

BREAKING DOWN THE OFFER: EVALUATING RECENT THEME PARK PROMOTIONS

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ABSTRACT

The purpose of all promotional activity is to inform, persuade, and remind consumers of our offerings. In the current economic slowdown, Theme Parks are offering promotions encouraging visitors to visit their parks or to extend previously planned trips. In Spring 2009, examples included Disney World's "Buy Four, Get Three" or Universal Studio's "Buy Three, Get Two Free" promotions. Such promotional offers are evaluated from the perspective of the consumer and the Theme Park operator.

INTRODUCTION

Economists break down the aggregated expenditures in an economy to a simple formula:

$C + I + G + (NX)$, where

C = Consumer Spending

I = Business Investment

G = Government Spending

NX = Net of Imports and Exports

In the United States, Consumer Spending (or, C) has historically represented approximately two-thirds (2/3) of aggregated expenditures [7]. In 2007, economic activity began to slow. Anxious consumers, uncertain of their job security, cut back on consumer spending. This slowdown in economic activity caused some firms to cut back or, possibly, cease to exist. At the time of this writing, a new U.S. President and Congress are trying to determine the best way to stimulate increased economic activity. That is, how can we increase C , I , G , or EX to create more economic activity?

Consumers (C) have remained apprehensive about spending given uncertainty in the economy. Businesses (I) have been foregoing some planned investment waiting for an uptick in consumer spending. Government (G) can spend money but the political processes influencing that spending may mean a less than optimal impact. And, there is a time lag to the stimulus of building, say, infrastructure projects. It may take 1-3 years to complete environmental impact studies, engineering approvals, and so on before a large road or bridge construction project can move forward. Meanwhile, the United States continues to run trade deficits so the Net of Imports and Exports (NX) remains a negative. A weak dollar can help stimulate economic activity but, again, this takes time.

The purpose of all promotional efforts is to inform, persuade, and/or remind buyers of our goods and services [6]. In the midst of this economic slowdown, individual firms are trying to be creative in promoting their brands. Consumers are cutting back. Businesses are cutting back. Governmental responses take time to implement. The individual firm cannot wait. Recently, Theme Parks have attempted to stimulate demand with promotions such as:

- “Buy Four Nights, Get Three Nights Free”
- “Buy Three Nights, Get Two Nights Free”
- “Buy a 6 Day/5 Night Package, Get Dining Free”

Visitors previously not considering such a Theme Park may be attracted by such promotions. Visitors already leaning toward such a trip may commit to that destination given the promised cost savings.

The purpose of this manuscript is to evaluate some Theme Park promotions offered in Spring 2009 to stimulate demand for the Spring, Summer, and Fall 2009 seasons. A representative family of five (2 adults, 3 children) is used and the projected costs of their travel are evaluated from their consumer perspective as well as that of the Theme Park. First, some background on the Theme Park Industry, with a particular emphasis on Orlando, Florida, is provided. Next, specific promotions offered by Theme Park operators are profiled and evaluated. Finally, summary statements and conclusions are offered.

THE THEME PARK INDUSTRY

Themed entertainment amusements provide visitors experience-based tourism in venues such as museums, science centers, corporate visitor centers, live events and live performance venues, themed entertainment and retail centers, casinos and resorts, themed restaurants, aquariums, zoos, heritage centers, Theme Parks and more [11]. Economists would suggest a visit to a themed-entertainment venue is a luxury and not a necessity. As such, in tight economic times, some consumers will forego attending a Theme Park and/or alter their planned stays. The Themed Entertainment Association’s 2008 Attraction Annual Report offered the following interpretation of the recent past and near-term future attendance patterns [10]:

“It is typical of destination parks to be impacted more by a recession than regional parks, because they are located farther away from their markets, and cost more to visit.”

“Overall, the numbers and the economy are pointing to lower attendance in 2009.”

Most Theme-Park operators do not release attendance figures mid-year. However, some reports support this stated expectation. Cedar Fair Entertainment, which operates 11 Theme Parks and 7 water parks, has reported a decline in 2009 ticket sales as well as spending within the parks [13]. Six Flags reported a 13% decline in revenue due to a decline in ticket sales and lower spending by guests while in the parks [2]. Disney has reportedly eliminated positions at its domestic Theme Parks in 2009 based on lagging Theme Park attendance. The company has offered no specifics to the media.

Orlando, Florida

Today, Orlando, Florida is the undisputed Theme Park capital of the world [1]. According to the “Attraction Attendance Report 2008” compiled by the Themed Entertainment Association / Economics Research Associates [10], the Orlando Area is home to 7 of the top 9 Theme Park attractions in North America (in terms of annual attendance):

- Disney World’s 4 Parks (Magic Kingdom, EPCOT, Hollywood Studios, and Animal Kingdom)
- Universal Orlando’s 2 Parks (Universal Studios and Island of Adventure)
- SeaWorld

See **Table One** for a complete look at Theme Park Attendance in North America in 2008. The reader will note Disney’s four Orlando Theme Parks are numbers 1, 3, 4, and 5 on the list (with Disneyland in

California in the #2 position). See **Table Two** for a complete list of Top Ten Theme Park Chains Globally. Again, the reader will see Disney as the global market leader with total attendance some 300% higher than the number two firm (Merlin Entertainment Group).

Table One
Top 20 Theme Parks for Attendance in North America - 2008

Park	Attendance	% Change from 2007
1. Disney World – Magic Kingdom (Orlando)	17,063,000	Flat
2. Disneyland (Anaheim)	14,721,000	-1.0%
3. Disney World – EPCOT (Orlando)	10,935,000	Flat
4. Disney – Animal Kingdom (Orlando)	9,608,000	+1.0%
5. Disney – Hollywood Studio (Orlando)	9,540,000	+/-0.5%
6. Universal Studios @ Universal Orlando	6,231,000	+0.5%
7. SeaWorld Florida (Orlando)	5,926,000	-2.9%
8. Disney – California Adventure (Anaheim)	5,566,000	-2.0%
9. Islands of Adventure @ Universal Orlando	5,297,000	-2.4%
10. Universal Studios Hollywood (Hollywood City, CA)	4,583,000	-2.5%
11. Busch Gardens (Tampa)	4,410,000	-2.0%
12. SeaWorld California (San Diego)	4,147,000	-2.7%
13. Knott's Berry Farm (Buena Park, CA)	3,565,000	-1.8%
14. Canada's Wonderland (Maple, ONT)	3,380,000	+4.0%
15. Cedar Point (Sandusky, OH)	3,198,000	+2.5%
16. King's Island (King's Island, OH)	3,126,000	+2.5%
17. Busch Gardens Europe (Williamsburg, VA)	3,094,000	-2.0%
18. Hershey Park (Hershey, PA)	2,842,000	-4.4%
19. Six Flags Great Adventure (Jackson, NJ)	2,761,000	+1.5%
20. Six Flags Great America (Gurnee, IL)	2,669,000	+1.5%

Source: Themed Entertainment Association / Economics Research Associates' Attraction Attendance Report 2008 [10].

Table Two
Top Ten Theme Park Chains – 2008

Name	Locations	2008 Attendance (in millions)
Walt Disney Attractions	United States (Florida, California), France, Hong Kong, and Japan	118.0
Merlin Entertainment Group	United States (New York, California, Nevada, Illinois, District of Columbia), Denmark, United Kingdom, Germany, Netherlands, Italy, Hong Kong	35.2
Universal Studios	United States (Florida, California)	25.7
Six Flags, Inc.	United States (California, Georgia, Illinois, Kentucky, Louisiana, Maryland, Massachusetts, Missouri, New Jersey, New York, Texas), Canada, Mexico, United Arab Emirates	25.3
Parques Reunidos	United (Pennsylvania, Connecticut, New Hampshire), Spain, Italy, Belgium, Denmark, Norway, United Kingdom, Argentina, France	24.9
Busch Entertainment	United States (Florida, California, Texas, Virginia, Pennsylvania)	23.0
Cedar Fair Entertainment	United States (California, Ohio, Pennsylvania, South Carolina Michigan, Missouri, Minnesota, Virginia), Canada	22.7
OCT Parks China	China	13.4
Compagnie Des Alpes (Grevin)	France, Netherlands, Germany, Switzerland,	9.5
Herschend Family Entertainment	United States (Tennessee, South Carolina, New Jersey, California, Kentucky, Missouri, Georgia	8.3

Source: Themed Entertainment Association / Economics Research Associates' Attraction Attendance Report 2008 [10].

RECENT THEME PARK PROMOTIONS

As noted earlier, Theme Parks are experiencing stagnant to slightly falling attendance. And, visitors to the parks are spending less money on food, beverages, and souvenirs while in the parks. To counter these trends, Theme Park operators have instituted aggressive promotional programs. *The Los Angeles Times* reported Disney's strategy the following way in July 2009 [8]:

“Second-quarter margins for the parks were squeezed by aggressive promotions to keep visitors traveling to Disney's domestic parks, including discounted hotel rates at the Walt Disney World in Orlando, Fla. These promotions largely propped up attendance, which slipped a modest 1% in Orlando, and grew by 2% at the Disneyland Resort in Anaheim.”

Price discounting is helping to keep attendance stable but lower revenue is adversely affecting profitability. In the sections that follow, we'll break down specific Theme Park promotions to see the cost savings for the traveler and the concurrent foregone revenue by the Theme Park had such discounting not been needed to generate Theme Park attendance. Data was collected to plan the hypothetical trips using resort websites in March 2009 [4] [5] [12] [14].

Walt Disney World - Summer 2009 Promotion

Walt Disney World offered a “Buy 4 Days, Get 3 Days Free” promotion in Spring 2009 for attendance in Spring and Summer of the same year. Visitors would stay in Walt Disney World Resort and purchase Theme Park admission for the duration of their stay. **Table Three** outlines the differences in pricing for a 3-day, 4-day, 7-day discounted, and 7-day non-discounted stay for our representative family of 5 (2 adults, 3 children).

Table Three
Walt Disney World – “Buy 4, Get 3 Free” Promotion for 2009

	3-Day / 3-Night	4-Day / 4-Night	7-Day / 7-Night ‘Buy 4 Get 3’ Promotion	7-Day / 7-Night Without Discounting
Room	\$ 636.00	\$ 844.00	\$ 1,929.00	\$ 1,479.00
Theme Parks	\$ 1,058.00	\$ 1,097.00	Included with room.	\$ 1,135.00
Water Parks	\$ 266.00	\$ 266.00	\$ 266.00	\$ 266.00
Dining – Quick Service Package	\$ 330.00	\$ 433.00	\$ 765.00	\$ 765.00
Total	\$ 2,290.00	\$ 2,640.00	\$ 2,950.00	\$ 3,645.00

Source: Original. Data taken from Walt Disney World website [14].

- Some rounding was done. It did not affect the general analysis.
- Nominal difference in price of a 3-day, 4-day and 7-day Theme Park pass (see **Table Four** below).
- No difference in price of a 3-day, 4-day and 7-day Water Park pass.
- Dining costs are not included in the “Buy 4, Get 3 Free” promotion.
- The “Buy 4, Get 3 Free” package included a stay at a Disney Resort and Purchase of Theme Park Tickets. Approximate breakdown (Room = \$844, Theme Parks = \$1,085)

- The “Buy 4, Get 3 Free” promotion saves the family \$685 (largely savings is in the resort hotel savings for 3 evenings, not in Theme Park or water park savings).
- The marginal cost of extending the stay from 4 days to 7 days with the promotion includes the additional expense for meals for these 3 days (approximately \$310).
- The marginal cost of extending the day from 4 days to 7 days in the absence of the promotion is \$1,005 for the family (room = \$635, dining = \$332, Theme Parks = \$38).
- Beginning Date for Analysis = July 25, 2009.

As noted above, there is nominal difference between 4 and 7-day Theme Park admission to Walt Disney World. **Table Four** presents that Disney World Theme Park Pricing Program “Magic Your Way.”

Table Four
Walt Disney World – Magic Your Way Ticket Pricing

Ticket	Total Price (excluding tax) Ages 10+	Total Price (excluding tax) Ages 3-9	Price Per Day Ages 10+	Price Per Day Ages 3-9
1-day	\$ 79.00	\$ 68.00	\$ 79.00	\$ 68.00
2-days	\$ 156.00	\$ 133.00	\$ 78.00	\$ 66.50
3-days	\$ 219.00	\$ 187.00	\$ 73.00	\$ 62.33
4-days	\$ 225.00	\$ 192.00	\$ 56.25	\$ 48.00
5-days	\$ 228.00	\$ 195.00	\$ 45.60	\$ 39.00
6-days	\$ 231.00	\$ 198.00	\$ 38.50	\$ 33.00
7-days	\$ 234.00	\$ 201.00	\$ 33.43	\$ 28.71

Source: Original. Data taken from Walt Disney World website [14].

Walt Disney World – Summer, Fall 2009 Promotion

Walt Disney World offered a “Free Disney Dining” promotion for Summer and Fall 2009. Visitors would stay in Walt Disney World Resort, purchase Theme Park admission, and receive Disney’s Dining Plan (\$39 per adult per day) free. **Table Five** outlines the differences in pricing for a 6-day, 5-night vacation with and without the inclusion of free Disney Dining for our representative family of 5 (2 adults, 3 children).

Table Five
Walt Disney World – Free Disney Dining Promotion in 2009

	6-Day / 5-Night ‘Free Dining’ Promotion	6-Day / 5-Night Without Discounting
Room	\$ 1,968.00	\$ 838.00
Theme Parks	Included in Package	\$ 1,125.00
Water Parks	\$ 266.00	\$ 266.00
Dining – Disney Dining Package	Included in Package	\$ 710.00
Total	\$ 2,234.00	\$ 2,944.00

Source: Original. Data taken from Walt Disney World website [14].

- Some rounding was done. It did not affect the general analysis.
- Nominal difference in price of a 4-day and 6-day Theme Park pass.
- No difference in price of a 4-day and 6-day Water Park pass.
- Guests are given the “Magic Your Way Plus Disney Dining Plan” with this promotion. Daily costs for this family of five (2 adults, 10, 8, 8 year old children) is \$140 per day (or, \$700 for 5 days).
- The “Free Dining Promotion” package included a stay at a Disney Resort and Purchase of Theme Park Tickets. Approximate breakdown (Room = \$838, Theme Parks = \$1,125)
- **The “Free Disney Dining” promotion saves the family \$710 (largely savings is in the food costs, not in Theme Park or water park savings).**
- Beginning Date for Analysis = August 16, 2009.

Disneyland (Anaheim, CA) - Spring 2009 Promotion

Disneyland Resort in Anaheim, California (the second-most visited Theme Park in North America behind Disney World’s Magic Kingdom) offered a “Buy 3, Get 1 Free” promotion with Partner Hotels (Disneyland hotels do not participate in this promotion). **Table Six** outlines the differences in pricing for both discounted and non-discounted stays (including dining) for our representative family of 5 (2 adults, 3 children).

Table Six
Disneyland – Free Nights Promotion in 2009

	3-Day / 3-Night	4-Day / 4-Night ‘Buy 3 Get 1’ Promotion with Good Neighbor Hotels	4-Day / 4-Night Without Discounting
Room	\$ 1,317.00	\$ 1,392.00	\$ 1,587.00
Theme Park	Included	Included	Included
Dining	\$ 442.00	\$ 632.00	\$ 632.00
Total	\$ 1,759.00	\$ 2,024.00	\$ 2,219.00

Source: Original. Data taken from Disneyland website [4].

- Marginal cost to add the 4th day in the Theme Parks = \$75.00 for the family (or, \$15 per person).
- Marginal cost to add the 4th day of dining in the Theme Parks = \$190 for the family.
- The “Buy 3, Get 1 Free” package included a stay at a Disney Good Neighbor Hotel (Anaheim Fairfield Inn) and purchase of Theme Park tickets. Approximate breakdown (Room = \$585, Theme Parks = \$807)
- Hotel alone books for \$195 per evening (3 nights = \$585, 4 nights = \$780).
- The marginal cost of extending the stay from 3 days to 4 days includes the additional cost of \$265 for the family (Theme Park admission = \$75.00, meals = \$190).
- Marginal cost of extending the stay from 3 days to 4 days in the absence of the promotion is \$460 for the family (room = \$195, Theme Park admission = \$75.00, meals = \$190).
- **The “Buy 3 Get 1” promotion saves the family \$195 (largely savings is in the lodging, not in Theme Park or dining savings).**
- Beginning date for analysis = April 12, 2009.

Disneyland Paris (France) – Spring and Summer 2009 Promotion

Disney offered a “40% Discount” promotion at its Disneyland Paris resort this past in 2009. According to Themed Entertainment Association / Economics Research Associates, the park hosted 12.6 million visitors in 2008 (the most of any European Theme Park with next closest competitor at 4.0 million visitors) [10]. **Table Seven** outlines the differences in pricing for both discounted and non-discounted stays (including dining) for our representative family of 5 (2 adults, 3 children). Please note that dining (i.e., Half Board) was not discounted in this promotion.

Table Seven
Disneyland Paris (France) – Spring and Summer 2009 Promotion

	3-Day / 2-Night	4-Day / 3-Night	5-Day / 4-Night	6-Day / 5-Night	8-Day / 7-Night
Room	E 1,295.00	E 1,803.00	E 2,283.00	E 2,764.00	E 3,729.00
Theme Parks	Included in room fee	Included in room fee	Included in room fee	Included in room fee	Included in room fee
Dining Package (Half Board Premium)	E 222.00	E 333.00	E 444.00	E 555.00	E 777.00
Total	E 1,517.00	E 2,103.00	E 2,727.00	E 3,319.00	E 4,506.00

Estimated Room and Theme Park Savings with 40% Discount Promotion

	3-Day / 2-Night	4-Day / 3-Night	5-Day / 4-Night	6-Day / 5-Night	8-Day / 7-Night
Room and Theme Parks @ 40% savings	E 1,295.00	E 1,803.00	E 2,283.00	E 2,764.00	E 3,729.00
Room and Theme Parks savings	E 863.00	E 1,202.00	E 1,522.00	E 1,842.00	E 2,486.00
Room and Theme Parks at no discount	E 2,158.00	E 3,005.00	E 3,805.00	E 4,606.00	E 6,215.00

Source: original. Data taken from Disneyland Paris website [5].

Similar to Walt Disney World, the cost per day of Theme Park attendance at Disneyland Paris goes down the longer the visit. And, dining expenditures were not included in the promotion.

Universal Studios (Orlando, FL) – Spring and Summer 2009 Promotion

Universal Studios offered “Buy 3 Days, Get 2 Days Free” and “Buy 4 Days, Get 3 Days Free” promotions for Spring and Summer 2009. Visitors would stay in one of 3 on-site properties. For ease of comparison to the cost of the Walt Disney World stays profiled above, water parks and dining plans were also added to this analysis. **Table Eight** outlines the differences in pricing for both discounted and non-discounted stays for our representative family of 5 (2 adults, 3 children).

Table Eight
Universal Studios – Free Nights Promotion in 2009

	2-Day / 2-Night	3-Day / 3-Night	5-Day / 5-Night “Buy 3 Get 2” Promotion	4-Day/4-Night	7-Day / 7-Night “Buy 4 Get 3” Promotion
Room	\$ 583.00	\$ 733.00	\$ 1,386.00	\$ 1,332.00	\$ 1,678.00
Theme Parks	\$ 535.00	\$ 535.00	Included in room fee	Included in room fee	Included in room fee
Wet and Wild Water Park	\$ 240.00	\$ 240.00	\$ 240.00	\$ 240.00	\$ 240.00
Dining – Quick Service Package	\$ 215.00	\$ 322.00	\$ 538.00	\$ 430.00	\$ 750.00
Parking (\$15 per day)	\$ 30.00	\$ 45.00	\$ 75.00	\$ 60.00	\$ 105.00
Total	\$ 1,603.00	\$ 1,875.00	\$ 2,239.00	\$ 2,062.00	\$ 2,773.00

Source: Original. Data taken from Universal Studios website [12].

- The “Buy 3, Get 2 Free” package included a stay at a Universal Resort (Loews Royal Pacific Resort) and purchase of Theme Park tickets. Approximate breakdown (Room = \$851, Theme Parks = \$535)
- The “Buy 4, Get 3 Free” package included a stay at a Universal Resort (Loews Royal Pacific Resort) and purchase of Theme Park tickets. Approximate breakdown (Room = \$1,143, Theme Parks = \$535).
- The 4-Day/4-Night option included a stay at a Universal Resort (Loews Royal Pacific Resort) and purchase of Theme Park tickets. Approximate breakdown (Room = \$797, Theme Parks = \$535).
- When purchased separately, Theme Park admission (for solely Universal Studio properties) costs \$106.49 per person for unlimited visits for 7 days. This equals \$535 for the family.
- Water park passes for unlimited annual use are currently available for \$48 per person. This equals \$240.00 for the family.
- **The marginal cost for the family to extend a planned 3-day stay to 5-days is \$364.00.**
- **The marginal cost for the family to extend a planned 4-day stay to 7-days is \$711.00.**
- Beginning Date for Analysis = July 25, 2009.

SUMMARY STATEMENTS AND CONCLUSIONS

Discounting has become the norm for the Theme Park industry as operators seek to keep people in their parks, restaurants, and hotels during the current recessionary period. The examples presented above are illustrative and not exhaustive. Almost every park in operation is offering assorted discounts as operators try to drive traffic to the parks. Attendance is flat and operators are lowering prices just to keep

operations at prior attendance levels. This lowering of revenue on a per-guest basis is lowering overall profitability. And, guests that do frequent the parks are spending less on a per-visit or per-person basis. This further negatively impacts total revenues.

Theme Park operators are serving their clients but realizing lower levels of revenue and profitability by doing so. They are taking a longer-range view: a happy client in 2009 may return in 2010, 2011 and beyond when (assumedly) the economy has turned around. By then, the pattern of deep discounting may disappear. And, happy clients will stimulate positive word-of-mouth communication. This discounting may create goodwill that will serve themed entertainment operators well in the future. Surely, Theme Park operators do not wish discounting to become a norm of the industry (akin to automobile rebates). Still, it is proving effective at keeping operations level during a turbulent operating period.

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