarises the experiences of 16 Tasmanian tour and attraction operators who participated in a one-year trial of yield management techniques. Overall, the attraction operators in the study increased their average annual yield (that is, their profit per customer) by 50% whilst the tour operators in the study increased their yield by an average of 100%.

The booklet explains the simple principles of yield management and describes the techniques and strategies that can be used to increase the profitability of your business. It also contains case studies which outline the experiences of successful operators and describes what they did to increase their yield.

Finally, it identifies some critical success factors and best practice principles and shows you how to calculate and monitor the yield of your operation.

We hope that the positive experiences of the operators in this study and the lessons that they learned will help you to apply yield management techniques to your business in order to increase your profitability.



# What is yield management?

Yield management is about maximising your profit from each visitor to your tour or attraction. It centres on increasing profitability rather than focusing exclusively on increasing visitor numbers. It is ideally suited to attractions and tour operations that work on low volumes.

Yield management is about “allocating the right type of capacity to the right kind of customer at the right price” (Kimes, 1989).

Many tourist operators already use yield management techniques at some level in their business management practice. Ensuring that a quality product is supplied in a profitable way is, for example, something that most businesses would profess to do.

Yield management uses some basic business principles in a systematic way to help you manage your business revenue, expenditure and ultimately your profitability.

Yield management practices encourage operators to focus on **all** the factors that influence profit rather than relying only on higher visitor numbers, higher admission charges or a better marketing strategy.

It encourages operators to be more scientific in their approach to business and to use information systems to obtain feedback on the success or failure of their management decisions.

Some factors that influence yield include:

1. The pricing strategy (the best prices to charge in different situations - different times of the year, different customer segments);
2. The marketing strategy (targeted specifically at different customer segments);
3. The booking strategy (e.g. cheaper price for advance bookings of large groups);
4. Business costs;
5. Added value services (tours, retail shops, cafeterias, sale of publications);
6. Visitor numbers; and
7. Seasonal demand.

**An important ingredient in the yield management equation is information!! It is extremely important that an operator has good information about the characteristics of the market and accurate, historical data about their business on which to base future trend predictions.**

Yield management techniques can be applied to a range of business operations. Usually, they have some or all of the following qualities:

1. Relatively fixed capacity, such as the number of visitors an attraction can handle or the number of spaces available on a tour;
2. Partitioned demand, such as the type of visitor (e.g. student, pensioner, adult, interstate, international and local residents);

3. Perishable inventories, such as seats/spaces that cannot be sold;
4. Advance selling, such as pre-bookings;
5. Low marginal sales costs compared to high marginal production costs. Low marginal sales costs means that once a certain number of places are sold in a tour then it does not cost much more to sell additional places. High marginal production costs means that once a tour is booked, another seat cannot easily be added on - without say, buying another boat; and
6. Seasonal demand.

The object of yield management is to maximise yield efficiency by narrowing the gap between the amount of income you could bring in and the amount that you actually do bring in.

$$\text{Yield efficiency} = \frac{\text{Revenue Realised}}{\text{Revenue Potential}}$$

The tour operation sector meets more of the above criteria than the attractions sector. Whilst both attraction and tour operators face much the same costs each day that they operate, it is tour operators who tend to have a more limited capacity. There are a specific number of spaces available in a tour on any given day, whilst attractions are much more flexible in terms of the number of visitors who can come through.

Regardless of the different operational limits, each day/month/year of operation needs to be used in the best possible way when a business is operating with relatively fixed capacity and fixed overheads.

For tour operators, revenue potential is the income that could be secured if 100% of the places in a tour were sold at full rate each operational day. For attraction operators, capacity is not as fixed so revenue potential might be the revenue potential if the attraction were operating at peak capacity every operational day.

“Yield Management pushed us into changing our product and thinking about our business more objectively. For many operators, our business is also our passion and because of this we are sometimes too emotionally involved to look at it objectively.”

*Trevor Norton, West Coast Yacht Charters*



## How to calculate yield

In order to monitor your business's yield, we need to formulate a measure of yield.

For the purposes of this study, yield was measured in terms of the average net profit per person per year.

Calculating yield is simple. A detailed worksheet is included at the back of this report to assist you. Put simply, yield is the amount of profit your business makes, divided by the number of visitors to your tour or attraction.

$$\text{Yield} = \frac{\text{Profit}}{\text{Number of Visitors}}$$

Your profit is the amount of money your business makes after all your costs have been deducted from what you have earned.

You can work out your yield on an annual basis or on a monthly basis. Working out your annual yield will give you another measure with which you can monitor your annual performance.

Working out your yield on a monthly basis will also tell you more about the seasonal fluctuations in your business.

A sample worksheet to assist you in calculating yield can be found on page 24 of this booklet. You may also wish to consider using the additional business performance indicators shown at page 26.



## Yield management trial

Sixteen Tasmanian attraction and tour operators agreed to trial a yield management approach to their business operation over a one-year period.

Visitor numbers at the attractions involved in the study ranged from 6,444 to 41,796 and the length of time these businesses had been in operation varied between 18 months and 60 years, with the average being 21 years.

The number of tour visitors per annum for the eight tour operators in the study varied between 61 and 22,102 and the length of time in operation ranged from three years to 30 years, with the average being 10 years.

The sample included operators that were located in major tourism hubs and those that are located in more isolated and regional areas. They also included a mix of private operators and government and community organisation operators.

The participants were visited individually at the beginning of the study. At this visit, financial and qualitative information covering the period of the last financial year was collected.

The information collected included the operator's profit and loss statement and answers to questions on various aspects of the operation.

At the discretion of the operators an appropriate yield management strategy was implemented over the course of the study. The success of these strategies was measured one year later when operators were again visited in order to collect financial and qualitative information for their last financial year.

The annual yield per visitor as calculated at the beginning of the study was then compared with the annual yield per visitor as calculated at the end of the study.

“Yield management helped us focus more on the financial aspects of the business. It encouraged us to review our prices and look at the ‘value added’ components we could provide through other business assets. We also valued the ideas and contacts from meeting with other operators.”

*Roger Butler, Red Tag Trout Tours*



# Findings from the trial

## Attraction operators

The attractions in the trial managed to post a 50% increase in their average yield over the course of the project. Many operators managed to increase their yield even in a climate of declining visitor numbers (average decrease of 6%).

Those operators who increased their yield did so by diversifying their business and generating alternative and additional sources of revenue. The results of this study suggest that those attraction operators who are in a position to generate revenue from sources other than visitor admission are most likely to achieve growth in yield.

	Pre-study	Post-study	Change
Average yield (profit per visitor)	-\$3.80	-\$1.78	+53%
Average revenue per visitor generated from admission revenue	\$4.94	\$5.07	+2%
Average revenue per visitor generated from all sources	\$12.40	\$15.34	+23%
Average visitor numbers	22,505	21,162	-6%

## Tour operators

The average yield for tour operators in this study increased by 100% over the period of the study in a climate of increasing tour numbers (average increase of 7%).

Generally, operators were able to increase their yield by increasing the average volume of visitors per tour. They did this by tapping into new markets (local, interstate or international) with the same or a new tour product. With tour trips, a very small increase in visitor numbers can make a considerable difference in profitability. This is because, in cases where costs are already covered, the extra visitors can be pure profit.

	Pre-study	Post-study	Change
Average yield (profit per visitor)	\$13.47	\$27.11	+101%
Average revenue per visitor generated from tour revenue	\$212.48	\$253.64	+19%
Average visitor numbers	4,132	4,421	+7%



## A successful tour operation

This business is a mature tour business that has been operating successfully for over 15 years. Life was not always easy and the owner/operator recalls many years in the early days when there was no profit and certainly no positive yield.

“Because of Tasmania’s low visitor numbers, these lean years are inevitable for any tour business. You’re not going to start make money straight away,” says this business owner. It took many tough years before the owner could draw a full salary for himself and pay for staff necessary to ensure the continued growth and success of the business.

**“You can’t stay small,” is the advice of this successful operator. “I know many people say they are in it for the lifestyle and that is fine – but the problem is that sooner or later someone will come along who *is* in the business to make money and they will work a lot harder and a lot more professionally and end up stealing your market.”**

It was not until the last five years of operation that this business really started to steadily grow in size and increase its profit margin. For this operator, now is an ideal time to concentrate on maximising yield from each visitor rather than boosting visitor numbers as, despite good visitor numbers, the yield and profit margin of the business is still quite low.

Like most tour operators, this business relies primarily on interstate visitors (75% of visitors) and it is important that the operator understands and meets the needs of this market.

“Primarily this market is in a hurry,” said the owner-operator. “It wants to see and do a lot in a short time. We packaged a short tour product that would suit the widest possible segment of the visiting tour market. Tasmania’s numbers are just too small to do anything else if you want a profitable business.”

Over the course of the study, this business increased its yield x 3 by raising its tour charges and increasing the revenue from tearoom and retail sales. Additionally, it began running fixed tours at fixed times in an endeavour to increase the number of visitors on each trip and hence reduce the overall cost per trip. The business hopes to make further improvements in this area in the future.

The business also allocated some free sale-tours to booking agencies during the course of the study, which resulted in more business, higher volume per trip and hence lower costs per trip. At the same time as the business experienced this growth in visitor numbers, the owner examined staffing levels and ensured that they did not increase, which resulted in a further decrease in costs per visitor.

Performance Indicator	Pre Study	Post-Study
YIELD	\$1.22	\$3.05
Passenger Numbers	6,817	7,108
Admission revenue per admission	\$30.92	\$33.09
Total food and beverage revenue per admission	\$3.72	\$4.84
Cost of sales (as a % of revenue from sales)	90%	73%
Total retail sales revenue per admission	\$1.60	\$2.67
Cost of retail sales (as a % of revenue from sales)	105%	78%
Total revenue per admission	\$38.63	\$43.05
Admissions as a percentage of total revenue	76%	76%
Salaries and wages as a percentage of total revenue	30%	33%
Marketing expenditure as a percentage of total revenue	5%	5.9%
Net profit margin (profit as a percentage of revenue)	3.15%	7%



## A successful attraction

This attraction has been in operation for 16 years. It consists of a museum along with a retail shop and cafeteria. This business had the highest yield for an attraction at the beginning of the study and was able to increase that yield by just over a third during the course of the study. It achieved this despite a continued decline in the number of visitors through the museum.

For many years this operator has been frustrated by the decline in visitor numbers to the museum. Everything this operator tried in an attempt to get more visitors through the door failed (discounts, cheaper prices, increased marketing).

Yet this attraction is a successful business because it has good and growing yield through a continuing diversification of its business base. Many visitors now come to this attraction and never even enter the museum. Instead, they spend money in the retail shop, purchasing fine Tasmanian produce and craft or else eating and drinking in the café. And they spend more money in the retail shop and café than they ever would have in the museum!

This owner/operator has stocked her shop to suit the needs of visiting tourists and locals. She also has managed to keep the cost of sales at a reasonable level and has kept staffing costs to a minimum by working long hours herself. The owner does not draw a full salary from the business and hence the cost of wages is much lower than it should be.

“We have moved on,” says this owner-operator. “We finally realised that you can’t flog a dead horse and have successfully reinvented ourselves as a shop.”

Performance Indicator	Pre Study	Post-Study
YIELD	\$4.67	\$6.16
Passenger Numbers	17,266	13,303
Admission revenue per admission	\$4.40	\$4.10
Total food and beverage revenue per admission	\$2.47	\$3.10
Cost of sales (as a % of revenue from sales)	32%	30%
Total retail sales revenue per admission	\$15.90	\$28.47
Cost of retail sales (as a % of revenue from sales)	56%	61%
Total revenue per admission	\$22.80	\$35.67
Admissions as a percentage of total revenue	19%	11.5%
Salaries and wages as a percentage of total revenue	7.4%	10%
Marketing expenditure as a percentage of total revenue	1.6%	1.4%
Net profit margin (profit as a percentage of revenue)	20.5%	17.3%



## Critical success factors

Operators in the study highlighted a number of critical success factors. Each of these issues can hinder business growth and/or profitability and should be carefully considered in the planning process.

### Price

Many tour and attraction operators could charge more for their product/s than they currently do. Prices should be at a premium, especially for destinations and attractions that are low on volume.

However, a premium product must also provide the customer with a satisfying and meaningful experience. In order to be a low volume/high-priced product, the product must be seen to have a high value.

### Local Market Sensitivity

In some cases, operators are reluctant to raise their prices because, while the interstate and international market is not price sensitive, the local market is. Some solutions to this dilemma are:

1. Introduce higher prices but promote discounts to local and repeat visitors;
2. Introduce a variable range of products such as standard tour and deluxe tour products, and price and market the deluxe product for the interstate and international markets.

### Visitor Information

Attractions and tour operators need sufficient visitor information if they are to effectively target their market and monitor their marketing strategies. Without detailed information about your visitors, their motivations and habits, a marketing strategy can only be very broad brush in its nature. This is not the most cost-effective and efficient means of marketing.

At a minimum a good marketing system should incorporate:

1. **Collecting information from each visitor.** This gives you a research system whereby at least some information (postcode and method of hearing about the tour/attraction) is available. Then more detailed information can be collected at regular intervals through surveys, discussions or focus groups;
2. **Using feedback from visitors to tailor your products.** Base your product and your marketing strategy on what you can learn from visitors;
3. **Monitoring the effects of product and marketing strategies through your data.** Make the necessary changes when you are alerted to the need for them.

### Marketing strategies

Getting your marketing strategy right can ensure that your dollars are well spent. Too often there can be a heavy reliance on advertising without considering the market that is being reached. Methods other than advertising may well be more effective and cheaper.

There are essentially four marketing strategies:

1. Sell more of your product to the existing market by getting repeat business;

# Critical success factors

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2. Sell new and additional product to the existing market by embarking on a product development strategy that is based on a sound understanding of the needs of the market;
3. Sell your product to a new market by identifying and targeting a new segment of the market with your existing product; and
4. Develop new and additional products to sell to new markets through a combination of both developing new product and new markets.

It is important for you to sit down and identify which of these strategies is more relevant. Where is your business in its product life cycle? What future directions do you wish to take? Answering these questions should help you to pinpoint the marketing strategy to adopt.

## Marketing expertise

Improving your expertise and experience can make all the difference. When approaching wholesalers, inbound tour operators and central booking office staff (for familiarisation visits etc.) it is important to maximise opportunities.

Some suggestions for improving performance in this area include:

1. Approaching Tourism Tasmania for available training resources and field officer visits;
2. Grouping with other operators to make approaches for families, perhaps arranging a package for a day and night where staff can experience a number of attractions easily and readily. This makes the visit worth their while. Make sure that timing is in off-season months;
3. Packaging your products so that they are well explained, run to set times and are available for free sale. They are much more likely to meet with success.

## The local visitor market

It is important to actively target the local market. Without this market, attaining the volume of visitors required for viability will always be difficult. Not only are local residents a vital market in their own right but they also account for the majority of word of mouth by which interstate and international visitors hear of attraction and tour operations.

In order to attract this market it is necessary to implement a specific marketing strategy. The good news is that this market is often less expensive to target than the interstate or international market and because of the closer geographical nature of this market, direct marketing is a viable option.

Remember though, that this market can be relatively small (especially for regional operators) and ideally, repeat visitation needs to be secured either through incentive schemes and discounts or by varying a tour itinerary or an attraction's exhibition.

## Networking

Some isolated attraction and tour operations in regional locations find it increasingly difficult to stop the busy tourist who is travelling quickly between major tourism hubs on shorter holidays.

Many operators can feel stressed and isolated as they struggle to earn a living. Joining associations and mixing with other operators is essential. Rather than perceiving other operators as potential competitors, it is much more effective to view them as potential allies. Clusters of operators can promote their attractions as a group much more cost effectively than they can alone. They can also advise and mentor each other, share resources and cross sell each other's products.

## Business development

Operators who provide tailored products that appeal to a very small niche market are most likely to suffer low yield unless they price their product at a premium. Low volume means that it will always be difficult to generate sufficient revenue to cover costs. The obvious options are to either increase revenue or reduce costs.

The two ways to increase revenue are to either increase the number of visitors coming through the business or to increase the amount that visitors spend. For growing businesses, increasing the number of visitors through better-targeted marketing strategies and better-tailored products is a good option.

For more mature businesses with falling visitor numbers, increasing the amount that visitors spend and tailoring their product in order to attract a new market are good options. Some of the ways of doing this are explored in the next section.

Ways to decrease costs include examining: more flexible staffing practices; looking at better scheduling of tour times and types of tours in order to attract maximum visitor numbers; and pooling resources to lower costs (administrative, marketing, etc.) and increase marketing and administrative power.

## Finding extra revenue

Given small visitor numbers and a limited population base, it is vital that you consider the whole range of options from which you can gain revenue.

The price that can be charged for admission in particular limits the revenue that attractions can generate. Long-term profitability may well depend on how well you can develop other sources of revenue within the attraction.

The sale of good quality food and retail items is one way to increase profitability. The food and retail items need to be tailored to suit the market the attraction is catering for and, ideally, the design of the attraction should ensure that visitors are channelled through retail outlets during their visit.

## Tailoring the tour

There is a fine line between excess tailoring of tours and departure times in order to suit the needs of small numbers of visitors and making sure that tour scheduling is flexible. Too many types of trips running at less than capacity can be a sure way of producing low yields.

A better strategy is to focus on the most popular tours and then commit these to a set schedule. Even niche tour operators need to commit to some advance scheduling of tours. Without the ability to offer a calendar of set tours each year, it is going to be much harder to sell tours in advance. Once tours are fixed, it is easier for others to book tours on your behalf and it also enables you to use calendars and newsletters to advertise a range of fixed tours to past clients.

At the other end of the scale, some operators show resistance to any sort of tailoring of tour products to meet market needs and trends. Operators need to ensure that they have identified the types of products that the market wants and tailor their products accordingly.

## I'm in it for the lifestyle

Particularly in the tour sector, many operators confess to being in business for the lifestyle. Often it is the case that a hobby or sport has become a passion and then ultimately a business.

# Critical success factors

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This trend has been of enormous benefit to Australia's tourist industry. However, for the operators themselves, there will inevitably be some conflict as they struggle with the demands of retaining an enjoyable lifestyle and running a successful business. There are at least two reasons why being in business for the lifestyle eventually leads to a cross-road for tour and attraction operators:

1. A competitor who is in business to make money and not for the lifestyle will eventually see an opening. Because they are prepared to adapt their products and tour scheduling to suit the needs of the market rather than their lifestyle, they can make inroads into your share of the visitor market.
2. A business will reach a size where it must either expand or lose market share. This occurs when tours become full and a business is in the position of turning away clients, retailers and central booking office inquiries. Once lost, much of this business may never return.

## Financial reporting

Computerised accounting is essential these days for any business to remain competitive. Monitoring budgets and figures on a monthly basis is difficult, if not impossible, without this facility.

Maximising yield depends on fast response to problems and difficulties to ensure that profit is maximised. Computerised accounting lets you do this.

## Interpretation

Interpretation is more than signage and other written material about your products. It can be guided tours, sound recordings, video displays, music and the general atmosphere within your attraction or tour.

Being familiar with your product does not always ensure that you have identified the need for signs, notices and verbal explanations within your tour/attraction. In today's competitive and increasingly sophisticated market place, it is necessary to provide lively interpretation that is relevant, targeted and engaging.

Lively and sophisticated interpretation encourages repeat visits and good word of mouth. Those operations that do not offer good interpretation are at a distinct disadvantage in today's market.

## Decline in product standard

When operators are faced with declining visitor numbers, their profitability often decreases and this means that they cannot afford to reinvest money into the maintenance and improvement of their product and assets. Consequently, there can be a decline in product standards in some operations.

In order to ensure that products remain relevant it is important that funds are put aside for this purpose. Declining visitor numbers can create a downward spiral, so it is important that this is recognised early and provisions made to ensure profitability.

## Staffing levels

There is a need for flexible staffing practices in many low volume operations. Some operators have found ways to avoid the high staffing wages that can cripple profitability. These include workplace agreements, community involvement programs and re-arrangement of the physical structure of facilities. Optimising work practices can cut the wage costs for monitoring admission, retail sales and food and beverage sales.

## Cost of sales

As a rule of thumb, the cost of selling food and retail items should not exceed 50% of the retail price. This cost should take into account wages, overheads and any other business costs. Some operators struggle to provide appropriate food or retail items for the market in a cost-effective manner. Professionals are available who can assist with tailoring retail and food products to ensure maximum returns.

## Running at below break even capacity

Running tours with small numbers that do not allow the tour to break even does not make good business sense. If tours regularly run that are not profitable, then either an operator needs to think about increasing the marketing for those tours, or changing the type of tour that is being run. It could lead to not running a specific tour at all. Running more of the most profitable tours is the easiest way to increase yield for tour operators.

“It was good to have comparison measures with other similar businesses and to have that as a guide to support decision-making.”

*Keith Van Der Staay, Hastings Cave*



# The product life cycle

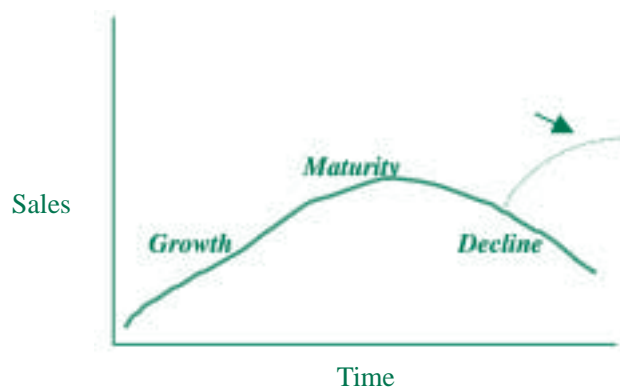
Despite the diversity of business types and sizes in the attraction and tour industry, there are some common difficulties that small and medium attraction and tour operators face.

Many businesses are at different stages of their growth or product cycle. According to where a business is in its product life cycle, you will be dealing with different constraints and faced with different opportunities. Appropriate yield management strategies vary according to the business and its stage in the product life cycle.

The product life cycle is a marketing concept that explains why it is that products do not generally enjoy uninterrupted and continuing growth and success. The life cycle assumes that a product has a limited life and that sales will follow a rising curve until they eventually peak and begin to decline. The three stages of a product's life are growth, maturity and decline.

There are many reasons why product sales eventually decline. In a free market economy, competitors can enter the market with new or better products at any time or the trends in consumer demand will change. When decline (almost inevitably) happens, businesses will either exit the market or they will find ways to extend the life of their product by adapting the product to suit existing markets or develop new markets or new products. This product reinvention extends the life of the product and is called a life cycle extension.

The product life cycle:



In relation to the product cycle, this yield study dealt with tour operators who were generally in the growth or mature stages of the product cycle. Most of them have been in business for short periods of time and have rising visitor numbers. Some tour operators are just commencing their operation (five years or less in business) and the most mature business in the study had been operating for 20 years.

The attraction operators in the trial were generally in the mature or declining phase of the product cycle. They have been in business for much longer and have steady or declining visitor numbers.

## The growth phase

If you see your business as being in the growth phase of your cycle then you will probably need to concentrate on marketing efforts in order to build customer numbers to a level that will cover costs and hence generate profit.

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It is important at this stage to pay attention to competitive pricing and maximising return from visitors. This might be done through the inclusion of retail sales, food, lessons or other add-on revenue generators.

### **The maturity phase**

Businesses that have been in operation for some years and have reached sustainable and profitable visitor numbers are those most suitable for traditional yield management approaches.

The types of strategies that are likely to be more relevant here include adjustments to: tour scheduling, admission charges, booking strategies, staffing practices. With these types of strategies, even a small adjustment can result in significant increases in yield.

### **The decline phase**

Mature businesses with declining visitor numbers can also benefit from yield management strategies. However, in many cases, the costs incurred in these types of businesses have already been pruned to a minimum.

An appropriate approach for this type of business could be to concentrate on the generation of additional sources of revenue along with giving some consideration to the overall survival strategy for the future (ie. whether the business needs to be reinvented or even whether a market exit needs to be planned for).



# Yield management — strategies

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You should consider a range of possible strategies when looking for ways to increase your yield. The combination of strategies you choose will depend on how your business is performing in relation to the critical success factors outlined above, and will also depend on where your business is in its product life cycle. Here are a range of possible strategies that can be used in any combination.

Basically, strategies that increase yield can be grouped into two categories:

1. Strategies which increase revenue;
2. Strategies which decrease costs.

## Revenue increasing strategies

### *Increase the number of visitors*

Strategies that increase the number of visitors are going to be vital if your business is young and growing (ie. in the growth phase of the product life cycle). However, businesses at any stage of their life cycle are usually looking for ways to increase visitor numbers. Strategies that can help increase the number of visitors include:

- Value add to products to improve customer perception of good value for money;
- Develop premium products and services;
- Sell more product in advance through wholesalers and retailers;
- Target the most profitable market segment at different times of the year (e.g. local residents during off-season, interstate visitors during peak season);
- Develop a good information system to track visitors;
- Employee training to improve interpretation and customer service;
- Enhanced scripting for reservation agents to improve performance;
- More effective or more sales agents;
- Plan promotional activities and other activities for low demand periods;
- Discount rates for slow days or discount to local market;
- Improved quality of experience - tour guide;
- Design new products and services to target new market segments;
- Change the ways in which the marketing dollar is spent (away from brochures and tourist publications);
- Encourage repeat visits and discounts to local markets to ensure volume is maximised and costs minimised;
- Charge lower prices at low season to attract the local market; and
- Charge lower prices for group bookings.

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### ***Increase the amount visitors spend***

If your business is in the mature or decline phase of its product life cycle then strategies that concentrate on maximising the amount that visitors spend in your operation are likely to be most appropriate. A range of strategies that can help achieve this include:

- Raise the prices for admission entry or tour participation;
- Add more services (retail outlet, cafeteria, publication sales) to increase visitor spend;
- Monitor customer purchasing behaviour and design new products and services to match customer needs; and
- Alternatively, lower the admission entry or tour participation charges in order to increase the volume of visitors and attract more yield from related products and services.

### ***Cost decreasing strategies***

Regardless of where your business is in its product life cycle, looking at strategies that minimise costs is always appropriate. A range of strategies that can help you achieve this are listed below:

- Institute more flexible staffing practices;
- Pool resources and lowering costs (administrative, marketing, etc) in conjunction with other operators;
- Re-finance to take advantage of lower rates;
- Raise over-booking levels to ensure that maximum numbers are achieved;
- Collect more client details;
- Investigate special events for overflow opportunities;
- Better targeted and less expensive advertising and promotional activity;
- Institute more direct marketing activities where appropriate;
- Foster stronger regional marketing programs; and
- Direct promotional efforts directed to places where people already gather.



## Strategies other operators recommend

At the end of the study, we asked operators which strategies had worked for them and which strategies they would recommend to others in the industry. The following advice was given:

- Diversify your business;
- Find a target market that you can target directly and cost effectively and don't rely only on the passing visitor market;
- Work out what market you want to attack and target your marketing rather than using the scattergun approach;
- Cost the product in line with market expectations many Tasmanian tourist products are currently priced too low;
- For more mature businesses, look closely at staffing levels;
- Constantly improve the quality of the service and products;
- Tailor your product to suit the needs of the increasing number of short stay, fly/drive visitors;
- Constantly monitor your marketing efforts through trial and error as there is no set rule, everyone is different;
- In relation to interpretation, you need guides that give of themselves in order to get good word of mouth;
- Target your local market, as this is your base market and utilise a mailing list and newsletters to build a rapport with the niche tour market visitors you have;
- Increase stock holdings and retail sales;
- Work closely with industry leaders (information bureaus and Tourism Tasmania) and network with others in the industry in order to locate opportunities and power through joint marketing and cross recommendations;
- Have a high quality product that justifies higher prices;
- Maximise your price. Decide what your product is, maximise its quality and market it selectively;
- Link in with other operators in your region to create a cluster effect; and
- Spend more on advertising and monitor the effects of what you spend.

“Yield management helped us review our operation and look at additional ways to increase revenue. It made us look at our numbers and look out for cause and effect.”

*Karolyn Sikkema, Grubb Shaft Museum*



## Best practice principles

The following 16 best practice principles emerged from the study:

1. Ability to secure revenue from sources other than direct tour/attraction revenue (food sales, retail sales, training, etc).
2. Good market research (feedback) systems and a consequent tailoring of product and marketing strategies.
3. The ability to staff the operation at below 60% of revenue.
4. A quality product that can justify a premium price.
5. Developing a diversity of product offerings to attract repeat business.
6. Avoiding running tours that do not break even.
7. Committing to tours that run to set times/dates for advance bookings by retailers/booking offices, etc.
8. Quality guides who are energetic, have personality and good interpretation skills.
9. Excellence in interpretation.
10. Partnering with competitors and with accommodation businesses.
11. Preparedness to change - continual product development based on sound market research.
12. Marketing recognised as an essential, dedicated and resource-intensive activity.
13. Preparedness to expand – ultimately a business will reach a breaking point where it will need to expand to retain market share.
14. Building a good client and retailer/wholesaler database and working it to establish and strengthen relationships.
15. Utilisation of technology to direct market to customers, retailers and wholesalers.
16. Utilisation of marketing techniques other than advertising (publicity, direct mails, newsletters, etc).



## Conclusion

Yield management can increase the yield, the profit margin of your business. Indeed, this was shown to be possible even in a climate where a decreasing number of visitors are choosing to visit many of the State's smaller attractions.

Different types of yield management strategies are likely to be more appropriate depending on where your business is in the product cycle.

Perhaps the biggest benefit of yield management is the capacity it can give you to step outside your business and look at it in a more objective way. It will give you the opportunity to think more about working **on** the business rather than **in** it.

Yield management will also enable you to compare the performance of your business over time and on a monthly basis. It will enable you to develop performance indicators, which you can use to compare your business to others. Finally, it will give you more confidence about your business skills and business decisions.



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# Yield calculation worksheet

Remember, **yield is the annual amount of profit your business makes divided by the number of people who use your services in a given year.**

What the resulting figure tells you is the **average profit you made from each visitor to your operation.**

## Calculating your yield on an annual basis

To calculate your yield on an annual basis, you will need two pieces of information:

1. You will need a copy of your annual profit and loss statement (which most businesses complete for taxation purposes at the end of their financial year).
2. You will also need to know the number of tour or attraction visitors you had in that financial year. (If your business does not keep records of the number of visitors you had through your tour or attraction [for instance, if you have a retail-based attraction] then you could also calculate a yield measure by using the number of sales that you made per year.)

At the end of each financial year, your business (with the help of your accountant) would prepare a Profit and Loss Statement, which is used to calculate your profit for tax purposes each year. A typical Profit and Loss Statement would look something like this:

	2000/2001
<b>Revenue</b>	
Admission Income	83,000
Retail Goods Sales	42,850
Food & Beverage Sales	2,000
Other sources of income	1,800
<b>Total Revenue</b>	149,650
<b>Expenditure</b>	
Repairs and Maintenance	1,000
Power	4,040
Rent	10,000
Cost of retails sales (stock purchase)	35,000
Insurance	4,000
Wages	32,000
Wages on costs (Superannuation and Workers Compensation)	2,820
Telephone rental	5,200
Bank Charges	
Finance Payments	
Advertising & Promotions	13,000
Cleaning	6,000
Postage	2,000
Telephone Calls	2,160
Miscellaneous	5,000
Printing and Stationery	3,000
Travel	
Special Exhibit Costs	2,000
Computer rental	2,400
Office Equipment	4,800
<b>Total Expenditure</b>	134,420
<b>Profit/Loss</b>	15,230

From the previous statement you can calculate your profit:

$$\text{profit} = \text{total revenue} - \text{total expenditure}$$

Once you have your profit, you calculate your yield by dividing the profit by the annual number of visitors.

$$\text{Yield} = \text{Profit} \div \text{Number of Visitors}$$

Using the above revenue and expenditure statement as an example, the business made \$15,230 profit for the year. Over that year, 1500 clients used the business's services. The annual yield for that business is:

$$\text{\$15,230 divided by 1500} = \text{\$10.15 per person.}$$

### Calculating your yield on a monthly basis

In order to calculate your yield on a monthly basis, you will need:

1. a monthly accounting process whereby you can print out a copy of your profit and loss statement each month; and
2. monthly records of your visitor numbers.

You are then in a position to calculate your yield for each month of your operation in the same way that you do for each year of your operation.

$$\text{Monthly yield} = \frac{\text{monthly profit}}{\text{visitors that month}}$$

Month	Visitor Numbers
July	
August	
September	
October	
November	
December	
January	
February	
March	
April	
May	
June	

### Calculating yield for each tour product

For tour operators it is also useful to calculate your annual yield from each tour product that you run. You do this by allocating your business costs across your tour products in order to work out the profit from each tour product. You then divide the profit from each tour profit by the customers of each tour product. This will highlight which tour products are the most profitable and which ones may not even be breaking even.



## Other business performance indicators

Using the financial information contained in a simple profit and loss statement it is also possible to establish any one or all of the following performance indicators. These indicators can then be used to monitor your performance over a number of years or to compare your performance with other businesses. The indicators are:

1. Admission revenue per customer (total revenue divided by number of customers)
2. Total food and beverage revenue per admission (total food and beverage revenue divided by the number of customers)
3. Cost of sales (the cost of purchasing food as a % of the revenue derived from sales)
4. Total retail sales revenue per admission (total sales revenue divided by the number of visitors)
5. Cost of retail sales (cost of purchasing stock as a % of the revenue from sales)
6. Admissions as a percentage of total revenue (total revenue from admissions as a % of the total revenue)
7. Salaries and wages as a percentage of total revenue
8. Marketing expenditure as a percentage of total revenue
9. Government funding as a percentage of total revenue
10. Finance repayments as a percentage of total revenue
11. Maintenance/expenditure as a percentage of total revenue
12. Profit margin (profit expressed as a percentage of total revenue)