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Objective Analysis
Creative Thinking

United States Marshals Museum, Fort Smith

Introduction

Leisure Development Partners LLP (LDP) is a leading consulting firm specialised in the feasibility, review and performance improvement of visitor attractions and leisure real estate. LDP's Partners have more than 60 years experience in this niche.

The LDP approach relies upon detailed market analysis and the application of carefully chosen real world benchmarks from existing comparable projects. This nuanced approach came out of the original feasibility work for Disney and has been developed further over the past 50 years.

LDP have been commissioned to complete a high level update of market analysis and review of forecasts for the under development United States Marshals Museum.

This document presents the findings.

Disclaimer: *This Report is based on estimates, assumptions and other information developed by Leisure Development Partners LLP (LDP) from its independent research effort, general knowledge of the industry and other comparable developments elsewhere and publicly available research efforts/surveys. No warranty or representation is made by LDP that any of the projected values or results contained in this Report will actually be achieved. All intellectual property rights in this Report including any forecasts, benchmarks, spreadsheets, tables or other materials provided are the property of LDP. All findings should be viewed as confidential and are not for publication in the public domain. You may use and copy such materials for your own internal use.*

Glossary

- Admission yield – a key performance indicator which expresses the average spend on admission as a proportion of the lead price as a percentage
- ALOS – average length of stay in hours
- CAGR - Compound Annual Growth Rate (average growth over period)
- Entertainment Value – the lead price divided by the average length of stay
- Lead price – the highest single day visit ticket on offer, typically an undiscounted adult single day ticket
- Penetration factor – proportion of the total market visiting annually expressed as a percentage
- Penetration Rate - proportion of available market by segment visiting a museum or attraction annually expressed as a percentage)
- Purchasing Power Per Capita – income per person by region
- Qualification – process of removing double counting from the markets
- VFR – visiting friends and relatives (people staying in the home of friends or relatives during their vacations)



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Available Markets

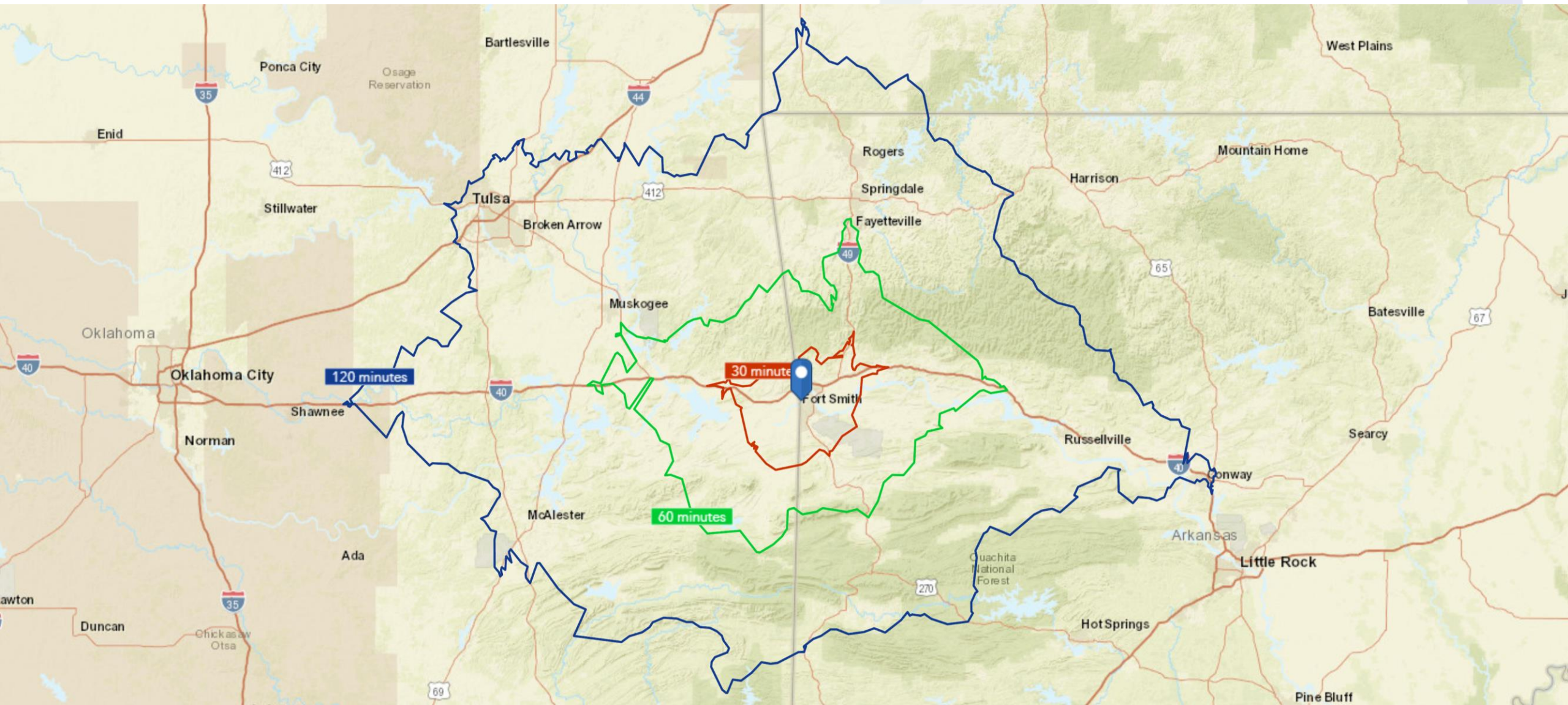
Available Markets – Introduction



- The first step in our analysis is always to look at the available markets. We have measured the available markets based upon drive-time isochrones.
- The standardised industry market segment definitions for major attractions are:
 - **Primary resident market**
(those living within 0-60 minutes of the site, subdivided into 0-15 min, 0-30 min and 30-60 min)
 - **Secondary resident market**
(those living within 60-120 minutes of the site)
 - **Domestic tourists**
(domestic tourists staying in registered accommodation within 0-60 minutes of the site)
 - **International tourists**
international tourists staying in registered accommodation within 0-60 minutes of the site)
- This is a tried and tested method of analyzing the markets and allows us to **compare like with like benchmarks** (which also use drive time assessments to measure the available markets).
- In our experience, public transport provides similar or longer travel times once travel to and from the stations, as well as transitions and waiting times are incorporated.
- Attractions are normally very bias towards car / coach especially when considering the luggage that can come with taking children, etc. If public transport is particularly strong in a market than this is reflected in our penetration rate analysis shown later in this report.
- The propensity to visit a visitor attraction decreases for residents who live further away.
- We have used the United States Marshals Museum site at Fort Smith, AR 72901 as our assumed location.

Drive-time map 30, 60 and 120 minutes

Source: ESRI



Resident market

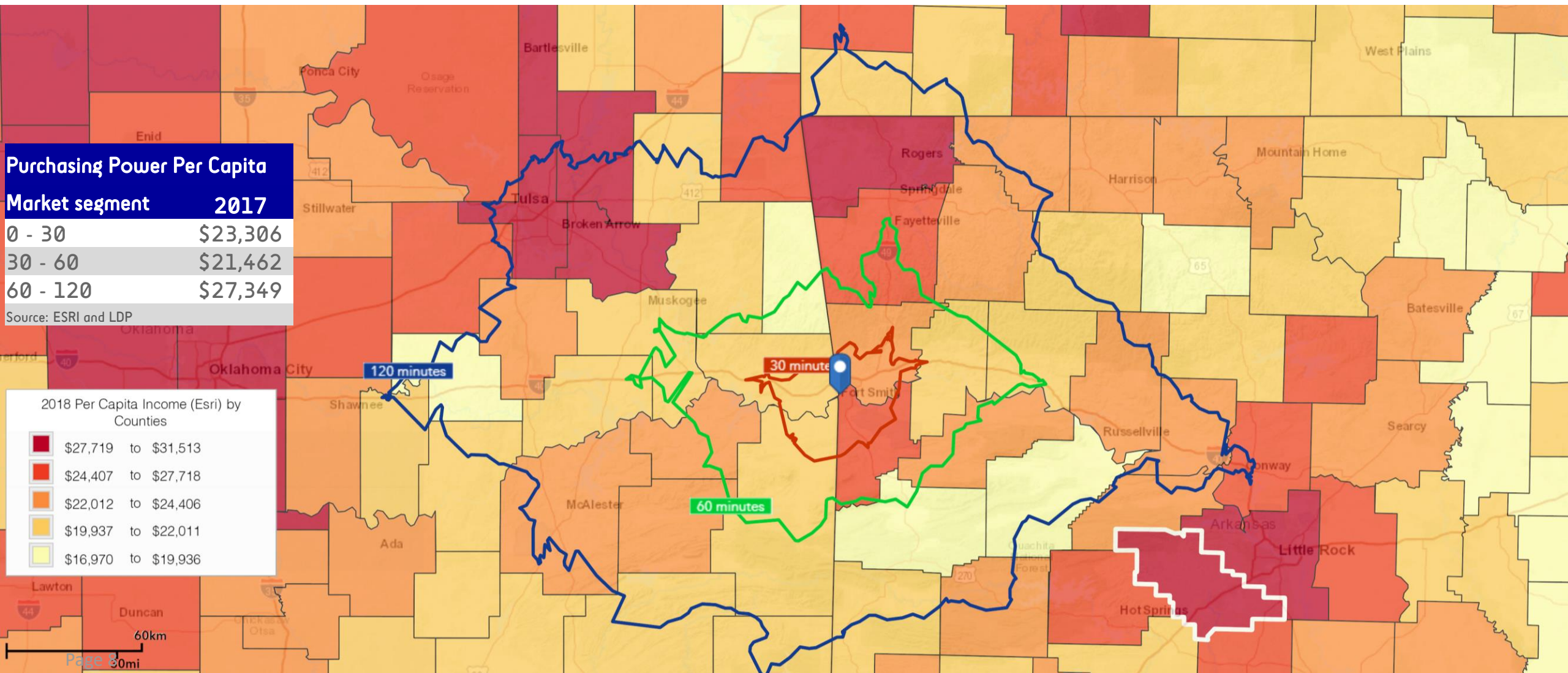
Resident market size [number of people]				
Market segment	2018	2023	2028	CAGR
Primary market				
0 - 30 minutes	203,849	208,182	212,607	0.42%
30 - 60 minutes	175,886	180,144	184,505	0.48%
Total primary market	379,735	388,326	397,112	0.45%
Secondary market				
60 - 120 minutes	1,837,527	1,917,425	2,043,832	1.07%
Total resident market	2,217,262	2,305,751	2,440,944	0.97%

Source: ESRI and LDP

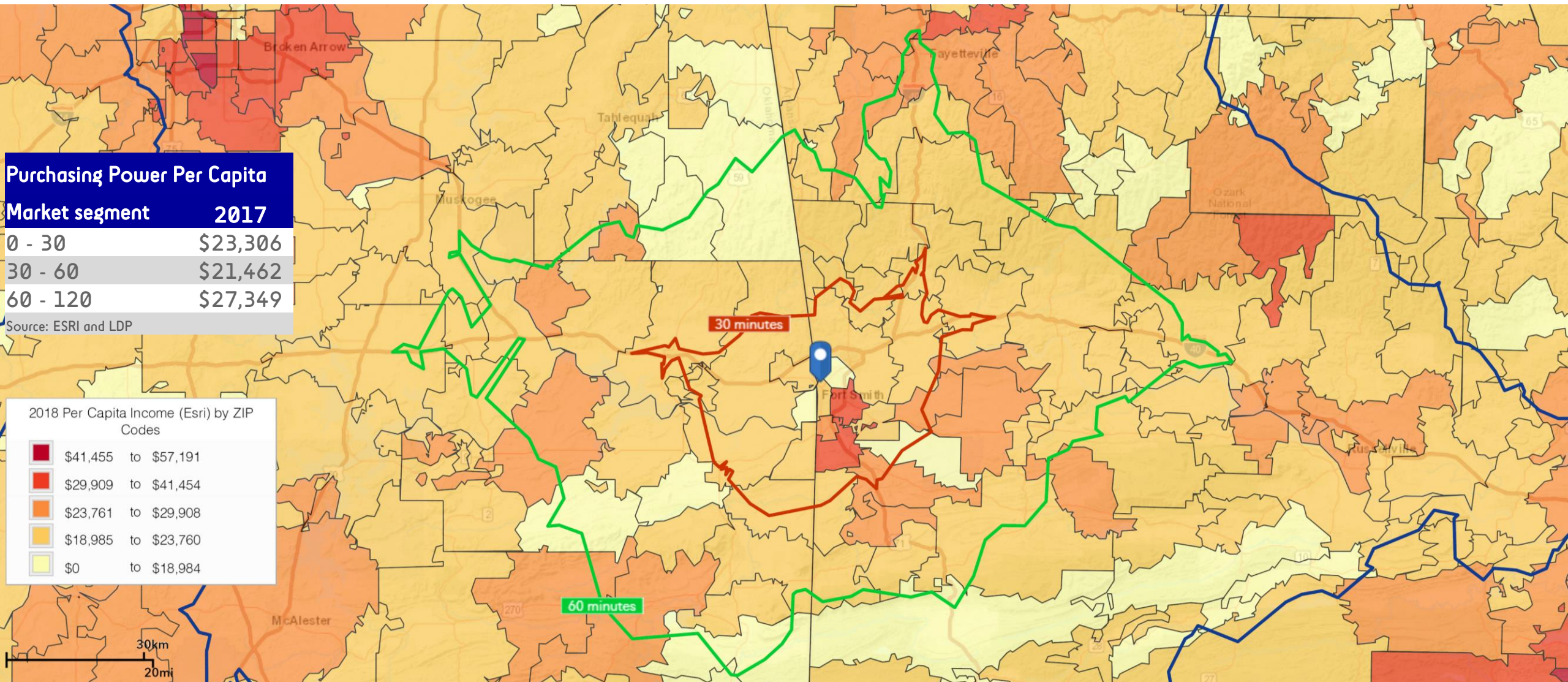
- Shown in the previous page, the 0-120 minutes catchment includes parts of Arkansas, Oklahoma and Missouri.
- It is easier to penetrate the markets which are closer by and some concepts (e.g. Retail/ Dining/ Entertainment zones) rely on local population, while large attractions, like theme parks can draw from up to two hours away.
- The total resident market in 2018 is estimated to be 2,596,997, around 71% of which is located in the Secondary market (1,837,527) which contains some of the biggest urban areas of the Oklahoma and Arkansas states, including Tulsa and the Fayetteville-Springdale-Rogers Metropolitan Area.
- The primary market is small at close to 380,000 in 2018 and is split almost 50:50 between the 0-30 and 30-60 populations, with the immediate market (0-30 minutes) being slightly larger.
- Using historic data we expect the average annual growth rate of the resident population to be around a little less than one percent, so by 2028 the resident market will rise to just over 2.4 million. The fastest growing population is also located in the secondary market, at 1.07%, which is more than twice the CAGR of the primary market (0.45%).

Purchasing Power

Source: ESRI



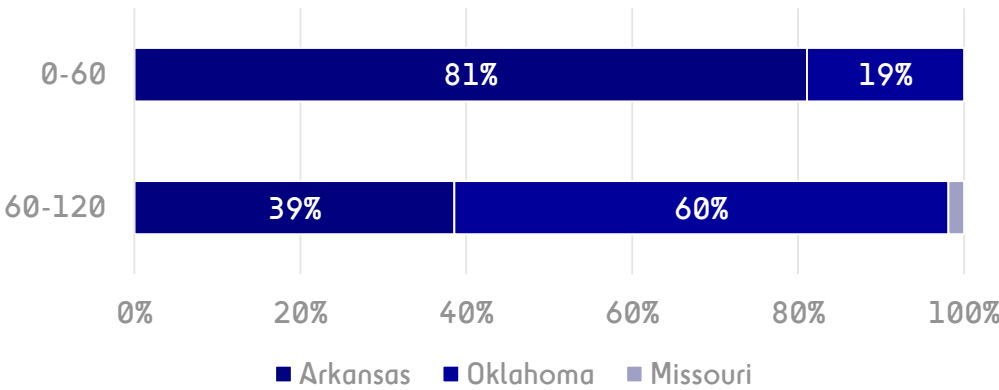
Purchasing Power



Resident market characteristics

- To further dissect the resident market, the previous diagrams are used to explore the average purchasing power of the catchment population. It shows that the immediate market is moderately wealthy especially on the Arkansas side of the border south-east of Fort Smith.
- The 60-120 minute market, again, appears to be the more promising market. The most affluent areas in the catchment are located in this segment, mainly in and around Tulsa (north-west of Fort Smith) and the Fayetteville-Springdale-Rogers Metropolitan Area (north of Fort Smith). This is further confirmed by the Purchasing Power per capita where the secondary market (\$27,349) is significantly higher than the values of the primary market bands (\$23,306 and \$21,462).
- There are larger and wealthier parts of the region further west and north west of the site into Oklahoma and outside the 0-120 minute market.
- The tables on the right show the proportional population and average income per capita of the market segments by state. Arkansas is the dominant market in the 0-60 band with the bigger and wealthier population, taking up 81% of the residents and with an income per capita of \$24,000 compared to Oklahoma's \$20,000.
- This reverses in the secondary market. Out of the 1.8 million (2018) residents, approximately 60% live in Oklahoma, 39% in Arkansas, and 1% in Missouri. The Oklahoma market is also more affluent, with an income per capita of around \$27,000 compared to the nearly \$26,000 of Arkansas. A reason for this change, is partly due to the inclusion of Tulsa.

Proportions of resident market by state, 2018

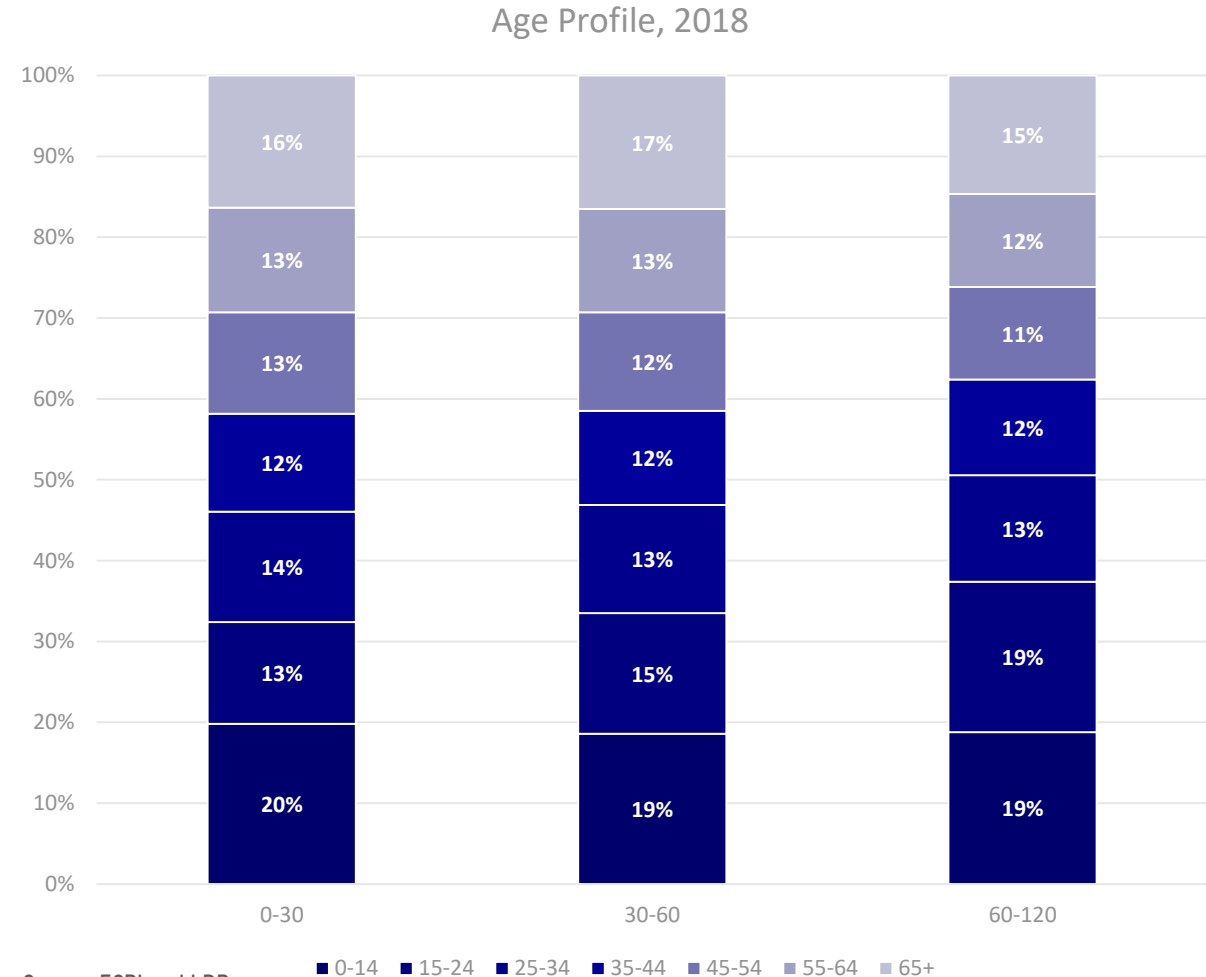


Income Per Capita by state and market segment, 2018		
Market Segment	0-60	60-120
Arkansas	\$24,084	\$25,785
Oklahoma	\$20,180	\$27,036
Missouri	-	\$23,324

Source: ESRI and LDP

Resident market characteristics – age profile

- The graph on the right displays the distribution of five age groupings for each catchment.
- Within the primary market the age profile remains relatively constant between the 0-30 and 30-60 bands.
- From 30-60 to 60-120, the population becomes younger. The 45+ age group decreases from 42% of the residents to 38% in the secondary market. While the under 25 demographic increases by 5 percentage points (34% to 38%). Again, these variations can be attributed to the metropolitan areas in the secondary market band.
- Throughout, the 25 to 44 category stays within 25% and 26%.



Market assessment – tourist market

- Based on our experience and patterns observed across the industry over time, those people visiting the site and who live more than two hours from the site are likely to stay in the area overnight and are therefore considered in the tourist market. The tourist market here includes those that enter the 0-60 catchment area i.e. parts of west Arkansas and east Oklahoma.
- We have reviewed tourism information from statistical publications on tourism such as Arkansas Department of Parks and Tourism, Dean Runyan Associates and Travel Oklahoma.
- **Qualification:** We have qualified the domestic tourist market to exclude the tourists staying overnight within the catchment market area (i.e. within 1-hour drive from the site) who also live within the resident market (i.e. within the 2-hour drive from the site). This step is undertaken to prevent them from being double counted, and missing this step is likely to significantly overstate potential demand.
- Using state tourist origin data, we have removed or qualified 12% of the domestic tourist market.

Tourist market

Qualified Tourist Market [number of people]

Market segment	2017	2022	2027	CAGR
Domestic	2,138,519	2,410,979	2,733,301	2.48%
International	28,681	32,207	36,383	2.41%
Total market	2,167,200	2,443,186	2,769,684	2.48%

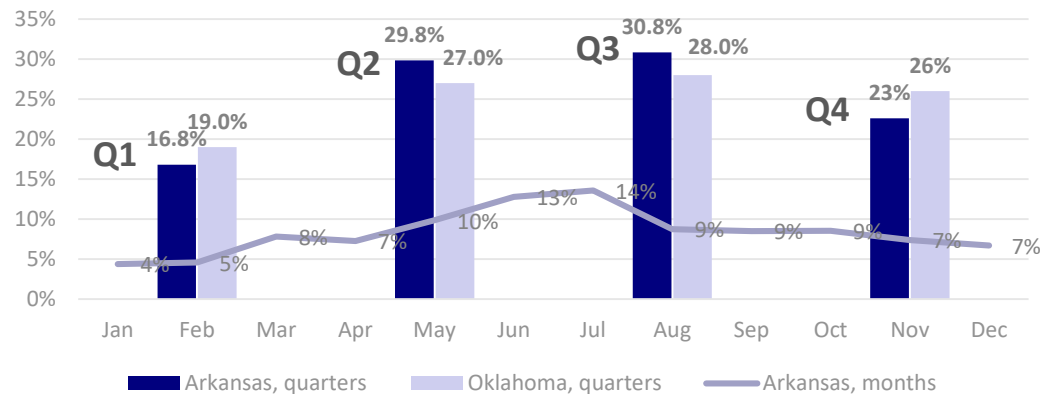
CAGR – compound annual growth rate

Sources: Travel Oklahoma, Dean Runyan Associates, Arkansas Department of Parks and Tourism and LDP

- In 2017, the overall tourist market size within the 0-60 catchment area is estimated to be nearly 2.17 million. Using historic tourist data, we expect this to increase at a moderate 2.48%, which projects the tourist market to grow to just under 2.77 million in 2027.
- Our sources do not explicitly offer separate data on domestic and international segments. But, after reviewing results from the Welcome Centre Survey and from interviews with individuals in Fort Smith's tourist industry, we believe the assumptions made above are reasonable.
- The domestic market (2.1 million in 2017) is, by a large margin, the main source of demand in the tourist industry. International tourism (28,681) is only just over 1.0% of the total market. This is reflected by the fact that Fort Smith airport currently only has five inbound and five outbound flights daily (to and from Dallas and Atlanta International airports).
- Like the resident market the majority of the 0-60 tourist market in 2017 is in Arkansas (77%) with the rest in Oklahoma (23%). Bearing this in mind, we explore the contrasting tourist market characteristics of Arkansas and Oklahoma in the following pages.

Tourist market characteristics

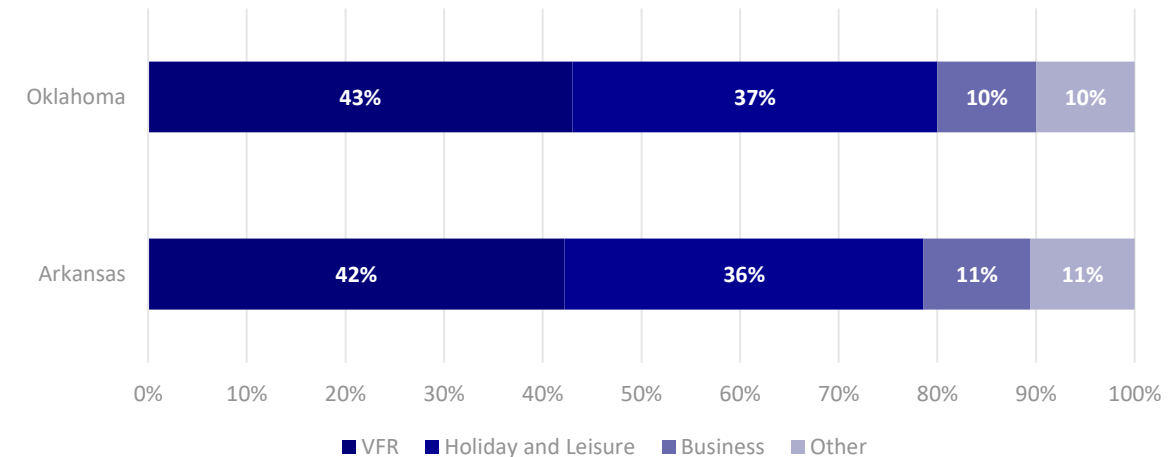
Seasonality of tourist arrivals in the Arkansas and Oklahoma, 2015-2016



Sources: Travel Oklahoma, Welcome Centre Survey and LDP

- For both Arkansas and Oklahoma tourist numbers peak in the third quarter (31% and 28% respectively), albeit more pronounced in Arkansas. Number of visitors in both states are at their lowest in the first quarter: 17% at Arkansas and 19% Oklahoma.
- Arkansas experiences its highest influx in the summer months of May (10%), June (13%) and July (14%). Only 4% of tourist arrivals were in January.
- The concentration of the market for both states during the summer period is reflective of leisure and Visiting Friends and Relatives (VFR) behaviour.

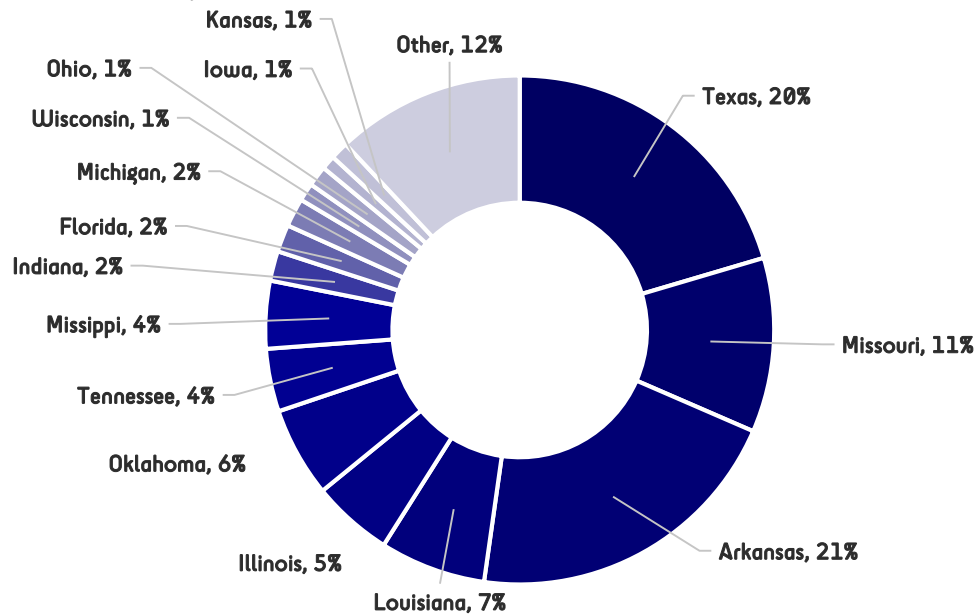
Purpose of tourist visits in Arkansas and Oklahoma, 2016



- VFR tourists, especially, are a good market for many attraction types. They tend to: stay longer than leisure or business tourists; benefit from friends' or relatives' advice; and, due to higher visit repeat rates, would have seen the popular attractions in previous trips and will be looking for more.
- Promisingly, the biggest category for Arkansas and Oklahoma is VFR (42% and 43%). What's more, holiday tourism for both states are also very similar at 36% and 37%.
- The business tourist market, which is the least valuable visitor group for attractions, is only around a tenth of the total tourists in the two states.

Tourist market – domestic tourist origin

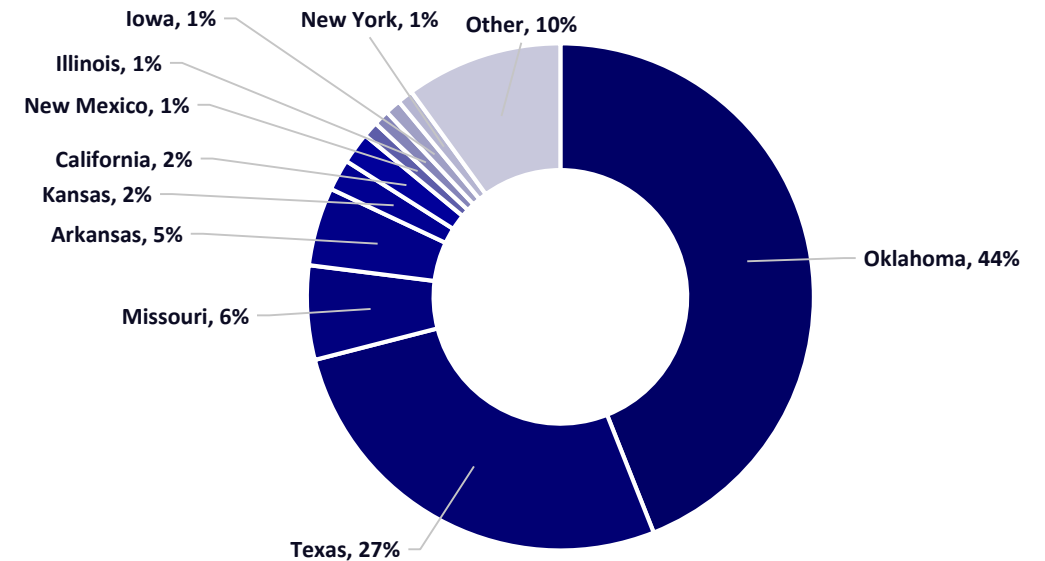
Origin of domestic tourists in Arkansas State, 2016



Sources: Welcome Centre Survey and LDP

- The above shows the origins of the unqualified domestic tourists entering Arkansas, based on the Welcome Centre Survey. The top three source states are Arkansas (21%), Texas (20%), and the Missouri (11%).
- Oklahoma is fifth biggest on 6%, but this would undoubtedly be larger in the 0-60 catchment

Origin of domestic tourists in Oklahoma State, 2016



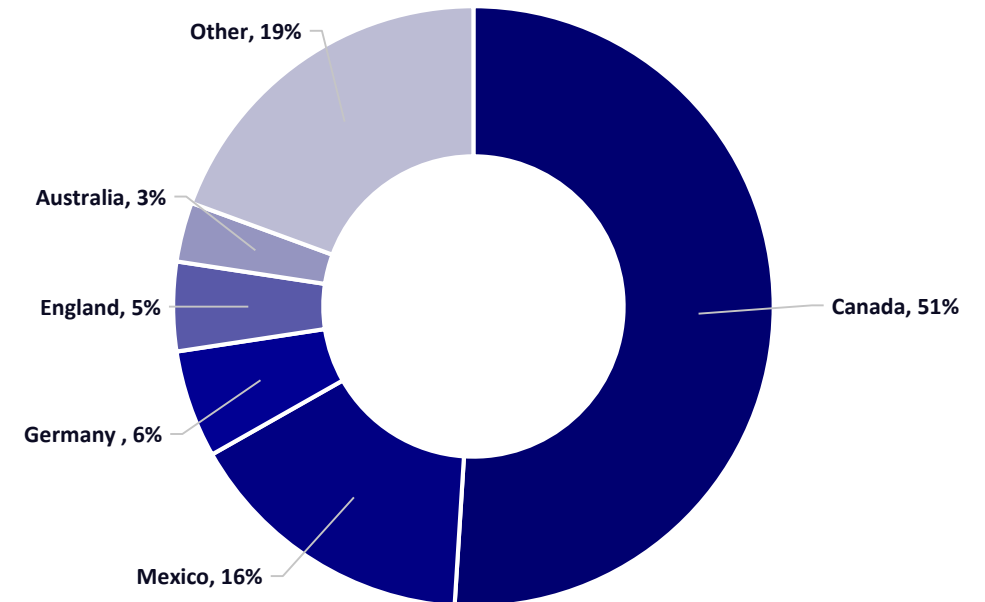
Sources: Travel Oklahoma and LDP

- In contrast, Oklahoma tourism is reported to be dominated by visitors from its own state (44%).
- Texas is again a major source state; its visitors makes up 27% of Oklahoma's tourist market. Missouri and Arkansas visitor numbers are fourth and fifth biggest at 5% and 6% respectively.

Tourist market – international tourist origin

- The chart on the right displays the make-up of international tourists in Arkansas.
- Unsurprisingly, Canadians are the biggest contingent, over half the market is comprised of this demographic, with Mexicans following at 16%.
- Germany is the biggest source country outside of central and north America at 6%.
- At least 59% of international tourists in Arkansas are from English speaking countries.

Origin of international tourists in Arkansas area, 2016



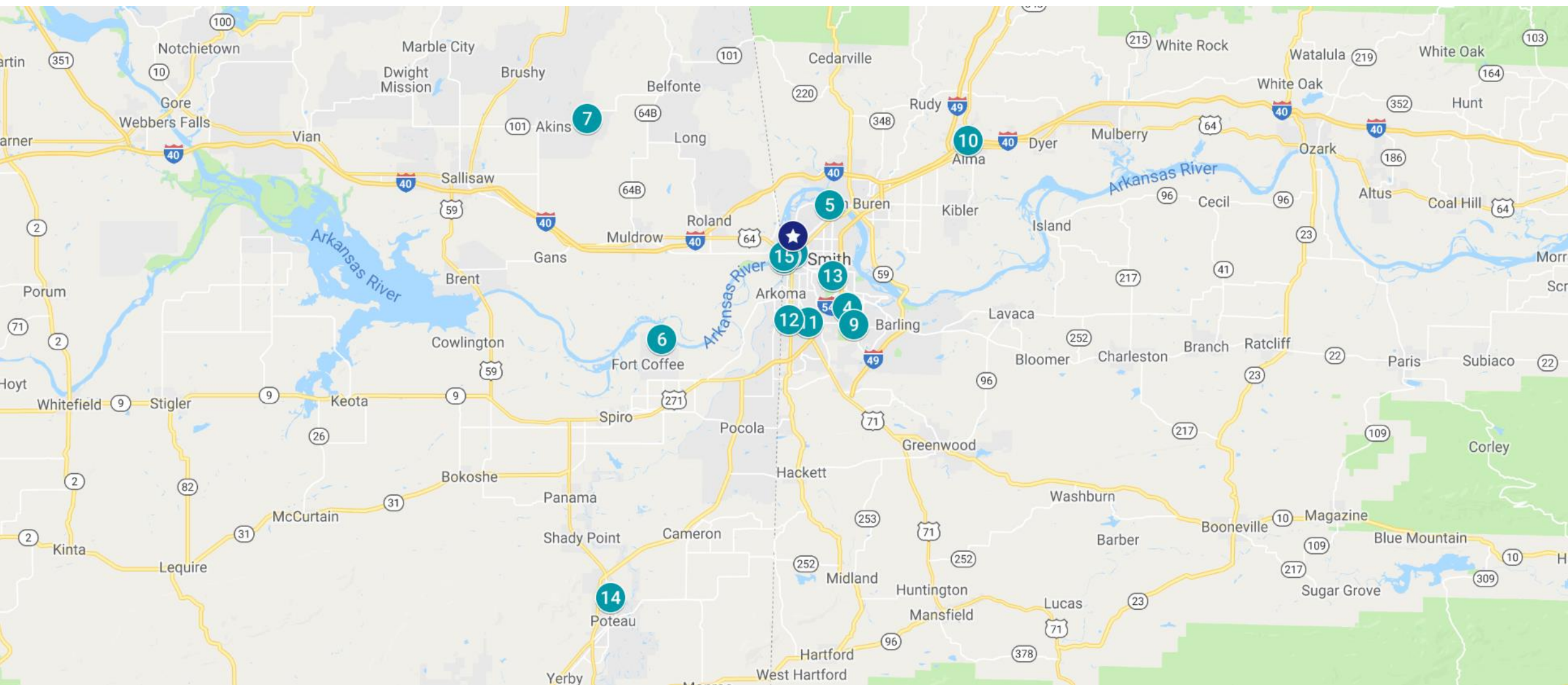
Sources: Welcome Centre Survey and LDP



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Competitive Environment



Competitive environment – Fort Smith



Competitive environment – map legend

- 
- ① Clayton House
 - ② Fort Smith Museum of History
 - ③ Fort Smith Trolley Museum
 - ④ Fort Smith Air Museum
 - ⑤ Nina Ship
 - ⑥ Spiro Mounds Archaeological Center
 - ⑦ Sequoyahs Cabin
 - ⑧ Arkansas Air and Military Museum
 - ⑨ Parrot Island Waterpark
 - ⑩ Alma Aquatic Park
 - ⑪ Elevate Trampoline Park
 - ⑫ AMC CLASSIC Fort Smith 14
 - ⑬ Malco Cinemas
 - ⑭ Tower Drive-In
 - ⑮ Fort Smith National Historic Site

Selected local entertainment values

- Entertainment Value is the perceived price per hour that consumers are currently spending for entertainment. This is calculated by dividing the lead price by the average length of stay (ALOS) and results in a value per hour of entertainment. Although discounts might be available, this is how local markets perceive the value of the experiences and is a useful tool when estimating pricing.
- In the table opposite we show pricing for the attractions in the market. Museums and heritage attractions can often be subsidized and do not charge commercial admission rates, which skews the average price down, and some premium priced products which offer more intense experiences tend to skew the average in the other direction.
- On this evidence the EV in and around Fort Smith is around \$5.00. By multiplying the expected average length of stay (ALOS) at the United States Marshals Museum by the local EV, we can determine our lead price.

Entertainment value at Fort Smith and surroundings attractions, 2018

Attraction	Category	Adult Entry (\$)	Child Entry (\$)	ALOS (hrs)	EV (\$)
AMC Classic Fort Smith 14	Cinema	\$5.99	\$3.99	1.75	\$3.42
Malco Cinemas	Cinema	\$10.00	\$7.50	1.75	\$5.71
Tower Drive-in	Cinema	\$7.00	\$4.00	1.75	\$4.00
Fort Smith National Historic Site	Historical Site	\$10	-	1.5	\$6.67
Clayton House	Museum	\$6.00	\$3.00	1.5	\$4.00
Fort Smith Museum of History	Museum	\$7.00	\$2.00	1.5	\$4.67
Fort Smith Trolley Museum	Museum	\$4.00	\$2.00	0.75	\$5.33
Nina Ship	Museum	\$8.50	\$6.50	1.5	\$5.67
Spiro Mounds Archaeological Centre	Museum	\$7.00	\$4.00	1.5	\$4.67
Sequoyahs Cabin	Museum	\$5.00	\$3.00	1.5	\$3.33
Arkansas Air and Military Museum	Museum	\$10.00	\$5.00	1.5	\$6.67
Elevate Trampoline Park	Trampoline	\$12.95	\$12.95	1	\$12.95
Parrot Island Waterpark	Waterpark	\$15.00	\$10.00	2.5	\$6.00
Alma Aquatic Park	Waterpark	\$10.00	\$5.00	2.5	\$4.00
Min					\$3.33
Median					\$5.00
Average					\$5.51
Max					\$12.95

Source: Individual attractions

Selected local attendances

- Opposite we show estimated annual attendances at selected attractions in the market. It should be noted that the standout performer is the Crystal Bridges Museum with 600,000 visits per annum, although the key point here is that it is free admission.
- The Scott Family Amazeum achieves a reported 250,000 visits, and next highest is the Oklahoma City National Memorial Museum with 150,000 visits.
- These attendances are useful in framing the throughput potential at the United States Marshals Museum.

Estimated annual attendances at selected attractions, 2018

Attraction	Category	Adult Entry (\$)	Child Entry (\$)	Annual Attendance
Crystal Bridges Museum	Museum	-	-	600,000
Scott Family Amazeum	Museum	\$9.50	\$9.50	250,000
Oklahoma City National Memorial Museum	Museum	\$15.00	\$12.00	150,000
Fort Smith National Historic Site	Historical Site	\$10.00	-	115,000
Cherokee Heritage Center	Museum	-	-	21,000
Fort Smith Museum of History	Museum	\$7.00	\$2.00	20,000
Fort Smith Regional Art Museum	Museum	-	-	14,000
Ms Laura's Visitor Center	Historical Site	-	-	11,300
Fort Smith Trolley Museum	Museum	\$4.00	\$2.00	10,000
Spiro Mounds Archaeological Centre	Museum	\$7.00	\$4.00	10,000

Source: Individual attractions

Local market penetration

- By looking at attendance and visitor mix at some of the selected local attractions we can estimate market penetration rates for each of the four sub-markets.
- As shown, the penetration rates vary but again each case will serve to help to triangulate on our forecast penetration rates for the United States Marshals Museum. When forecasting attendance we will use a blend of local, national and international benchmarks in order to guide out analysis.
- The Crystal Bridges primary market penetration is exceptional and suggests it is visited frequently by loyal guests. It may be that some come often to enjoy the grounds and buildings. The Amazeum is located very nearby and also performs exceptionally well. The offer looks quite repeatable and we feel the penetration is likely driven up my members visiting frequently.
- The National Historic Site also performs very well in terms of penetration in the primary market and also has very healthy penetration in the domestic and international tourist markets.

Local Penetration Rates, 2018

Attractions	0-60	60-120	Domestic	International
Crystal Bridges Museum	42.50%	7.35%	4.34%	9.89%
Scott Family Amazeum	26.56%	4.09%	0.84%	0.00%
Ms. Laura's Visitor Center	0.37%	0.15%	0.18%	0.95%
Fort Smith National Historic Site	12.11%	1.25%	2.04%	8.02%
Oklahoma City National Memorial Museum	3.64%	1.68%	4.70%	2.30%
Fort Smith Museum of History	2.11%	0.22%	0.36%	1.39%
Min	0.37%	0.15%	0.18%	0.00%
Median	7.88%	1.47%	1.44%	1.85%
Average	14.55%	2.46%	2.08%	3.76%
Max	42.50%	7.35%	4.70%	9.89%

Source: Individual attractions

Selected national penetration

- We have also looked at some selected museums that are of a similar size and scale abut also in markets not too dissimilar in size as compared to the Fort Smith available markets. In the absence of detailed market mix data at these locations we have taken a 'penetration factor' i.e. divided the attendance by the total two hour resident markets + the total tourist markets.
- The achieved range is quite narrow and a useful sense check of potential at the United States Marshals Museum.

Selected national Penetration Rates, 2018

Attractions	Opened	State	City	Adult [\$]	Child [\$]	Attendance	Penetration Factor
Amerind Museum	1985	Arizona	Dragoon	\$10.00	\$8.00	11,000	0.24%
The Military Aviation Museum	2005	Virginia	Virginia Beach	\$15.00	\$7.50	52,406	0.51%
New Mexico Farm and Ranch Heritage Museum	1998	Massachusets	Springfield	\$25.00	\$13.00	148,000	2.98%
San Angelo Museum of Fine Arts	1981	Texas	San Angelo	\$2.00	-	85,000	0.53%
Kenosha Civil War Museum	2008	Wisconsin	Kenosha	\$9.00	-	75,000	0.24%
Min							0.24%
Median							0.51%
Average							0.90%
Max							2.98%

Source: Individual attractions



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Museums Benchmarking

International museums

- In this section we review museums benchmarks from United States and global museums. Similar to commercial attractions, the drawing power and attendance achieved at cultural attractions and museums has much to do with both the available markets and the concept/character of the museums.
- Museums can range in character from small industrial/specialised museums achieving less than 100,000 visitors per annum to major, internationally renowned art installations attracting millions of visitors.
- More importantly, a key difference between most museums and the other commercial attractions is that they typically rely on some form of government funding, grants and donations in order to cover their operating costs. They very rarely pay back their capital costs (with the exception of smaller, commercially run ventures such as the International Spy Museum in Washington DC).
- This variation in funding sources has led to a variety of pricing strategies which do not necessarily reflect the public’s ability to spend and can have an impact on attendance.
- School group attendance at museums can constitute anything between 5 percent and 35 percent of total attendance, averaging roughly 15 percent. Over recent years, school group attendance has dropped during the recession due to the cost of fuel associated with coaches for students unable to take public transport. However, it is our understanding that school group numbers are starting to improve again with the economy slowly improving as well.
- A **penetration rate** shows a proportion of the market segment that visits an attraction annually. On average, penetration rates at museums tend to be lower than at major attractions such as theme parks and waterparks. Clearly, in the case of internationally renowned museums such as the Louvre or Metropolitan Museum of Art, they are able to capture large numbers of international tourists. It is important to note, however, that most museums that achieve penetration rates at the upper end of the range tend to be in city centre locations where they can easily capture residents and tourists alike.

Penetration Rates at Selected Museums				
	Primary Res. [0-60 min]	Secondary Res. [60-120 min]	Domestic Tour. [0-60 min]	International Tour. [0-60 min]
Max	11.5%	7.3%	7.7%	13.8%
Average	3.1%	1.5%	1.9%	2.8%
Median	2.5%	0.9%	1.7%	1.8%
Min	0.4%	0.1%	0.2%	0.1%

Source: individual attractions and LDP

International museums – operating performance

Visitor Revenues

- Typical **admission yield** at museums is around 60-65 percent, with traditional school group oriented museums achieving yields at the lower end and specialty adults and/or tourist oriented museums achieving relatively strong yields, sometimes in the region of 70-75 percent.
- On average, **admission spend** accounts for 65-70 percent of total spend per head at traditional museums.
- **Food & Beverage** spend is typically modest, but dependant on the average length of stay and the quality of the F&B offer at a museum (many museums have relatively mediocre F&B offering, but those that have signature restaurants may do well).
- **Merchandise** opportunities in museums are often limited to guide books, literature and small items, resulting in a modest spend per head. Merchandise spend can, however, be impacted by the design, layout and the location/visibility of the shop and the merchandise within the shop, and there are ways to boost the spend somewhat.
- In some case, museums have developed their own signature retail products to such a degree that visitors will often come to the store

specifically to purchase gifts but not to visit the museum. In the case of the National UK museums and Smithsonian museums in Washington DC, this is quite common as they are free entry.

- Retail spend can be high at specialty museums based around an iconic brand or figure (for example, The Beatles Museum, Graceland, etc.).
- If a museum has the aspiration of driven retail sales on top of those achieved from visitor spending, it is very important to have separate access to the museum store from the street.

Non-visitor Revenues

- As mentioned, the majority of museums are either subsidised by either government bodies or through donation, or break-even operationally. A modern, high quality museum built to fit the market may look at closing the funding gap in operations but it is highly dependent on the market concept.
- Museums, however, tend to struggle to pay back their initial capital investment or even to pay commercial rents if part of a larger development. In many cases, the capital/building costs are gifted as part of the planning approval process.

International museums – operating performance

As stated earlier, there are a number of ways in which museums can supplement their income in order to break even operationally. In many cases, 50 percent to 100 percent of total revenues are achieved through means other than admissions.

- **Government Support:** One key area of support is clearly annual support from the local or national government which helps subsidize the operations. However, in some cases this may have 'strings' attached such as free admission for certain user groups or even everyone.
- **Membership** is another way in which museums can maintain healthy revenue streams. This will often be sold to local residents who either support the actual mission of the museums or tend to repeat visit (as in the case of annual memberships).
- **Sponsorship** from local companies can also help build up the revenue stream. In many cases, they might provide sponsorship for special halls or exhibits, especially if the exhibit is somewhat related to the company's core business. General sponsorship is typically on an annual basis, whilst capital sponsorship will often go toward major capital improvements such as a new exhibit hall etc.
- **Additional non-visitor revenue:** In addition to the three core methods of

raising non-visitor revenues, outlined above, there are other sources as follows:

- **Special exhibits** are always charged and can be a source of revenue from the proportion of visitors who choose to pay
- Similarly, **travelling exhibits** developed by the museum can be hired out to other similar museums globally
- **Donations** from individuals and **bequests** as part of a will can be gained, however these can be sporadic in nature and therefore the operating budget should not rely on them
- **Special events:** events when the museum is closed to the public can gain significant revenue from hall rental and even catering (where the museum has a strong restaurant offer)
- **Venue hire:** in addition to special events, the museum can be hired as a TV or film location
- **Volunteers:** although not strictly a revenue stream, volunteers (docents) can help save money in regard to staffing
- **Capital campaigns** are also another source of revenues for major capital projects. Museums can go out to the local community and raise capital via donations for a specific project via programmes such as 'sponsored bricks' gala events, etc.
- As a result of the myriad of ways that museums source revenue, their operating performance in regard to opex can vary significantly (especially as many are able to negotiate tax breaks of some form). Each model is unique and a reflection of the type of museum, experience, and most importantly, the level and types of non-visitor revenues achieved.

Speciality museums

- We have reviewed a selection on one-theme/specialty museums internationally to provide another angle to our assessment. We believe these to be some of the most relevant comparables.
- The median is a good measure of typical performance in the industry.
- As shown in the table, as with museums in general this subset are much better at penetrating the primary resident market than the secondary resident market.
- The penetration of the international tourist market is highly dependent on

the concept, as well as the size and the nature of the tourist market at the location. The range of penetration rates is relatively wide in the international tourist market, however the median of 1.6% shows that there is a strong outlier in the sample.

- The majority of international museums are either subsidised, rely on gifts, or break-even operationally.

Penetration rates at speciality museums				
	Primary Residents	Secondary Residents	Domestic Tourists	International Tourists
Specialty Museums				
Max	5.8%	3.3%	8.6%	11.7%
Average	2.3%	1.0%	2.8%	3.2%
Median	1.8%	0.7%	2.1%	1.6%
Min	0.4%	0.1%	0.3%	0.5%
Source: LDP				



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Throughput & revenue projections

Feasibility assumptions



- In the following section we outline our throughput and revenue projections for the United States Marshals Museum. This is a desk based study and no site visit has been made. The intent is to provide a realistic view on potential rather than full and detailed feasibility.
- Firstly we outline some core feasibility assumptions:
 - At this juncture we have analysed based on the market potential and therefore assume the right capital and capacity to deliver for the demand envisaged;
 - We have assumed that the attraction will be operated to the very highest standards by experienced operators from inception;
 - We have also assumed excellent pre-opening and ongoing marketing;
 - We assume a first full operating year and that appropriate preparation and soft opening is allowed for;
 - We assume that the full experience is available on opening;
 - Our work assumes healthy and ongoing reinvestment to keep the experience fresh and ensure repeat visitation;
 - 2019 is assumed as the first year of operation, and stable year 2023

Attendance assessment

Penetration rates

- We estimate annual attendance using penetration of the available market segments. Deriving reasonable penetration rates was a reflection of the comparables reviewed as well as the local market environment and levels of competition.
- It is of paramount importance not to overestimate the opportunity to ensure we accurately reflect the potential for the project and site given the current markets and environment. We have gathered together a wide array of market penetration benchmarks for various attraction types (shown in the benchmarking section) and used these to forecast visitation.
- We have considered many factors in our forecasting of penetration rates, reflecting on the comparables and the more detailed confidential data on individual comparables that lie behind the ranges and averages shown within this report.
- In the first part of this assessment we forecast penetration for stabilised performance. This is the performance after the first few years of operation when penetration tends to settle to a longer term stable level. We consider this likely to happen by around 2024.
- We forecast three sensitivities for stabilised performance a high, medium and low case. We consider the medium case the most likely to be achieved. We illustrate these sensitivities on page 34. These are shown for the markets projected to 2024, as we consider that a stable performance is likely to be reached by then.
- We first discuss the mid-case stabilised performance sensitivities before going on to reflect the evolution of penetration and attendance, including a 'champagne effect'.
- In general the market is not yet overly competitive. The better quality local and regional comparables and particularly those that are repeatable, exhibit very strong penetration.
- At 6 percent in the 0-30 minutes resident market we illustrate a performance, that is lower than the best performing local comparables but nevertheless a solid performance aligned with high quality museums also in smaller markets. In the 30-60 minute market we take a somewhat more conservative view at four percent.



Attendance assessment

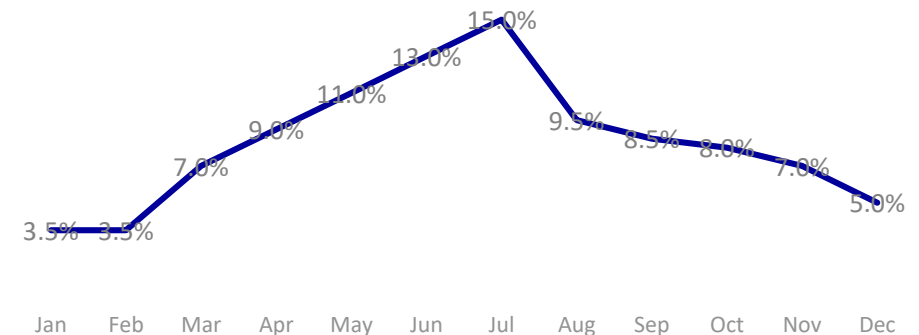
- At 1.5 percent in the 60-120 minute market, we forecast a similar performance to the Fort Smith National Historic Site and also closely aligned with the average of the museums comparables.
- Domestic tourists are a promising market segment and we illustrate a performance which is closely aligned with the speciality museums average, reflecting a niche but very well presented and conceived offer with appeal to those on vacation. This has been sense checked against the local comparables and sits within their range and somewhat ahead of the Fort Smith National Historic Site.
- The international tourist market provides only a modest opportunity and we have assumed a penetration similar to mid-performing speciality museums.

Attendance

- On the following two pages we show the penetration rate driven attendances forecasts. As shown, we forecast the United States Marshals Museum to achieve an attendance of between **80,000 and 145,000** per annum, with a mid point of **125,000**. This is for a stable year (i.e. when the penetration has 'settled down' and that is assumed to be around 2024.

- We later review what we believe could be a likely case for the evolution of attendance where we feel initial interest may be higher than at stability as locals head to the museum in large numbers around opening. This attendance evolution is provided for the mid-case sensitivity. This is provided on page 35.
- We illustrate our stable year seasonality forecast in the adjacent chart.
- We feel there will be a summer peak due to the somewhat summer orientated tourist market and of course school holidays.

United States Marshals Museum Forecast Seasonality



Attendance assessment



Low, Medium and High Attendance Sensitivity Scenarios for United States Marshals Museum at Assumed Stable Year

	Market Size	Market penetration rates			Projected attendance		
	2024	Low	Medium	High	Low	Medium	High
Resident Market							
Primary [0-30 mins]	209,060	5.2%	6.0%	6.9%	10,907	12,544	14,425
Primary [30-60 mins]	181,008	3.5%	4.0%	4.6%	6,296	7,240	8,326
Secondary [60-120 mins]	1,942,065	1.3%	1.5%	1.7%	25,331	29,131	33,501
Total Residents	2,332,132				42,535	48,915	56,252
Tourist Market							
Domestic tourists	2,535,076	1.5%	3.0%	3.5%	38,026	76,052	88,728
International tourists	33,817	1.6%	1.8%	2.1%	529	609	700
Total Tourists	2,568,893				38,555	76,661	89,428
TOTAL ATTENDANCE					81,090	125,576	145,680

Attendance evolution

Attendance evolution

- Below we show the attendance evolution based on our mid-case attendance scenario. As shown we would expect to see some 'champagne effect' or novelty factor in the first few years amongst residents before penetration settles in the stable year, anticipated to be around 2024.

- Across the tourist markets there is likely to be a build in penetration as these markets become more aware of the attraction.

Forecast attendance, United States Marshals Museum

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Available markets										
0-30 minutes	205,571	206,438	207,308	208,182	209,060	209,941	210,826	211,715	212,607	213,503
30-60 minutes	177,577	178,429	179,284	180,144	181,008	181,876	182,748	183,624	184,505	185,390
60-120 minutes	1,869,079	1,885,057	1,901,172	1,917,425	1,942,065	1,967,022	1,992,299	2,017,901	2,043,832	2,070,096
Residents (0-120 minutes)	2,252,227	2,269,924	2,287,765	2,305,751	2,332,132	2,358,838	2,385,873	2,413,240	2,440,944	2,468,989
<i>annual growth</i>	<i>0.8%</i>	<i>0.8%</i>	<i>0.8%</i>	<i>0.8%</i>	<i>1.1%</i>	<i>1.1%</i>	<i>1.1%</i>	<i>1.1%</i>	<i>1.1%</i>	<i>1.1%</i>
Domestic tourists	2,298,060	2,353,842	2,410,979	2,472,249	2,535,076	2,599,500	2,665,561	2,733,301	2,802,762	2,873,989
<i>annual growth</i>	<i>2.4%</i>	<i>2.4%</i>	<i>2.4%</i>	<i>2.5%</i>	<i>2.5%</i>	<i>2.5%</i>	<i>2.5%</i>	<i>2.5%</i>	<i>2.5%</i>	<i>2.5%</i>
International tourists	30,747	31,469	32,207	33,002	33,817	34,651	35,507	36,383	37,281	38,201
<i>annual growth</i>	<i>2.3%</i>	<i>2.3%</i>	<i>2.3%</i>	<i>2.5%</i>	<i>2.5%</i>	<i>2.5%</i>	<i>2.5%</i>	<i>2.5%</i>	<i>2.5%</i>	<i>2.5%</i>
Market penetration										
0-30 minutes	12.0%	10.0%	8.0%	7.0%	6.0%	6.0%	6.0%	6.0%	6.0%	6.0%
30-60 minutes	8.0%	6.0%	5.0%	4.5%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
60-120 minutes	3.0%	2.5%	2.0%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
Residents (0-120 minutes)	4.2%	3.5%	2.8%	2.2%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Domestic tourists	2.4%	2.5%	2.6%	2.7%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
International tourists	1.4%	1.5%	1.6%	1.7%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%
Attendance										
Residents (0-120 minutes)	94,947	78,476	63,572	51,441	48,915	49,377	49,844	50,316	50,794	51,277
Domestic tourists	55,153	58,846	62,685	66,751	76,052	77,985	79,967	81,999	84,083	86,220
International tourists	430	472	515	561	609	624	639	655	671	688
TOTAL	150,531	137,794	126,773	118,752	125,576	127,986	130,450	132,970	135,548	138,185

Per capita spend (incl VAT)

- In the table below we show the expected spend per head projections for the proposed museum. The figures shown include sales taxes.
- We have assumed an estimated 2.5 hour length of stay and an entertainment value (EV) of \$5.00, giving a lead price of \$12.50.
- We have taken an assumed yield for the museum at 65 percent based on international comparables inclusive of memberships.
- We have estimated secondary spend based on typical ratios and revenue mix at comparable attractions.
- We feel the subject matter will have broad appeal for adult visitors as well as families and should also be attractive to older guests. The content should also be marketable

Spend per head, 2018 values

United States Marshals Museum

Lead price	\$12.50
Admission yield	65%
Admission per capita spend	\$8.13
Food & beverage	\$2.00
Merchandise	\$3.00
Other	\$0.50
Total per capita spend (incl VAT)	\$13.63

Source: LDP

to schools.

- In our view the visitor make up is likely to be broadly as shown in the adjacent table. We provide a view on price points that could be appropriate. We would recommend the client team test these with further research with marketing experts and / or primary research with potential visitors. Achieving the forecasts will of course be dependent on excellent marketing along with generous budgets. We would normally anticipate around 15percent of projected revenues being spent on marketing in the first year with perhaps half of that also being spent prior to opening.

United States Marshalls Museum Example Pricing and Mix

	Assumed Price \$	Assumed Split
Adult	12.50	33%
Children	7.00	17%
Seniors, Military	7.50	20%
Educational groups	6.00	10%
Other groups	7.50	5%
Members (average per visit)	5.00	7%
Complimentary	0.00	8%
		100%

Revenue projections United States Marshals Museum

Gross revenues

- Based on the forecast attendance and per capita spend levels below we show forecast revenues. We have included inflation at 1.8 percent per annum based on historic trends. This currently excludes the non-visitor spend areas, which we want to discuss further before finalising.
- We show forecasted visitor revenues for food and beverage and retail as internal operations. This again should be a discussion point for our next call.

Gross revenue forecast, United States Marshals Museum

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Total attendance	150,531	137,794	126,773	118,752	125,576	127,986	130,450	132,970	135,548	138,185
Spend										
Lead price	\$12.50	\$12.50	\$12.50	\$12.50	\$12.50	\$12.50	\$12.50	\$12.50	\$12.50	\$12.50
Admission yield	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%	65.0%
Admission per head	\$8.13	\$8.13	\$8.13	\$8.13	\$8.13	\$8.13	\$8.13	\$8.13	\$8.13	\$8.13
F&B spend	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00
Retail spend	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Other spend	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50	\$0.50
Inflation	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%	1.8%
Inflation index	1.04	1.05	1.07	1.09	1.11	1.13	1.15	1.17	1.19	1.21
Revenues										
Admissions	\$1,266,246	\$1,179,389	\$1,104,048	\$1,052,295	\$1,132,234	\$1,174,154	\$1,217,706	\$1,262,955	\$1,309,968	\$1,358,818
Food & beverage	\$311,691	\$290,311	\$271,766	\$259,027	\$278,704	\$289,023	\$299,743	\$310,881	\$322,454	\$334,478
Merchandise	\$467,537	\$435,467	\$407,649	\$388,540	\$418,055	\$433,534	\$449,615	\$466,322	\$483,681	\$501,717
Other	\$77,923	\$72,578	\$67,941	\$64,757	\$69,676	\$72,256	\$74,936	\$77,720	\$80,613	\$83,620
Total	\$2,123,397	\$1,977,744	\$1,851,404	\$1,764,619	\$1,898,669	\$1,968,967	\$2,041,999	\$2,117,878	\$2,196,716	\$2,278,634

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