Profit & loss for the Swansea skyline Attraction.

Profit & loss
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Executive Summary

This report analyses the financial performance of a proposed skyline attraction in Swansea, developed as part of a tourism expansion project. The focus is on evaluating the Profit and Loss (P&L) to assess the financial viability and operational sustainability of the attraction.

The analysis examines key revenue streams, including ticket sales, food and beverage, and ancillary services, alongside the cost structure consisting of fixed, variable and semi-variable costs. The findings indicate that the attraction is financially viable, generating a moderate net profit margin of approximately 17%. Strong revenue performance is primarily driven by ticket sales; however, high operating costs, particularly labour, maintenance and safety requirements, significantly reduce overall profitability.

The report also identifies key risks such as seasonality, demand uncertainty and economic pressures, which may impact financial performance.

To address these challenges, the report recommends implementing a dynamic pricing strategy to optimise revenue, improve capacity utilisation and support long-term financial sustainability.

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1. Introduction

The development of skyline attraction in Swansea represents a strategic investment aimed at enhancing tourism, increasing visitor numbers and contributing to local economy. Skyline attractions, such as observation tower, Zip lines or skywalks, are increasingly popular within the tourism sector due to their ability to offer unique, experience-based activities (Apen-Sadler, 2026). However, such projects require substantial financial planning due to high initial investment costs (Spasenic, Makajic-Nikolic and Benkovic, 2022), ongoing operational expenses and exposure to external risks such as weather and seasonal demand

Effective financial management is therefore critical in determining the viability and long-term sustainability of the project. One of the most important financial tools used in this process is the Profit & Loss statement, which provides a structured overview of revenue, costs and overall profitability. According to financial management for hospitality decision makers P&L analysis enable organisations to assess financial performance and make informed operational decisions (

This report critically analyses the role of profit and loss within the context of the proposed skyline attraction. It will explore how revenue is generated, identify key cost structures, evaluate potential financial outcomes and assess the limitations of P&L analysis. The discussions will be supported by relevant academic theory and applied specifically to the operation characteristics of high-risk tourism attraction. The report concludes with a recommendation to support effective financial decision making for the project team.

1.1 Project Overview

The chosen business for this financial analysis is the Swansea Skyline Attraction, a new tourism development designed to enhance Swansea's visitors' economy and position the city as a modern adventure – tourism destination. The attraction will operate as a tourism business, offering an elevated cable-based transport and viewing experience like international skyline attractions.

The attraction will be in Swansea, South Wales, targeting a wide range of visitor's segments including domestic tourists, international travellers, families, school groups, day-trippers, and adventure seeking visitors. Its strategic coastal location provides

strong appeal for both leisure and educational tourism. Justify this statement and back it up with literature

The Skyline Attraction will generate revenue through several key streams:

- Ticket sales (primary income source)
- Secondary spend including food, beverage, and retail
- Merchandise and photo packages
- Corporate events and private hire
- Sponsorship and advertising partnerships

1.2 Why Profit & Loss Analysis?

A Profit and Loss (P&L) statement summarises an organisation's revenue, expenses and profit over a specific period. It measures financial performance by matching income with costs (Fernando, 2024) and is a key tool in hospitality for assessing efficiency and viability (NetSuite, 2023). It includes total revenue, operating costs and overall profit.

P&L analysis is highly relevant in tourism due to industry characteristics. High fixed costs, such as infrastructure, staffing and maintenance, must be covered regardless of demand. In skyline attractions, these are increased by safety requirements. In addition, tourism products are perishable, meaning unsold tickets cannot be recovered, making revenue management essential (Kotler et al., 2017).

The sector is also affected by seasonality and weather, creating demand fluctuations, while being labour intensive, which increases operating costs (Kiran, 2015).

Overall, the P&L is essential for decision-making, budgeting and performance evaluation, helping managers monitor financial performance and ensure long-term sustainability.

2. Main Findings

2.1 Revenue Analysis

The Swansea skyline attraction generates revenue from a range of tourism-based streams, with ticket sales as the primary source. Revenue is closely linked to demand, with peak periods such as summer, weekends and holidays generating higher income, while off-peak seasons and poor weather reduce visitor numbers. This reflects tourism demand theory, where seasonality significantly influences performance (Gkarane and Vassiliadis, 2019; Falk, 2014).

Additional income is generated through food and beverage, which offers strong margins, and retail and merchandise, including souvenirs and photo packages. The attraction

can also benefit from events and private hire, providing more stable, pre-booked revenue, alongside sponsorship and advertising opportunities.

Revenue performance is highly dependent on visitor numbers and capacity utilisation. Similar to hotels, concepts such as revenue per available capacity can be used to assess performance (Tran, 2024). High pricing with low utilisation may indicate revenue loss, while strong overall revenue suggests effective demand and pricing strategies.

2.2 Cost Structure Analysis

The cost structure of the Swansea skyline attraction reflects cost behaviour concepts from Week 4, categorised into fixed, variable and semi-variable costs. Understanding these is essential for forecasting profitability and improving operational efficiency (MMBA, 2024).

Fixed costs represent the largest expense, including infrastructure, insurance, licensing and staff salaries. Due to strict safety requirements, these costs remain high regardless of visitor numbers, increasing financial risk and the need for consistent demand (Slack et al., 2010).

Variable costs change in proportion to activity levels (Mark and Mark, 2023). For the skyline attraction, these include cleaning supplies, ticketing fees, food and beverage stock, merchandise and waste management. Although they increase with visitor numbers, they remain relatively low compared to fixed costs, meaning higher demand improves profitability.

Semi-variable costs include utilities and labour, such as overtime and seasonal staffing. These costs have a fixed base but increase during peak periods, for example higher electricity use when operating more cabins. This can impact profit margins during busy periods.

Which Costs Are Highest?

Labour and engineering maintenance are the highest cost categories. This reflects the labour-intensive nature of tourism attractions, where skills staff are essential for safety and guest experience. The fixed cost graph shown in class confirms that these costs dominate the Skyline's cost structure.

Are Costs Well Controlled?

The profit & Loss statement indicated that costs are reasonably well controlled, as the attraction achieves a strong net profit margin. Preventative maintenance and efficient

staff scheduling help stabilise expenses. However, the semi-variable cost graph highlights potential risks: overtime, utilities, and weather-related maintenance could increase unpredictably. Effective cost monitoring and energy-saving initiatives are therefore essential

How Cost Behaviour Affects Profitability

The Week 4cost-behaviour graphs illustrate why understanding cost patterns is critical for profitability:

- High fixed cost requires maximising visitor's numbers to spread costs across more tickets.
- Low variable costs can reduce margins during peak periods, each additional visitor contributes strongly to profit
- Semi-variable costs can reduce margins during peak period if not managed carefully.

Overall, analysing cost behaviour enable management to forecast profitability more accurately, plan staffing levels, and adjust pricing strategies to maintain financial sustainability.

2.3 Profitability Assessment

To assess the financial performance of the Swansea Skyline Attraction, a projected Profit and loss statement has been developed using realistic tourism-industry assumptions. This section analyses gross profit, operating profit, net profit, and profit margins, and evaluates whether the attraction is financially viable compared to industry norms.

Item	Amount (£)
Revenue	
Ticket Sales	1,500,000
Food & Beverage	350,000
Retail/Merchandise	150,000
Events & Sponsorship	250,000
Total Revenue	2,250,000
Cost of Sales	
F&B Costs	140,000
Retail Costs	70,000
Total Cost of Sales	210,000
Gross Profit	2,040,000
Operating Costs	
Staff Salaries	700,000

Maintenance & Safety	400,000
Utilities	150,000
Marketing	120,000
Insurance & Licensing	100,000
Other Operating Costs	80,000
Total Operating Costs	1,550,000
Operating Profit	490,000
Tax & Other Expenses	100,000
Net Profit	390,000

The financial estimates are based on industry data from the Association of Leading Visitor Attractions and comparable attractions such as The View from The Shard and Brighton i360, which show a reliance on ticket revenue alongside high operating costs, resulting in moderate profit margins.

Gross profit is £2,040,000, operating profit is £490,000, and net profit is £390,000, giving a net profit margin of approximately 17.3%. This falls within the typical industry range of 10–20% (ALVA, 2024), indicating moderate profitability.

Overall, the attraction is financially viable, with strong revenue driven by ticket sales. However, high operating costs, particularly labour and maintenance, reduce profitability, making cost control a key challenge. In addition, reliance on visitor demand increases financial risk due to factors such as seasonality and weather. Improving cost efficiency and diversifying revenue streams would enhance long-term sustainability.

2.4 KPI Integration

Key Performance Indicators (KPIs) are essential tools used to evaluate financial performance and operational efficiency in the hospitality and tourism industry. Although ADR, RevPAR, GOPPAR and TRevPAR are traditionally used in hotels, they can be adapted to assess the performance of a skyline attraction.

Average Daily Rate (ADR) reflects the average ticket price per visitor. A high ADR suggests strong pricing; however, if demand is low, it may indicate that prices are too high, reducing visitor numbers.

Revenue per Available Capacity measures how effectively the attraction converts capacity into revenue. Strong RevPAR supports the P&L by indicating effective pricing and demand, while low RevPAR alongside high ADR suggests underutilisation of capacity.

Gross Operating Profit per Available Capacity evaluates profitability after operating costs. If revenue is strong but GOPPAR is weak, this indicates poor cost control, aligning with the P&L findings of high operating expenses.

Total Revenue per Available Capacity includes all revenue streams, such as ticket sales, food and beverage, and retail. A strong TrevPAR supports the P&L by demonstrating effective revenue diversification.

Overall, KPIs complement the P&L by providing deeper insight into performance. While the P&L may show profitability, KPIs help explain whether this is driven by pricing, demand, or cost efficiency, and identify areas for improvement.

2.5 Risk Factors Affecting P&L

The financial performance of the skyline attraction is influenced by several operational and external risks. A key factor is perishability, as unsold tickets cannot be stored, resulting in lost revenue and increased reliance on demand management (Kotler et al., 2017).

Demand uncertainty, particularly due to global instability such as war, can reduce travel and consumer confidence, leading to fluctuating visitor numbers (UN World Tourism Organization, 2022). In addition, seasonality creates uneven cash flow, with peak periods generating most revenue while fixed costs remain constant during quieter periods.

High labour costs further impact profitability due to the labour-intensive nature of the sector and rising wages. Similarly, economic volatility, including inflation, increases operational costs and reduces consumer spending (Office for National Statistics, 2023).

Finally, supplier price increases can reduce profit margins unless costs are passed on to customers, which may not always be possible (Guilding, 2014).

3. Conclusion

The financial analysis indicates that the skyline attraction is financially viable, with moderate profitability reflected in a net profit margin of approximately 17%. A key strength is its strong revenue generation, primarily driven by ticket sales and supported by secondary income streams. However, high operating costs, particularly labour and maintenance, reduce overall profitability and highlight a key weakness. The P&L also shows a reliance on consistent visitor demand, making the business vulnerable to external factors such as seasonality and economic conditions. Overall, while the attraction is sustainable in the short term, improved cost control and revenue diversification are essential for long-term financial stability.

4. Recommendation

It is recommended that the skyline attraction implements a dynamic pricing strategy to improve revenue and profitability. The P&L analysis shows a strong reliance on ticket sales and high fixed costs, meaning revenue must be maximised.

Dynamic pricing involves adjusting ticket prices based on demand, with higher prices during peak periods and lower prices during off-peak times. This approach helps increase visitor numbers when demand is low and maximise income when demand is high (Ivanov, 2014)

This strategy also reduces the impact of perishability, as unsold tickets cannot be recovered. By improving capacity utilisation, the attraction can increase total revenue without significantly increasing costs.

Overall, dynamic pricing is a practical approach to strengthen financial performance and support the long-term sustainability of the skyline attraction.

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