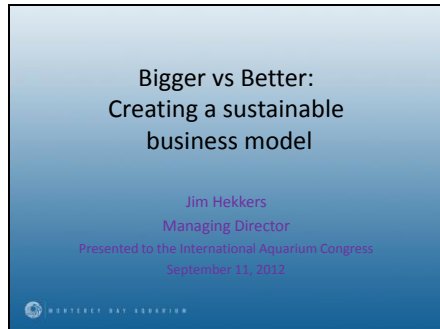


## Jim Hekkers Presentation to IAC

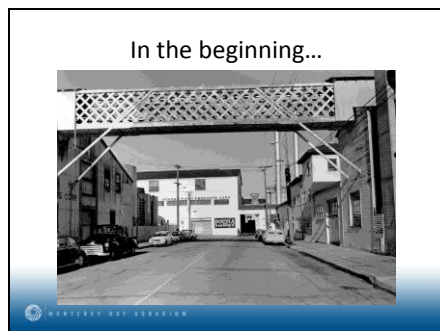
### Bigger vs Better: Creating a sustainable business model

Slide 1



I am Jim Hekkers, the managing director of the Monterey Bay Aquarium since 2001. I want to describe to you today the Aquarium's work over the past 10 years to develop a sustainable business model that emphasizes getting better as opposed to getting bigger.

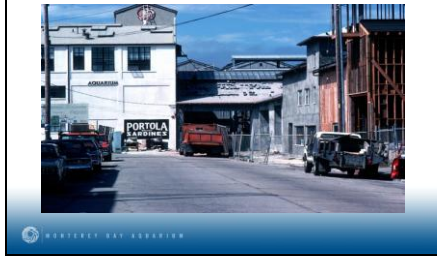
Slide 2



Before any building took place, what would be the Monterey Bay Aquarium was a pretty desolate end of Cannery Row in Monterey, California.

Slide 3

A transformation begins



Construction on what would ultimately transform Cannery Row began in 1981...

Slide 4

Aquarium opens in 1984



And the Aquarium opened in 1984 and awaited the approximately 1 million visitors the feasibility study predicted.

Slide 5

Attendance high, then down



However, the aquarium was an instant success, and more than 2.3 million visitors swarmed to the recreation of the habitats of Monterey Bay in its first year. As it does everywhere, attendance fell the in subsequent years, but seemed to level out at a seemingly stable 1.6 million visitors.

Slide 6



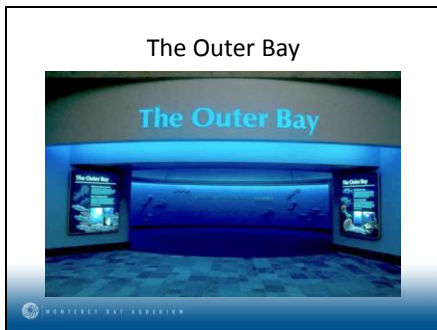
The aquarium owned more property next door, however, and decided fairly early on that a major expansion was in order to finish telling the story and to boost attendance back up.

Slide 7



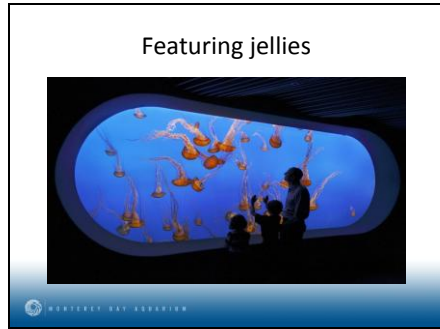
So, a mere 12 years after first opening, the aquarium built a 100,000 square foot expansion at a cost of about 57 million dollars, and opened it in 1996.

Slide 8



The Outer Bay was also an instant success.

Slide 9



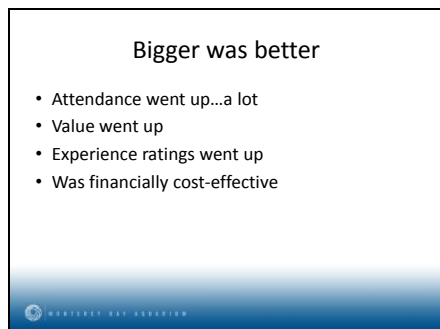
It featured incredible jellies exhibits...

Slide 10



And a million gallon tank.

Slide 11



Attendance zoomed to 2.6 million in the first year. All of the visitor ratings also went up, from value to admission to excellent ratings for the experience. It also supported a healthy admission price increase, and spurred thousands of families to become members. By all measures, the expansion was a success.

Slide 12



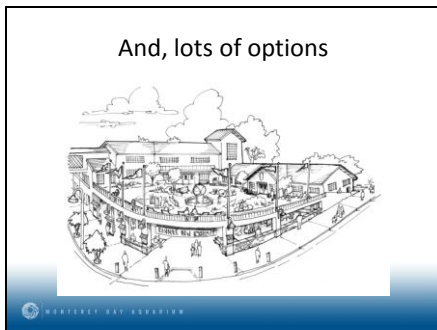
Attendance stayed relatively higher than the previous lull, but then seemed to be dropping back down at a somewhat alarming rate. In 2001, we again asked ourselves the question: should we be planning another major expansion. We had some space available, and, although construction would be challenging, it wasn't impossible.

Slide 13



We spent several years looking at some big ideas. We studied and considered everything from another 80,000 to 100,000 square foot new wing that might cost upwards of \$120 million to a complete overhaul of the million gallon tank to create two story viewing and a tunnel through its interior at a cost of nearly \$100 million.

Slide 14



We also considered transforming our end of Cannery Row in a variety of ways that would create new exhibit space as well as a new public plaza for events. At a high price tag, of course.

Slide 15

How to decide?

- Old style feasibility studies are flawed
- Moved to new, more robust research
- Predictive rather than historical

WENTWORTH DAY ASSOCIATION

This slide features a white background with a blue gradient footer. The title 'How to decide?' is centered at the top. Below it is a bulleted list of three points. The footer contains the organization's name and a small logo.

When we began this planning process we commissioned a major feasibility study that looked at the nearly one dozen options we were considering. We simply never got comfortable that the historic approach to feasibility studies would give us good enough information on which to base this kind of decision. In about 2004, we turned to a different approach, using robust market research to test concepts and predict the market's response.

Slide 16

Research said: In most cases, bigger wasn't better

- Attendance will go up...briefly
- Will settle back down quickly
- Long-term, isn't sustainable
- Incremental rather than transformational

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This slide features a white background with a blue gradient footer. The title 'Research said: In most cases, bigger wasn't better' is centered at the top. Below it is a bulleted list of four points. The footer contains the organization's name and a small logo.

This research was eye-opening. Yes, attendance would go up with a big expansion, but it would come back down more quickly than in the past. More importantly, the costs of a new major project, coupled with the ongoing costs of operating the new space would far outpace the new revenue the projects would generate. In this case, bigger wouldn't be better.

Slide 17

Just say no

- Big projects have big price tags
- Operational costs increase
- Can easily build something bigger than you can support

WENTWORTH DAY ASSOCIATION

This slide features a white background with a blue gradient footer. The title 'Just say no' is centered at the top. Below it is a bulleted list of three points. The footer contains the organization's name and a small logo.

As we looked around the U.S., we saw numerous examples where major expansions simply didn't work. Big projects invariably cost a lot and pose the real possibility of adding to operating costs in such a way as to be unsustainable without heavy subsidy from contributed funds or endowments. In many cases, those funds might well have better uses in pursuing an organization's mission.

Slide 18

### Our plan



- Use funds more effectively
- Look long term
- Focus on visitor experience
- Make what we have better



Based on our research, we set out on a plan that we hope will be more sustainable over the long run. We are trying to use our funds more effectively in ways that will achieve a greater impact on ocean conservation, which is, after all, our mission.

Slide 19

### Improve experience



Our plan has several key elements, starting with improving the visitor experience. This has been accomplished in part by adding public programs, focusing on good customer service, and having a strong volunteer guide program.

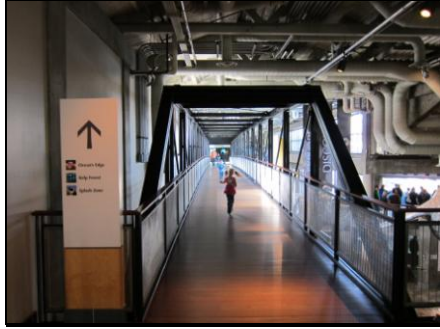
Slide 20

### Improve existing exhibits



And, we made significant improvements to our existing exhibits. Since 2004, we have practically rebuilt the inside of the aquarium, remodeling the original wing and the new wing.

Slide 21



We reconfigured our main entrance, and even added a bridge through the middle of the aquarium to improve visitor flow.

Slide 22



That renewal includes a complete overhaul and re-creation of our million gallon exhibit and surrounding galleries, and continues this year as we remodel our sea otter exhibit and restaurant. The total cost of improving these exhibits has been roughly \$70 million, including the work now underway.

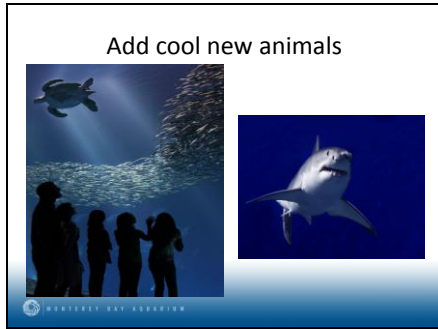
Slide 23



We have maintained a regular program of changing special exhibits on topics ranging from jellies to sharks to seahorses, to river otter.



Slide 24



And, we've added cool new animals. Most notably young great white sharks that we exhibit for a couple of months at a time, and, most recently, schools of sardines or anchovies numbering in the tens of thousands.

Slide 25



We have also tripled how much we spend on advertising—from one to three million dollars.

Slide 26



And, we have reached out to tap new markets throughout the U.S. by using internet search engine advertising.

Slide 27

Push pricing

- Research
- Research
- **Research**



WENTWORTH OCEAN SOCIETY

We have been aggressive about setting our admission prices based on what our market research tells us. This has been a major component in our financial success. Since 2004, we have increased general admission prices by 75% without eroding the value for admission ratings.

Slide 28

Add more conservation messaging




WENTWORTH OCEAN SOCIETY

And, importantly, we have added more and more messaging about ocean conservation in our exhibits, and spent more on our education, research, and advocacy programs. Our market research tells us that visitors expect this from us and respect us because we do this. Rather than endangering attendance, this work actually encourages it if it's done in a nonpolitical way.

Slide 29

The results

- Entertainment experience ratings at all-time high
- Conservation ratings at all-time high
- Attendance has been steady over past 8 years
- Finances are strong



WENTWORTH OCEAN SOCIETY

How are we doing? Our visitor ratings are the best they have ever been. Guests rate the entertainment experience highly, and, at the same time, say that they learned something new about conservation and are willing to do something about it. We have had an average of 1.87 million visitors for the past 8 years, and will go over 1.9 million again this year. The combination of good attendance numbers and aggressive pricing keeps us in good shape financially. We have also begun an initiative to make sure that we keep expense growth in line with revenue growth.

Slide 30



Conclusions

- Sometimes bigger is better
- Sometimes better is better
- Research is the key

WARTBURG VAL ASSOCIATES

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While ours is only one experience, I am confident that the key to the success we are now enjoying was making the decision to say no to a major expansion and concentrating on getting better. While expansion makes sense in some cases, bigger isn't always better. And, good, solid market research the best way to answer questions about expanding or not expanding.