RocketRez

The Complete Guide to Revenue Management for Tours & Attractions

What's Inside?

At its core, revenue management is a grouping of methods and best practices to maximize profit. This is done by properly managing your inventory of products and service capacity through the peaks and troughs of your daily, monthly, and annual sales cycles. _Only now the tools and systems are finally catching up to meet the business requirements of tour and attraction operators._

START   GROWTH   MATURITY
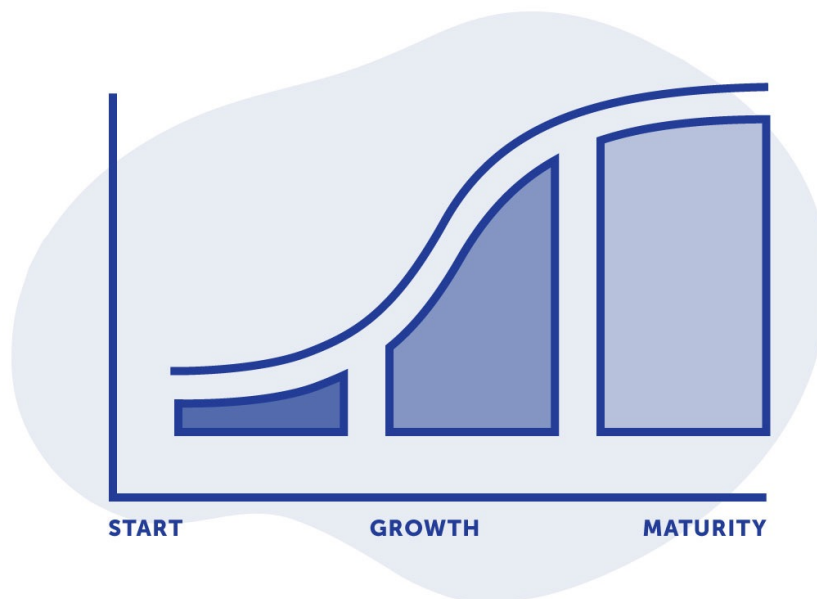
Imagine the life of a Tours and Attractions business in three stages.

Start: The exciting phase where you've shown your vision to the world and are racing to spread the word. You figure out what marketing channels and tactics are going to work for you. You begin to build some predictable traffic and get a feel for your busy and slow seasons. You get a sense of your operational needs and form a team you trust to execute.

Growth: Once your basic model has been figured out, you look for ways to expand. You may open another location, or two. Gift shops, retail items, food and beverage options, private events, memberships and a photo booth are all transforming your revenue growth. You expand your reach through partnering with local resellers or Online Travel Agencies. You now have a successful and predictable business, and a brand reputation.

Maturity: You are now fine-tuning a robust revenue engine that includes multiple products, multiple locations and an ever-growing list of ground level employees and managerial stakeholders.

Congratulations, you are now a mature business – with a host of important questions to answer:

- Am I operating efficiently?
  How do I know where to change course if I'm not?

- Am I using all available sales channels to drive revenue?
  Which channels are lagging in ROI?

- Am I taking advantage of cross-selling opportunities?
  What is my Average Order Value?

- Am I pricing for peak profitability?
  How does the market react to different price points?

- What are my leaky buckets?
  Am I managing inventory to maximize profit with my current demand? How can I adjust my pricing to optimize my capacity and profitability?

Put simply, how do you continue to grow in an industry that is more competitive than ever before? Where do you go from here? How do you grow a business that has finite resources and firm capacity limits?

Years ago, the airline industry figured out that they could only sell so many flight tickets, because a plane only has so many seats, but there was a wide variation in the prices customers would pay based on location, timing and availability. Airline operators set out to develop systems to understand their demand cycles, manage their available ticket inventory and respond to their customers' demand and competitors' pricing in real time. Now those same tactics are becoming available and employed by all kinds of businesses in the tours and attractions industry.

One of the biggest challenges in properly managing revenue across your sales channels is getting a single view of how you're performing. This is why all-in-one platforms have grown to dominate the industry's operations software. It's next to impossible to optimize your pricing when each channel has a different inventory, different demand, and different margins.

All-in-one, cloud-based technology has made collecting data from across your whole organization, and acting on the insights provided, easier than ever before.

Like airlines and hotels managing inventory, honing sales channels and using dynamic pricing for peak profitability will be the core capability of managers at the forefront of this industry. An effective tour or attraction business will leverage business intelligence tools to determine where, when and how their customers are spending money. This allows them to anticipate demand, and to market, bundle and price their offers more effectively.

We've put together this 5-part e-book on the key factors and capabilities of a revenue management engine for the tours and attractions space. We have curated some best practices to weave this way of thinking into the DNA of your own tour or attraction.

"It's about forecasting with the trends. Is there a lot going on in town? Is it a holiday? Is it going to rain?

Before RocketRez, I was actually manually dynamic pricing. Every time we wanted to increase the price for a specific day or a specific cruise, I was going into the system. It was a full-time job."

Jacquelyn Ketner, Operations Manager

Yield Management

"Price is what you pay. Value is what you get."

— Warren Buffett, Berkshire Hathaway

What we're talking about here is simple supply and demand.

You have lots of eager customers but only so many tickets (or seats, or shows, or whatever!) The product may look different depending on your business vertical, but in any case, this is your inventory. Your goal is to sell your inventory at the most profitable price point that meets the demand of your customers. The options are either to set up a standard first-come-first-served system at your base price, or with your margins in mind, you can run tests on your pricing to find your sweet spot. Ideally you'll create a kind of bidding war for the available inventory. This is yield management, otherwise described as a variable pricing strategy. It is aimed at maximizing revenue from a fixed, time-limited resource.

Large hotel operators are highly effective at this, and **describe it as a delicate balance**:

Yield management is a tug-of-war of sorts between price and quantity. Set your rates too high, demand drops, bookings slow, and occupancy sinks. Set your rates too low and you sacrifice revenue for volume, potentially pushing demand beyond your ability to supply it. that's a bad place to be, as it not only pushes demand to your competitors but also increases the strain on your staff.

Let's examine the key components of an effective Yield Management Strategy:

Dynamic Pricing — Fixed, Time-Limited Resource

When a ticket for a flight you've been watching shoots up in price near the flight date, or your ride home in an Uber is suddenly much more expensive during rush hour – you are experiencing a variable pricing model, commonly referred to as dynamic pricing.

Customers are willing to pay more for highly sought-after inventory, which allows operators to capture additional profit. Variable pricing strategies are all about scarcity. In order to charge

more, customers must be competing against one another for a finite good or service.

For instance, a restaurant has only so many seats on their patio for a Friday night in the summer. The restaurant is in a great position to start a price discovery process to uncover just how much the market will pay for their most popular timeslots.

It's up to you to learn your customers' habits. We see that generally tours sell most of their tickets in the 72 hours leading up to the departure time. With this in mind, and the tools available, you can set customized price rules where tickets in the month leading up to departure are set at your regular base rate. As demand increases, you can increase rates and improve your margins per ticket and revenue per customer. And depending on how sales have gone, you can take advantage of the final days and hours of ticket sales by increasing the urgency to buy.

There are a number of ways to do this. One popular solution is showing that there are only so many tickets left available. Setting a timer on the ticket purchase process is another way to secure that ticket sale.

On the other hand, if sales are slow and you have plenty of seats left to sell, you can increase demand by running a last-minute promotion and price drop.

It's common practice among the most popular types of ticket sales to hold some back from the general inventory and release them just hours before the event to capitalize on last-minute and impulse buying.

As you run more tests on your pricing, you'll begin to learn more about your customers and how they buy.

Tours of all types – be they by boat, ferry, plane, car, bus or helicopter – satisfy these conditions nicely. A fixed capacity of seating with a set time of departure is a great place to begin a price discovery process.

Buyer Psychology

Finally, the demand for your product must be such that customers will step outside of a purely rational buying decision when purchasing. It is not economically rational to buy a Ferrari for transportation purposes, but many people dream of owning one for emotional reasons. It could be the prestige of ownership, it could be for the thrill of driving at ridiculous speeds, or it could simply be because the neighbor has one too. People make logical and rational buying decisions - except for when they're making emotional decisions.

Tickets to a tour or attraction fall into the latter category. On any given day you have parents looking to create a lifetime memory with their kids, an affluent group of business associates looking to impress a client in a new city, a nervous man preparing to propose to his girlfriend (and lining up a perfect picture for their Insta).

Your role as a tour operator is to facilitate these moments. You may be surprised how much some folks are willing to pay for them when an emotional decision is compounded by a sense of urgency to grab the last available tickets.

And now that rationality is out the window, it's time to really show your customers that they will never have an experience like yours. In addition to adding urgency to the sale, you can look for ways to add to the value of their visit. Once they've committed to purchasing your ticket, you want to make sure they really get their money's worth. Upselling food and beverage packages, valet parking, photos and gift shop items that they can pick up on the day of their visit are all ways to increase the average spend of each customer, while also giving them the best possible experience.

This is where the advantage of an all-in-one ticketing, retail, and business operations system such as RocketRez can work to your advantage. Detailed revenue reports and insights will show you the complete customer journey of each visitor who books with you. You might discover that your customers on average spend more on-site when they've purchased their tickets further in advance, or that lower priced tickets don't get purchased until closer to the day of the event.

Business insights are essential to successfully optimizing your revenue management.

Management Questions to Consider

To capture the most value from a Yield Management strategy you need an idea of the factors that influence demand in your business, which is about knowing and segmenting your customers. A few questions to consider:

- Is your pricing strategy premium or economy?

- What is your break-even volume?

- Do people tend to book at the last minute?

- Are your customers families, couples, corporate groups, or something else?

- How affluent are they?

- How frequent do they visit?

- How cyclical is your business? What are your peak, trough, and shoulder seasons?

- Does your data show any interesting spikes in demand unexplained by cyclicality?

We recommend taking the time to examine your data to set a baseline of revenue performance across your highest demand periods. From there, you can begin experimentation with variable pricing.

> "We want to become part of the decision-making tree for families to come to Maui. If we do things right, they will visit our brand several times before they physically come here.
>
> Since we know people spend an average time here of 7.82 days, I want them to visit the first or second day, and it will set the tone for their entire visit. We have a high rate of return visitors."

Tapani Vuori, General Manager of Maui Ocean Center

PART TWO

Channel Management

"If you control your distribution, you control your image."

— Bernard Arnault, Louis Vuitton

When you think about your channel management strategy, think of yourself as a supplier looking for the most effective distributor. More specifically, a combination of distributors that are each competing with your (higher margin) direct sales channel. The ideal state is to sell everything directly from your website and pay zero commissions to third party companies. In order to deviate from this, they have to be offering you significant value for your money.

We like to look at three key factors when assessing a distribution strategy.

Aggregated Demand

Your distribution partner must have a proven ability to drive a lot of eyeballs to your product. The value they add is aggregating demand across a category of goods beyond what your product or business is able to generate itself. In other words, they can bring in everyone who is looking for a travel experience similar to what you provide. The drawback is that they put you directly next to many of your direct competitors.

Online Travel Agents are, collectively, powerful demand aggregators across every category of Travel and Hospitality. When used and managed effectively, they can be a tremendous top line demand generator.

Targeted Audience

Different OTAs may appeal to different market segments. OTAs often claim to have the best rates. While this may not be true, it may attract a specific type of bargain shopper who isn't suited to your upscale tour or attraction experience. At the same time, you might be forced to provide your tickets at a reduced price as well as the steep commission rate the OTA requires. On the other hand, an OTA might attract a more upscale audience that what you're used to. It's important to qualify and continue to measure the market segment and type of traveller that each OTA is tailored to.

It's often difficult to get your unique brand messaging across when selling through indirect channels. Your own website will always allow for the most control over your customer experience. One big advantage that 3rd party sellers have is a much higher degree of buyer intent. When customers visit your website, they might simply be doing research for a future travel experience. When they go to an OTA or reseller, they are likely more ready to buy.

Most likely, you'll find the most urgency through local resellers and concierge programs. A hotel or local business is an aggregator of demand to a smaller degree than an OTA, but of higher relevance to the buyer at hand. Partnering with these people can be a great referral source for your business, particularly if the services complement each other very naturally. A hotel on the water could feasibly refer a lot of customers to a nearby boat tour, for instance, because they already have a captive audience which are likely in the same target market segment.

Profit Maximization

Finally, and most importantly, you must achieve a measurable return on investment from distributing through your new partner that justifies collaboration instead of selling direct. Top Online Travel Agencies come at a price tag of 20% or more of your ticket price. Do the math on how many customers you need these channels to bring in to make your commission and management time worthwhile.

With an assortment of high purchase intent channels feeding your business customers, you are now operating from a position of strength in pricing power. Generally, in periods of high demand, you will limit your customers from less profitable channels and increase those from higher profit channels and begin testing for price discovery.

Managing Distribution

Applying the above concepts specifically to the Tours and Attractions space, we can examine some of the channels available to reach your customers.

- Direct Bookings

- Online Travel Agents

- Resellers/Deal Sites

- Affiliates

If we were to look critically at each strategy, we could score them based on our above criteria:

Channel	Demand Aggregation	Target Audience	Profitability
Direct	Low	High	High
OTA	High	Medium	Low
Resellers / Deal Sites	Medium	High	Low
Affiliates	Medium	Medium	Medium

Armed with your backlog of information on when to expect periods of high demand, you can now think of each channel as a "tap" that you can turn on and off to influence Supply and Demand to your highest performing channels.

- In periods of high demand, you seek high Target Audience and Profitability score channels and increase prices.

- In periods of low demand, you may use high Demand Aggregation channels and decrease prices to focus on achieving a satisfactory volume.

You should create a list of all your rates, categorized by the margins earned or discounts offered. Figure out your Base Rate or breakeven rate and build a few tiers of more profitable rates. During periods of high demand, close the tap to your least profitable channels, move up on your rate scale to a higher level – and watch your profitability soar.

Inventory Management

"Inventory is fundamentally evil. You kind of want to manage it like you're in the dairy business. If it gets past its freshness date, you have a problem."

— Tim Cook, Apple

As a tour or attraction operator, depending on the scale of your operation, you may have a variety of products that you sell, and thus a variety of inventory to manage.

Let's start with your primary product – your tickets. Whether you're running boat or bus tours, a zoo, museum, art gallery, or theme park, you have one consistent thing on your mind – capacity management. Or put another way, inventory management. You have a limited number of tickets you can sell for any given day or time block.

Parts I and II of the Revenue Management series discussed how to improve your profitability by adjusting prices based on demand, and managing different channels to generate demand for ticket sales.

Now we're going to discuss how managing your inventory can have a dramatic impact on your operations.

The concept of shared inventory is something that online sellers have only started to address across all industries. Consider yourself like a brick-and-mortar retailer who is now selling products online. Just as they only have so many products on the shelf, you only have so many tickets that can be purchased. The problem is that your online buyers and your in-store/in-person buyers are purchasing from the same inventory.

This is why an all-in-one system is critical for your inventory management. Your website needs to show that a tour is sold out when the last ticket is sold at an on-site kiosk. Your gift shop needs to put an item on hold that is purchased online, so you don't sell it to someone on-site.

When it comes to ticketing and OTAs, the traditional way to operate is to allocate a block of tickets that only they can sell. This is detrimental when it comes to profitability. Either they don't sell out their block and you can never reach capacity, or you have high demand through your direct channels, but are committed to selling a chunk of your inventory through the OTA and are losing out on revenue to their high commission.

Locked Inventory   **Shared Inventory**

Online
Phone
In Person
OTAs

Seating groups locked for channels   Direct channels and OTAs selling from shared inventory
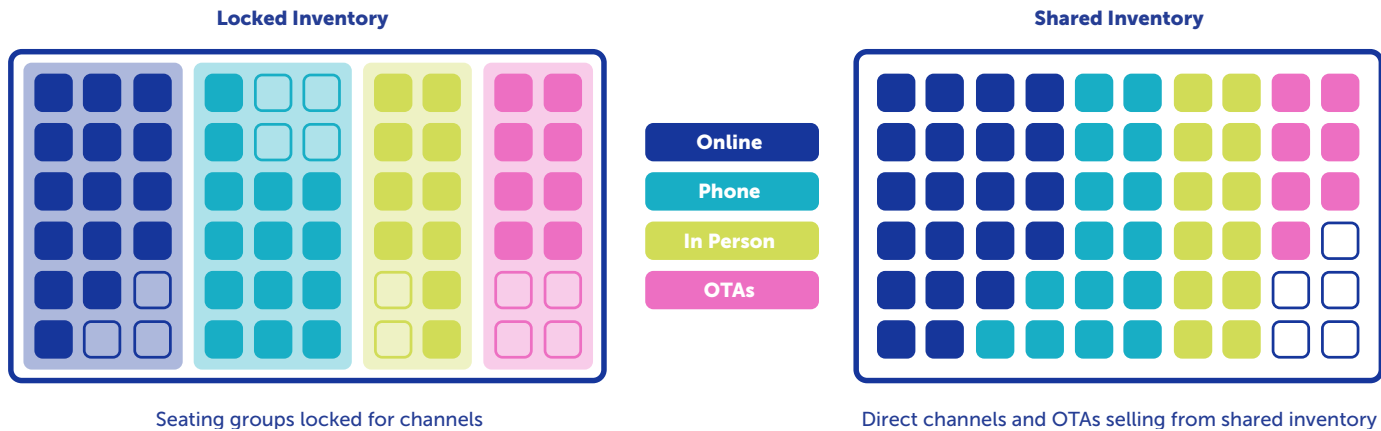
The solution to this is shared inventory, where you're both drawing from the same bucket of tickets. This is the true power of an all-in-one ticketing and operations platform.

Beyond ticketing, you're also dealing with other aspects of inventory management with all of your ancillary products and services.

As you grow these revenue channels it becomes more important to manage your inventory effectively. Too little inventory leads to missed revenue opportunities and disappointed customers, too much inventory exposes you to the risk of spoilage, damage, theft and more.

Borrow from the best practices of restaurants and retail managers. From your operations team to your item tracking and accounting, tours and attractions gain a compounding advantage in revenue by keeping inventory low and adopting a FIFO approach.

First-In, First-Out (FIFO)

FIFO is an accounting term that stands for "first-in, first out" and is an inventory costing method that has clear applications in tours and attractions. Both your retail and food and beverage operations involve time limited resources, so it stands to reason that you will look to sell the inventory you purchased first, which will "expire" soonest, to avoid any waste in your system.

This is most obvious when it comes to food and beverage. Food spoils, so you want to make sure that you're selling the items in your fridge that have been there the longest and are closest to their expiration date. Also consider what's in your gift shop. Do you have a batch of printed shirts commemorating a specific event or feature attraction that won't be relevant next season? This is why restaurants have lunch specials and why gift shops put their date-specific items in high-traffic spots.

The next piece to add in when managing inventory is the cost you paid for the sale.

Cost of Goods Sold (CoGS)

The closer to expiry your goods are, the less they are worth. If they spoil, they are worthless. If you're able to run your FIFO operation effectively, you will be selling your older, lower value goods first. This is a common method for tours and attractions to reduce their Cost of Goods Sold.

To illustrate this point, you're likely paying a higher cost per unit for the custom batch of commemorative t-shirts, which won't be relevant in a few weeks. Your loss for not selling these is proportionally greater than most other items on your shelf. Tours and attractions may think of their ancillary goods as a side business. But as we begin to wrap more upselling and cross selling into our online offers, and gift shops expand beyond small on-site, low SKU stores to large eCommerce engines with established brands, significant incremental revenue will come from honing your inventory management capabilities.

Finally, keeping your inventory levels low allows you to free up working capital that would otherwise be tied up and keeps you nimble to put out new, relevant offers on a quick timeline. This frees you from the need to discount too deeply as your products get past their prime.

Pricing & Promotions

"The single most important decision in evaluating a business is pricing power."

— Warren Buffett, Berkshire Hathaway

As tours and attractions take their ticket sales online, an entirely new world of business opens to them. This is the world of eCommerce, and we believe the organizational skills required to run a strong eCommerce operation will be a key competitive advantage for the tours and attractions of the future. That being said, the principles of pricing and promotions are not very different whether selling online or on-site; whether selling tickets, retail, or food and beverage.

By now you are aware that RocketRez is flexible enough to allow you to allocate certain inventory to different sales channels, or to draw all your ticket and retail sales from a single source of shared inventory. This works for all product types and all sales channels - tickets, retail, food & beverage products; online, in-person, over the phone, at a kiosk and OTA channels. This allows our customers to create unique offers. Creative bundling across product lines, or volume incentives, can be tested, improved, scaled, or cancelled with fast feedback on what is working and what is not. Opportunities open up when you can sell tickets together in the same cart with gift shop items, food and beverage pre-orders, and add-ons like parking and premium experiences.

Any individual pricing or promotion tactic maps back to the overarching goal of increasing revenue - using one or both of the following simple strategies:

• Increase Average Order Value
• Increase Order Volume

Tours and attractions are highly seasonal, and demand sways drastically based on factors like the weather, location, tourist trends and other recreational activities operating nearby. Pricing and promotions are tools that you can fully control to help smooth your revenue and unload inventory, no matter what scenario your macro environment is providing.

Let's examine some of the best strategies at your disposal to increase revenue by selling products online.

Increase Average Order Value

The following tactics are for use when the offer is premium, demand is high, or you are stocked with highly sought-after inventory. The goal is to make more money per customer.

RocketRez customer Xtreme Xperience increases profit with cross-selling options in their online checkout.

Cross-Selling, Bundles, Packages and Retail Add-Ons

This is where you can get creative. Your customer is buying a ticket – plus what?

In an eCommerce environment, a smooth checkout process can automatically suggest additional items to create a bundle. You can incentivize the cross-selling item with a discount, but often the convenience of purchasing these items together – like your event ticket and parking – is enough to secure a sale. Look for natural complementary items to the core experience to maximize conversions.

Common Bundles:

- Retail and gift shop items
- Parking
- Clothing/Memorabilia
- Insurance

Upselling and Options

What is your version of a "Super-Sized" offer?

Once again, you have an opportunity to offer a more luxurious or efficient product after the initial buying decision has been made, directly in your checkout. Make sure that the upsell or option you suggest is a reasonable increase, and not a big jump in price from the initial choice - or you'll experience low conversion rates, turn off potential customers, and possibly even lose the original sale

Common Upsells/Options:

- Seat location upgrades
- Private/VIP Experience
- Personal Instructor Provided
- Guided Tour

BOGOs and Quantity Breaks

Most people are familiar with a "Buy One, Get One Free" offer from retail stores or restaurants. Extrapolate the same method to your operation. Some attractions, like zoos, aquariums or water parks lend themselves very naturally to a season pass or membership for families. Parents are always looking for ways to entertain their kids with fun and inexpensive activities – with extra points for being educational or getting them off the computer and out into the world!

Make your attraction a great investment for their family entertainment budget, and you'll be rewarded with pre-paid revenue for experiences held in the future.

Common Quantity Breaks

- Family Pack
- Multi-visit tickets
- Bulk discounting

Group Bookings

Booking private events is a powerful driver of revenue in the tour and attractions space. The same characteristics that make your venue a great place to visit can often make it a perfect backdrop to host a group party, meeting or educational tour.

Common Group Bookings

- Weddings
- Anniversaries
- Corporate Events
- Birthday Parties
- School Field Trips

Incentives

The allure of a free item, that is complementary to their original purchase, is often enough to tip people over the edge into a purchase decision. Often, this doesn't need to be a high value item for customers to react favorably. Simply look for an offer that makes their life easier.

Common Incentives:

- Free Shipping
- Free Parking
- Complimentary Gift Shop Items

CHARTER	CAPACITY	DECKS	BAR	RATES	MINIMUM SAIL TIME
FT. DEARBORN	170	2	Full Service Bar	$1,500 Fri – Sun $1,200 Mon – Thu	3 hours Fri – Sun 2 hours Mon – Thu
INNISFREE	70	1	Bar Area	$1,200 Fri – Sun $1,000 Mon – Thu	3 hours Fri – Sun 2 hours Mon – Thu

RocketRez customer Chicago Line Cruises offers attractive rates for private events, complete with bar and catering services.

Increase Order Volume

The following tactics are for use when the offer is premium, demand is high, or you are stocked with highly sought-after inventory. The goal is to make more money per customer.

Discount

The simplest way to increase order volume is to offer a discount. Discounts are often centered around a theme to build customer excitement. Look for an upcoming holiday, or a chance to unload inventory that's near expiry, as a chance to get in front of customers to offer a fun discount.

Common Discounts.

- Dollar discounts
- Flash Sales
- Percentage vs. Dollar Amount Sales
- Seasonal Sales

Promo codes

Borrowing from the top retailers and food delivery apps, offering a promo code through your customer newsletter, social media or even a QR code on-site is an engaging way to reward customers that are paying attention to your communication channels.

RocketRez customer Maui Ocean Center displays their organizational values through discounting for Hawaii locals and those who've served in the Military.

RocketRez customer African Wildlife Safari Park uses urgency in their ticket selection screen by showing how many tickets are left at different times of the day.

Urgency

One of the most motivating factors that causes a shopper to become a customer is the element of scarcity. People love the feeling of attaining one of the last remaining spots, items or reservations that was sought after by many people. Tours and attractions can display the number of tickets left on any given day, as a motivator for customers to purchase immediately.

Store Credit

Finally, a great way to drive additional traffic to your core offer is to give customers store credit. Commonly we will see this applied to the gift shop, but it is an incentive across several different scenarios. Store credit works in the case of cancellations, cart abandonment, loyalty and rewards. Rather than offering a basic refund, you can drive people to your attraction and capture their revenue.

Finding the appropriate mix of pricing and promotional offers that work for your business takes creativity, experimentation, and constant refinement. At any given time, you must assess what you are trying to achieve as a business and context you are operating in.

Ask yourself, are we a discount brand or a premium brand? Your most loyal customers have come to expect a certain order size. Deviating too far from your overall brand strategy can lead to either devaluing your experience, or sticker shock.

What are your current demand levels? This industry is highly cyclical, and pricing and promotions must operate well within the greater context of demand to have any chance of success.

Finally, what are your current inventory levels? Excellent inventory management has a compounding effect on the profitability of a business and should be closely monitored to reduce waste and avoid leaving money on the table for scarce goods.
Use these widely used tactics as a starting point on your journey to find the optimal mix for your business.

Key Performance Indicators

"It is a capital mistake to theorize before one has data."

— Sherlock Holmes

Tour and attraction operators enter their industry for a host of different reasons, be it a passion for a particular niche (like animals, boats, or vehicles), a family tradition or simply finding a job that matches their unique skills and interests.

At a certain point, as a business grows, a leader must shift from working in the business to working on the business. This can be a challenge for mature tours and attractions — **because, as we all know, there are five businesses in one to measure and manage.**

We've created this brief primer on Key Performance Indicators (KPIs) for tour and attraction operators to maintain a quick view of their sprawling and varied operations and priorities with a few comprehensive numbers.

When thinking about what Key Performance Indicators to track to bolster your capabilities in revenue management, focus is key. Always look to consolidate and simplify the many moving parts. Think about the changes that have been brought about by technology — and how they can enable you to take a more holistic view of your operation.

Gone are the days of simplistic metrics that do not account for costs, or profit, or separate your many products to measure all sources of revenue. To get true insight that can help you reliably plan and forecast for your business, you need best-in-class data accuracy and presentation.

The culture of your organization must emphasize tracking revenue management across tickets, retail, food & beverage and commerce, across multiple channels, and rewarding holistic success.

Our goal with this piece is to help you improve revenue management across your products and inventory, help with channel optimization, suggest tools to forecast and budget effectively and earn a strong ROI on marketing efforts.

Channel Management KPIs

To combat OTA market share growth and remain in control of your margins and distribution, understand in detail which channels are working for (or against) your revenue and profit goals.

Begin with a list of Total Revenue by Channel, then subtract all associated costs to get:

Channel Profitability = Total Revenue Per Channel - All Costs & Commissions

Take all your sales channels through the process separately, including but not limited to:

- All Online Travel Agencies
- All Resellers
- All Deal Sites
- All Affiliates

Measure each channel's profitability against your profit made by selling directly on your website and look to develop your stronger channels for use during periods of low demand.

Common additional Channel Management reports:

- Tickets sold
- Today
- By OTA channel
- By time of day
- By contact group
- By user
- By site
- By sales office
- By rate type (Adult, Senior, Child, Youth, Infant)
- Total number by ticket type (Group vs Individual, Members, Prepaid pass, etc.)
- Purchased vs Checked In

Inventory Management KPIs

Effective inventory management can help you reduce costs, optimize profit, provide better customer service and prevent loss from theft, spoilage, and returns.

There are three key KPIs to track to quickly "health check" your inventory operations at any time.

Inventory Turnover Rate

Holding inventory has several associated costs. All else equal, the faster your inventory is sold, the lower the associated holding costs. The number of times a company sells and replaces its stock over a given time frame is measured by:

Inventory Turnover Rate = cost of goods sold / average inventory

Reducing holding costs reduces your CoGS, allowing you to capture additional profit. As a rule of thumb, average inventory is not too high if your ITR multiplied by your gross profit percentage is less than 100%.

Make sure to monitor this ratio to ensure you are not over, or under, stocking your inventory.

Accuracy of Forecast Demand

Another quick calculation that is helpful in more robust retail organizations is the accuracy of forecast demand. This compares how close your actual goods sold were to your forecasted demand in the previous period. It is calculated as:

Accuracy of Forecast Demand = [(actual − forecast) / actual] x 100

In the highly seasonal tours and attractions space, it's imperative to forecast effectively through peak and trough seasons. Ensure your estimations are in line with reality using this simple accuracy metric.

Gross Margin

Finally, the end goal ties together your pricing strategies to determine how profitable your retail operations are, subtracting all costs associated with sales.

Gross Margin = [(net sales − cost of goods sold) / net sales] x 100

A very quick retail rule of thumb:

- 5% margins are considered low
- 10% would be average
- 20% and over would be considered high

If you find yourself in the position that your margin is low, you may be using too low a price point − or need to negotiate with your suppliers for a better wholesale rate.

Common additional inventory management reports:

- Cash Out Report
- Deposits Report
- General Ledger Entry
- Accounts Receivable
- Deferred Revenue
- Retail Catalog Tool

Yield Management / Reventue Management KPIs

The most common tour and attraction metric we hear about from operators is "Per-caps" which is an abbreviation of 'per capita' meaning revenue per capita, or revenue per customer.

Per-caps = Total Revenue / Total Customers

While this is a term used in the attractions space, it applies to basically any type of business - how much do your customers spend when they visit?

It is a simple metric that can be pulled and measured over any time frame you choose - allowing you to analyze peak and trough months, averages across customer cohorts, observability into any unusually high or low sales periods and to track the effectiveness of your campaigns.

Looking at the components of the equation, Total Revenue includes, and can be broken down into, revenue from all your different product lines.

These may differ between specific business verticals, but often include the following:

- Tickets
- Retail
- Food and Beverage
- eCommerce
- Photos

From there, include your revenue through combinations of the above products you sell:

- Bundles
- Packages
- Upsells
- Options
- Retail Add-Ons

Next, it's time to get granular about how the market reacts to different price points by measuring total revenue generated at your:

- Discount Prices
- Baseline Price
- Markup Prices
- Premium Prices

These can be implemented in your peak, trough and shoulder seasons and will inform you about which pricing levels result in increases in sales.

However, we are not solely concerned by top line revenue. We are aiming to drive incremental profitability for a mature organization that bundles across different products – the associated costs from all these channels must come into account!

We recommend using the above information, and measuring the following metric:

Net Per-caps = Total Revenue - Costs / Total Customers

Costs considered should be comprehensive across your whole organization, including:

- Selling, General and Administrative
- Cost of Goods Sold
- Marketing spends
- OTA, Reseller and Affiliate Commissions
- Website - payment processing and transactional costs

With more accurate data across the whole organization, you have more tools at your disposal to test the waters of supply and demand and drive additional profit for your organization.

Common additional Yield Management reports:

- Revenue
- Total booked today
- Total earned today
- Year to Date
- Average order value
- Average ticket price
- Total value of refunds processed today
- Sales by Event Date

Effective revenue management requires buy-in from everyone in your organization to focus around setting a process, measuring its effectiveness and optimizing over time until it becomes woven into the DNA of your organization for years to come.

Let these KPIs guide you as you look to begin, or revamp, your approach to world class revenue management.

Visit rocketrez.com/blog for more in depth discussion on revenue management and KPIs, downloadable content and templates on how you can put these concepts into action.