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## Memorandum Report: Projected Operations of the Enchanted Tiki Room and Related Restaurant Operations at Disneyland

Economics Research Associates



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**ECONOMICS RESEARCH ASSOCIATES** 417 South Hill Street, Los Angeles 13, California • MAdison 4-1188

HARRISON A. PRICE  
Director

Memorandum Report

PROJECTED OPERATIONS OF  
THE ENCHANTED TIKI ROOM  
AND RELATED RESTAURANT  
OPERATIONS AT DISNEY LAND

Prepared for  
WED Enterprises, Inc.

March 8, 1962



HARRISON A. PRICE  
Director

March 8, 1962

Memorandum Report

PROJECTED OPERATIONS OF THE ENCHANTED TIKI ROOM  
AND RELATED RESTAURANT OPERATIONS  
AT DISNEYLAND

In connection with the establishment of the Enchanted Tiki Room in a group of three Stouffer's restaurants at Disneyland, you have requested E. R. A. to review the parameters of operation applying to these operations and to review briefly the values which may reasonably be expected to accrue to the three interested parties, WED Enterprises, Disneyland, and Stouffer's.

As a first step it may be appropriate to review the primary objectives of each of the three parties:

1. WED Enterprises wishes to launch a major Audio-Animatronic show and in so doing take a bold step forward in the development of this dramatic new entertainment medium.
2. Disneyland wishes to upgrade food service at the park and stop some of the large loss in restaurant food sales from patronage developed by Disneyland but gravitating to outside establishments. E. R. A. has previously estimated this lost business at \$6.0 to \$7.0 million annually.
3. Stouffer's wishes to use the Disneyland institutional exposure generally to continue building the national goodwill of the firm and specifically to spearhead the firm's move to the west.

The first step in equating the values accruing to each of the parties is to state the interim assumptions used in preparing this analysis:

1. WED's show will play in a dinner-theater with 142 seats. For the purpose of this study the full length dinner show ticket is tentatively priced at \$1.00. The shorter party show ticket is priced at \$0.50. The dinner show has a tentatively planned cycle of one hour. The party show has a planned cycle of 40 minutes.



2. Stouffer's Enchanted Tiki Room dinner menu is tentatively priced at \$1.75 for adults and \$1.25 for children. Party show refreshments are tentatively priced at \$0.50.

3. The combined ticket pricing for show and food is tentatively priced as follows (this is the total ticket which is sold to the guest):

	<u>Dinner Show</u>	<u>Party Show</u>
Adults	\$2.75	\$1.00
Children	\$2.25	\$1.00

4. Disneyland and Stouffer's will divide estimated total restaurant costs of \$800,000. Disneyland will receive a 6 per cent of sales rental from Stouffer's applied against a minimum rental. Disneyland will forego a percentage rental from WED on the Enchanted Tiki Room show because of the unknown and substantial level of installation and maintenance costs involved in pioneering new Audio-Animatronic development. WED will take all responsibility for maintenance and operation of the show.

5. In establishing profit objectives in this analysis it is assumed that WED and Stouffer's seek to recover investment in a five-year period of operation. Disneyland has a broader objective and is assuming less risk and is therefore willing to look at a ten-year cost recovery.

On the basis of these premises, show and restaurant revenue in the Enchanted Tiki Room are derived in Tables I through VI as follows:

1. Table I develops the daily effective capacity of the Enchanted Tiki Room in summer and winter. The results are expressed as effective daily capacity which is equal to 80 per cent of theoretical daily capacity.
2. Table II converts effective seating capacity to a daily meal and show revenue generating capacity. This calculation uses adult and child ticket distributions equal to those in the park.



3. Table III calculates annual meal and show revenue based on realizable monthly capacities. The end result is actual capacity utilization equal to 62 per cent of theoretical capacity.
4. Table IV shows the distribution of adult and children's tickets and total number of patrons per year.
5. Table V derives party show and refreshment revenue.
6. Table VI develops annual and five-year revenues from food and show sales.

The end answer of these several calculations is an Enchanted Tiki Room restaurant volume of \$296,000 on an annual basis and a show volume of \$197,000 annually. Five-year projections total \$1,480,000 for food sales and \$987,000 for show revenue.

WED profit from the Enchanted Tiki Room show is estimated in Table VII. Allowing for recovery of investment in five years, all maintenance and operations expenses are estimated at \$97,400 which produces an operating profit of \$100,000. Break even results when this profit is applied to total costs (currently estimated at \$500,000).

Return of investment accruing to each of the parties is summarized in Tables VIII and IX. Stouffer's food operations in the first five years at operating cost ratio of 90 per cent (before depreciation is applied), generate a cost recovery of \$400,000 (equal to investment cost). In Table IX, the three tentative positions of WED, Stouffer's and Disneyland over the first five years of operation are compared. Initial cost recoveries on five years are obtained for Stouffer's and WED Enterprises; cost recovery in ten years is obtained for Disneyland.



Table I

PROJECTED DINNER SCHEDULE AND  
DAILY CAPACITY OF THE ENCHANTED TIKI ROOM

(Dinner Shows Only)

Winter Season Show and Meal Schedule

Shows hourly at 11:00, 12:00, 1:00, 2:00	=	4 shows
Effective show capacity @ 80% of total seats (0.8 x 142)	=	114
Winter day meal capacity (4 x 114)	=	<u>456</u>

Summer Season Show and Meal Schedule

Shows hourly at 11:00, 12:00, 1:00, 2:00, 5:00, 6:00, 7:00, 8:00	=	8 shows
Summer day meal capacity (8 x 114)	=	<u>912</u>

Table II

PROJECTED DAILY REVENUE GENERATING CAPACITY  
OF THE ENCHANTED TIKI ROOM

(Dinner Shows Only)

Winter Season Daily Effective Capacity (4 shows)

<u>Ticket Class</u>	<u>Ticket Distribution</u>	<u>Ticket Price</u>	<u>Revenue</u>
Adults	@ 80% 365	\$2.75	\$ 1,004
Children	@ 20% <u>91</u>	2.25	<u>205</u>
Total	456		<u><u>\$ 1,209</u></u>

Summer Season Daily Effective Capacity (8 shows)

<u>Ticket Class</u>	<u>Ticket Distribution</u>	<u>Ticket Price</u>	<u>Revenue</u>
Adults	@ 75% 684	\$ 2.75	\$ 1,881
Children	@ 25% <u>228</u>	2.25	<u>513</u>
Total	912		<u><u>\$ 2,394</u></u>



Table III

PROJECTED ENCHANTED TIKI ROOM ANNUAL GROSS REVENUE  
(Dinner Shows Only)

<u>Month</u> <sup>1/</sup>	<u>1961 Park Attendance</u> 000's	<u>Estimated E. T. Room Potential Revenue</u> <sup>2/</sup>	<u>Effective Revenue Capacity</u>			<u>Projected E. T. Room Gross Revenue</u>
			<u>Daily</u>	<u>No. of Days</u> <sup>1/</sup>	<u>Monthly</u> <sup>1/</sup>	
Jan	159.5	\$ 12,760	\$ 1,209	22	\$ 26,598	\$ 12,760
Feb	194.0	15,620	1,209	21	25,389	15,620
Mar	314.2	28,136	1,209	27	32,643	28,136
April	179.8	16,182	1,209	22	26,598	16,182
May	219.0	19,710	1,209 2,394	4 21	55,110	19,710
June	741.9	74,190	2,394	36	86,184	74,190
July	815.7	81,570	2,394	28	67,032	67,032
Aug	866.4	86,640	2,394	28	67,032	67,032
Sept	518.8	46,692	2,394 1,209	15 21	61,299	46,692
Oct	184.0	14,720	1,209	21	25,389	14,720
Nov	312.5	25,000	1,209 2,394	18 2	26,550	25,000
Dec	429.2	34,336	1,209 2,394	22 8	45,750	34,336
		<u>\$455,556</u>		<u>316</u>	<u>\$545,574</u>	
Projected Enchanted Tiki Room Potential - - - - -						\$421,410

<sup>1/</sup> Monthly data is based on the monthly periods used in Disneyland's 1961 accounting tabulations. Some of these periods exceed 30 days.

<sup>2/</sup> Estimated Enchanted Tiki Room potential revenue is calculated at 8¢ to 10¢ per capita depending on season.



Table IV

PROJECTED ENCHANTED TIKI ROOM REVENUE AND  
NUMBER OF PATRONS BY TICKET CLASS

(Dinner Shows Only)

	<u>Annual Distribution</u>	<u>Combined Gross Revenue</u>	<u>Ticket Price</u>	<u>Number of Patrons</u>
Adults (over 12)	76%	\$ 320, 260	\$ 2. 75	116, 460
Children	<u>24%</u>	<u>101, 140</u>	2. 25	<u>44, 951</u>
Total	100%	<u><u>\$ 421, 400</u></u>		<u><u>161, 411</u></u>



Table V

PARTY VOLUME AT THE ENCHANTED TIKI ROOM

Number of shows per day	2 <sup>1/</sup>
Effective capacity per show (142 @ 80%)	114
Daily show capacity	228
Operating days per year	316
Number of shows	72,000
Show and food revenue @ \$1.00 per capita)	<u>\$72,000</u>

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<sup>1/</sup> It is quite possible that 3 or 4 party shows may be scheduled, particularly in the summer season, by adding 1 early and 1 late show to the above schedule.

Table VI

PROJECTED SHOW AND FOOD REVENUE  
AT THE ENCHANTED TIKI ROOM

(Dinner and Party Shows)

	<u>Food</u>	<u>Shows</u>	<u>Total</u>
<u>Dinner Shows</u>			
Food Revenue 161,411 @ \$1.61 <sup>1/</sup>	\$259,989		
Show Revenue 161,411 @ \$1.00		\$161,411	
Total			\$421,400
<u>Party Shows</u>			
Food Revenue 72,000 @ \$0.50	36,000		
Show Revenue 72,000 @ \$0.50		36,000	
Total			<u>72,000</u>
Annual Total	\$ 295,989	\$197,411	\$ 493,400
5-Year Total	\$1,479,945	\$987,055	\$2,467,000

<sup>1/</sup> \$1.61 is the weighted average for the year of the adult menu price (1.75) and the child menu price (\$1.25).



Table VII

FINANCIAL PROJECTION FOR THE ENCHANTED TIKI ROOM  
AUDIO-ANIMATRONIC SHOW

(Annual)

Projected Income	\$197,400	100%
Operating and Maintenance Expenses <sup>1/</sup>	<u>97,400</u>	<u>49%</u>
Operating Profit	\$100,000	51%
Amortization of Project Cost on 5 Years (\$500,000)	<u>\$100,000</u>	
Net Profit Above Amortization	\$ 0	

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<sup>1/</sup> Includes all operating and maintenance expenses except depreciation and any interest.

Table VIII

ENCHANTED TIKI ROOM PROFITABILITY FOR  
WED AND STOUFFER'S

	<u>Enchanted Tiki Room Show Revenue</u>	<u>Enchanted Tiki Room Food Sales</u>	<u>Balance of Stouffer's Food Sales <sup>1/</sup></u>
(1) 5 Year Revenue	\$987,000	\$1,480,000	\$2,400,000
(2) Operating Costs @ \$97,400	487,000		
Operating Costs @ 90% of sales	<u>          </u>	<u>1,330,000 <sup>3/</sup></u>	<u>2,150,000 <sup>3/</sup></u>
(3) Operating Profit	\$500,000	\$ 150,000	\$ 250,000
(4) Original Investment	\$400,000	\$ 150,000 <sup>2/</sup>	\$ 250,000 <sup>2/</sup>
Freshening Investment	<u>100,000</u>	<u>0</u>	<u>0</u>
Total Investment	\$500,000	\$ 150,000 <sup>2/</sup>	\$ 250,000 <sup>2/</sup>
(5) Profit in Excess of Investment Amortization	0	0	0

<sup>1/</sup> Based on 15¢ total Stouffer's per capita sales. (This compares to Swift's 11¢-12¢ per capita in the winter and 15¢-16¢ per capita in the summer.)

<sup>2/</sup> Allocated approximately 3/8 to Enchanted Tiki Room, 5/8 to other Stouffer's operations.

<sup>3/</sup> Costs at 90% of sales include rental at 6% but excluding any interest and depreciation.



Table IX

SUMMARY OF WED, STOUFFER'S AND DISNEYLAND  
RETURN ON INVESTMENT

	<u>WED</u>	<u>Stouffer's</u>	<u>Disneyland</u>
5 Year Revenue	\$987, 000(100%)	\$3, 880, 000(100%)	\$233, 300(100%)
Operating Costs:			
@ \$97, 400 per year	487, 000( 49%)		
@ 90% of sales		3, 480, 000( 90%)	
@ 10% of lease revenue			23, 300( 10%)
Operating Profit	\$500, 000( 51%)	\$ 400, 000( 10%)	\$200, 000( 90%)
Total Initial and Improved Cost	\$500, 000	\$ 400, 000	\$400, 000
Pay Out Period	5 Years	5 Years	10 Years