

As a service to our clients and others, we provide conference presentations, occasional research reports and project reviews on topics of interest which highlight various trends and aspects of our practice. We provide consulting services to clients in the areas of project and plan concept development, business planning, feasibility evaluation and implementation. We specialize in the fields of visitor attractions and facilities; museums, zoos and aquariums; tourism and resort development; real estate and urban development; and community planning. We welcome your comments.

RIGHTSIZING YOUR MUSEUM EXPANSION

A summary of remarks presented by Mr. Thomas J. Martin, President of ConsultEcon, in May 2003 at the American Association of Museums Annual Conference in Portland, Oregon.

Museums routinely conduct master planning and strategic planning exercises. This may be a highly structured process that includes the Board, staff, and various consultants, or it may be primarily a staff based function responding to various challenges the museum is facing related to its physical plant, exhibition content, or changing market dynamics. Museums, by their very nature, tend to be conservative institutions, while the external world tends to be very dynamic with the result that the demands for serving the market may change faster than the institutional response. This can be seen in declining attendance, obsolete exhibit technology and rising costs.

Over the course of our practice, we have developed an approach to working with our attraction and museum clients and their planners to test and refine their expansion programs. The following discusses this approach and its constituent parts as well as the importance of accurate market and operations intelligence as a museum looks to a future expansion or renovation.

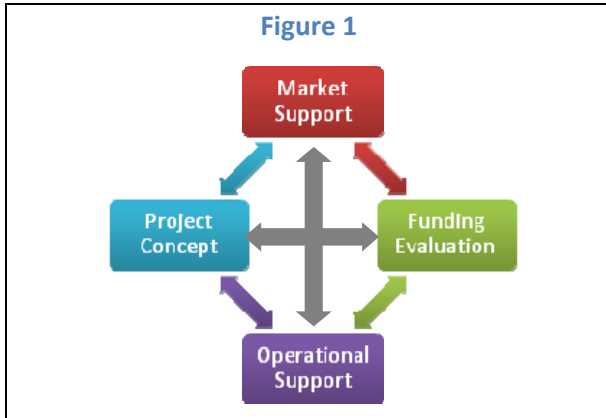
Approach

The approach that we use is heavily data driven and focuses on the project feasibility of the expansion based

on market, funding and operational support factors. A thorough understanding of the market, both current and in the future underlies our approach. In addition we rely on our extensive knowledge of the museum industry gained thru many years of experience and by reference to our Project Reference Files, which contain significant information on over 2000 museums and attractions worldwide. Members of our staff belong to a wide range of professional museum and attraction and tourism organizations and we often call on other professionals in the museum and attractions business to work with us on individual assignments.

Project feasibility

The first question that needs to be answered is related to project feasibility. That is, will anyone come to the expanded or renovated museum; how big is the market and is there enough market for the museum; what and how will visitors pay to cover the expense of the expansion; how much will it cost to operate, that is, what is the cost benefit of the expansion proposal; how big should the expansion be and how big from a market perspective does it need to be to have the intended effect and yet be cost effective; where will we get the money and what will it all cost. Entering into an expansion program entails not only capital expenditures, but also commitment of considerable staff time and other resources. As illustrated in Figure 1 there is interplay between project expansion concepts, market support, operational support and project funding. The following discusses each of these areas.

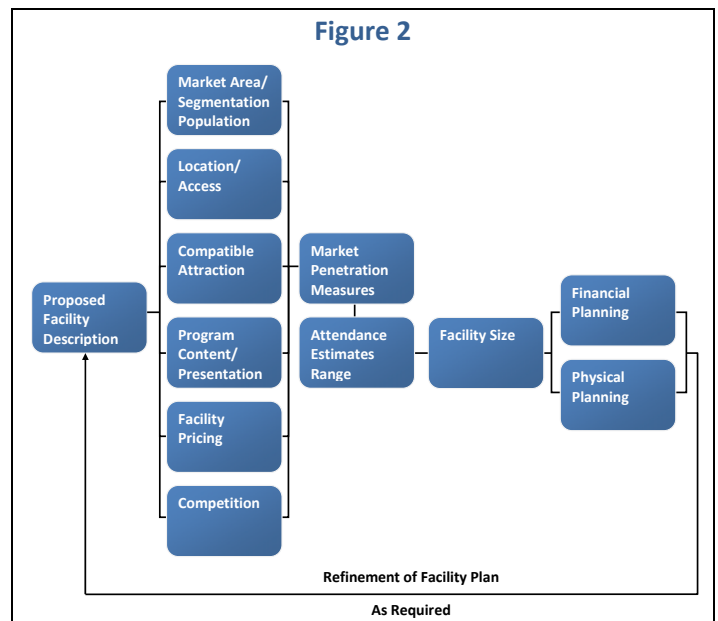


Market Support

An evaluation of the market support for the expansion is a critical underpinning for the expansion study process. Many institutions have a very good idea of their current markets and where new markets will develop in the future. They carry on regular market research and tracking and can see changes in their markets which help to guide planning. Other institutions have only a general idea of who their customers are and where they come from. One museum that we consulted with had stable attendance over a decade's time, but when these annual attendance numbers were analyzed in greater detail it was clear that they were losing some key markets, but this was being offset with attendance from newly emerging markets. What appeared to be a stable market was in fact very dynamic and creating new demands on the institution which were only vaguely understood.

When looking at the market for your museum you will need to determine market reach, market segmentation, size of markets and socio-economic characteristics of your potential visitors. Depending upon many factors the market reach of the project may be very broad geographically or may be very restricted. Determining the appropriate market areas from which the project will draw visitors is basic to being able to project potential visitation. These market area need to be defined to prevent as much as possible double counting of potential customers. Many areas, for instance,

define visitors or tourists as anyone coming from a distance greater than 50 miles. For some markets, however, people living 50 miles away may effectively be residents. Other important factors in projecting attendance are the ease of access to the project; project site and neighborhood situation; the program content and presentation; admission pricing and competition. All of these factors need to be considered in establishing the market support for the proposed project. Figure 2 shows the key components related to establishing market support and facility sizing.



Facility Sizing

Facility size is often determined by available site size, available funding, zoning and land use considerations and, of course, program needs. Many institutions start their planning with few constraints- "let's just blue sky" while others take a rigorous approach to planning based on detailed program plans, funding analysis, and cost parameters defining the expansion planning. Some Museums go directly to a solution, while others employ an alternatives process, establishing and evaluating different alternative solutions to an expansion project. An important consideration which is often overlooked is

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the “market sizing” part of the planning process. That is, based on the market for the project and the way that visitors will use the space, what is an appropriate or necessary size to accommodate the market demand. A simple evaluation is shown by data in the following table.

Physical Planning Parameters

	Case A	Case B
Annual Visitation	200,000	200,000
Peak Visitation (2 months)	60,000 (30%)	100,000 (50%)
High Week (28%)	16,800	28,000
Design Day (20%)	3,360	5,600
Length of Stay: 1 Hour (20%)	672	1,120
In-House Population	672	1,120
Public Space (20 sq. ft./person)	13,440	22,400
Facility Market Size (x3)	40,320	67,200
Parking (3.2)	210	350

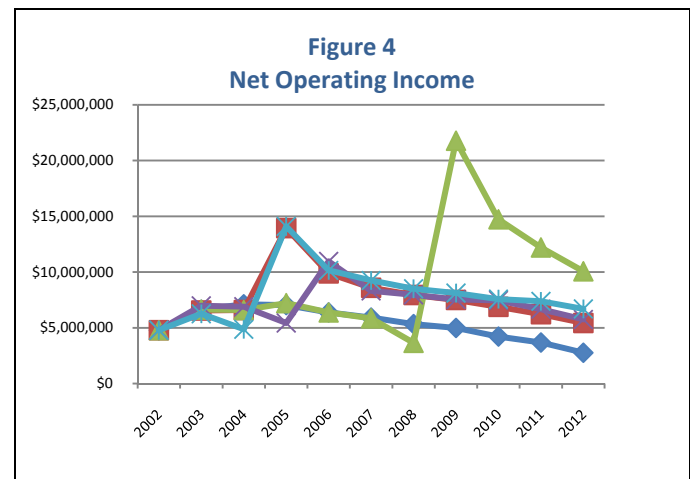
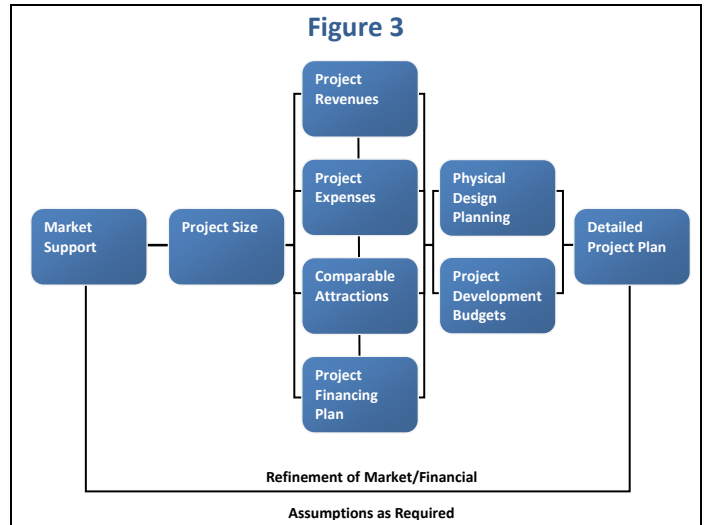
As shown by the analysis of two cases, a project that has annual visitation of 200,000 visitors can result in a very different facility size and parking demand depending upon the way the market behaves in different market contexts. This analysis uses the market demand characteristics to test the size of the project. A project that is too physically small may not be able to accommodate all potential visitors while a project that is too big will feel empty most of the time and be expensive to operate. Right sizing a project against the available markets is a key part of planning.

Financial evaluation

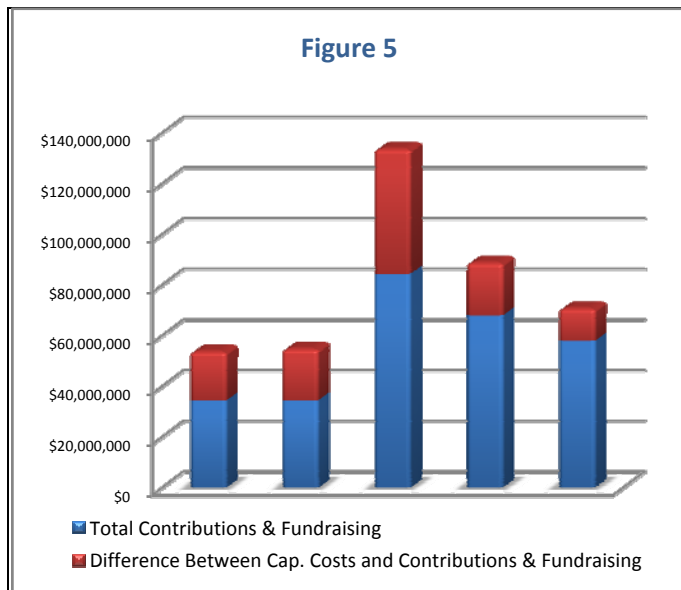
Financial evaluation is an important component of expansion planning. The steps shown in Figure 3 illustrate this approach to evaluating the financial components of a plan.

This analysis is linked to the market analysis and includes projections of income and operational costs which may affect physical planning and fund-raising. Data in Figure 4 illustrate the impacts of different expansion schemes on net operating income over a ten year period. As shown, different phased alternatives

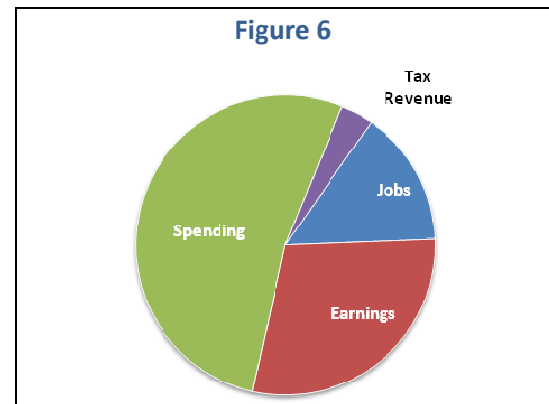
will have different potential income and operating profiles over the course of time.



Finding the optimum balance between capital funding and operations is an important part of project planning. Data in Figure 5 shows the impact of different alternatives as related to fund raising and alternative capital costs. Funders may desire a certain scale of project which may tempt operators to over-invest and then find that operating costs are too great to sustain the expansion without significant additional funds. Conversely, a bold physical plan may be more attractive to some key donors.



Lastly, the impact of the project on the economy may be important to evaluate, particularly if public funds or actions such as creating new public infrastructure is required. The economic impact analysis may be important in the political process. This impact analysis should include tax revenues, jobs, earnings, and spending. Data in Figure 6 shows the type and proportion of economic impacts for a specific project. These impacts can vary considerably depending upon the local economy.



Lessons Learned

Working with hundreds of museums over the last decades, below are key lessons learned from our practice:

- ◆ Audiences are becoming more sophisticated, there is more competition, and there is increasing price resistance.
- ◆ Renewal, change, and reinvestment are necessary to stay competitive.
- ◆ Economic or business planning is an essential part of master planning.
- ◆ Most museums need to focus on earned income to support operations.
- ◆ Operating sustainability is at least as important as capital costs in evaluating new and expanded facilities.

ConsultEcon, Inc. provides services to clients in the areas of project and plan concept development, evaluation and implementation in the fields of Visitor Attractions, and Travel, Tourism and Resort Development.

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