Title:
Europe's Theme Parks

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Summary:
War - especially coupled with a globally sluggish economy - has a contradictory effect on the consumption of entertainment. Disposable incomes plummet curtailing the sales of medium to big ticket items such as cruises and resort vacations.

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Article Body:
War - especially coupled with a globally sluggish economy - has a contradictory effect on the consumption of entertainment. Disposable incomes plummet curtailing the sales of medium to big ticket items such as cruises and resort vacations. But people - besieged by anxiety and bad news - also wish to be diverted. As the conflict rages, they stay indoors and tune in. Home entertainment booms. But once physical insecurity abates, consumers go out in full force mobbing movie theatres and theme parks, making up for lost time and frayed nerves.

A Solomon Smith Barney report, published in December 2002, concluded that large cap entertainment stocks plunged by 32 percent during the previous skirmish in the Gulf. Stocks of destination travel sites and cruise lines took an even harsher beating, plummeting by 52 percent - this despite the counterintuitive resilience of amusement parks to military and political unrest.

In anticipation of the next round of fighting, these stocks are trading at valuations below even the traumatic tail of 2001. Though quicker than other types of equity to recover postbellum, this holds true only for short and decisive conflicts.

Analysts often monitor the performance of theme and amusement parks to divine trends in the industry as a whole. This would prove impossible in Europe where the culture of theme and entertainment grounds is still in its infancy.

Denmark has Legoland and Tivoli. France boasts the recently recovering

Disneyland, Vulcania and Futuroscope. Germany has Phantasialand. Italy sports Gardaland. Spain joins the continent's minimal offerings with Port Aventura and Terra Mitica. The Dutch De Efteling spent the last decade "Americanizing" its facilities.

Only the United Kingdom has more than a smattering "pleasure beaches" and "worlds of adventure". A recently mooted Dracula theme park in Romania was shot down by irate citizens and an overweening bureaucracy. "New Europe" is no better than "Old Europe" when it comes to entrepreneurship.

In both market penetration and spending per visitor, Europe is at least a decade behind the USA. Indeed, the eerie paucity of theme parks is symptomatic of the generally moribund, rigid and hyper-regulated economies of the European Union. The continent has less than half America's number of parks per 10 million denizens and one third its visits per head per year.

Only 20 major European attractions garner more than 1 million in annual attendance. Another 50 or so attract less than 1 million patrons. With revenues of c. $2 billion, Europe's parks combined amount to one third the sector in the USA and underperform many parks in Asia as well.

European firms are still woefully primitive when it comes to marketing and educating their public. According to the Economic Research Associates, a consultancy, venture capital is rare and usually squandered by developers on wages and other "soft", non-productive costs. Management is inexperienced and peripatetic.

In Asia, theme parks are considered the magic pill. Japan has Disney World and the Tokyo DisneySea Park. Disney is slated to open a giant franchise in Hong Kong in 2005. Mainland China is eyeing the experiment favorably. Universal Studios countered by inaugurating a themed playground in Osaka in 2001 and by embarking on three feasibility studies in China.

From Jakarta, Indonesia (the Taman Ria amusement park) to Vietnam - everyone is climbing on the bandwagon. There seems to be a dearth of American interest in Europe despite its far higher purchasing power and the existence of a single business address - the European Commission.

Theme parks are multifarious businesses. They provide work to thousand of small suppliers in a virtuous ripple effect. Hosting and gaming experts, marketers, managers, on-site employees, suppliers of logistics, food retailers and caterers, entertainers - all benefit mightily from the presence of such grounds. The park's brand is often parlayed into trinkets, toys, clothes and souvenirs sold by locals to tourists, both domestic and foreign.

Destination travel is a growth sector.

The International Association of Amusement Parks and Attractions, a trade group, reported that worldwide park attendance was up one quarter between 1991-2001 to 319 million people. During this decade, revenues perked up by 50 percent to almost $10 billion annually. This was largely due to a rise in per capita spending within the grounds from $23 to $30. Returns on - usually massive - investments are impressive even in saturated markets such as the United States.

The profitability of theme parks frequently balances losses spawned by more glamorous bits of entertainment groups. Amusement grounds - themed or not - are astoundingly immune to geopolitical upheavals. Attendance in Disney's US parks declined by only c. 5 percent during the 1991 Gulf War. Even September 11 failed to dent it measurably.

EuroDisney is partly to blame for the scarcity of themed parks in Europe. For many years it was perceived, quite correctly, as an insatiable white elephant gulping rivers of red ink. Reality moved on but impressions - fostered by smug pundits - lasted. Wary investors and governments throughout the Old Continent confined themselves to the mostly family-operated "garden parks" and "carnival grounds" built during the 1960s and 1970s.

The truth is that Disney's Parisian adventure is flourishing. The entertainment behemoth is planning to invest c. $540 million in Walt Disney Studios, an annex of the French outfit. This is projected to add 5 million visitors to the current 12.

Another satisfied investor is Six Flags. The operator recently expanded to Mexico and Europe where it runs the six sites of the former Walibi Parks and Movie world, an erstwhile Warner Bros. property in Germany. It soon added a Spanish Movie World to its portfolio. Non-US operations already account for 15 percent of its sales.

But these are the exceptions that prove the rule. Europe is staid and serious. It prefers indigenous high-brow culture to American low-brow imports. Or so the French would have us all believe.