Agenda

• Introduction

• Industry Analysis

• Pricing Strategies

• Recommendations
Why Amusement Park Industry?

- Non-exclusive
- Geography
- Price Discrimination
Comparative Revenues

Amusement Park Revenue
$16.0bn

National Parks
$12.8bn

Museums
$10.6bn

Bowling
$3.5bn

Ski Resorts
$3.2bn

Introduction
Industry Analysis
Pricing Strategies
Recommendations
Amusement Parks: History

- 1500s: Russian ice slides
- 1600s: French advancements
- 1700s: Uses in coal mining in the US
- 1884: First Modern Coaster-Gravity Switchback Railway
  - LaMarcus Adna Thompson
  - Street Railways
- 1900s: New steel wheels
Industry Structure

- 3.7% annual growth from 2011-2016
- 2.4% projected growth from 2016-2021
- Domestic trips by US residents
- Number of adolescents age 10-19
- Consumer Spending
- Time spent on leisure and sports
- A small number of very large operators dominate the industry
- Overall growth in visitor numbers is increasing
- Intellectual property rights will provide huge growth opportunities for parks with new major attractions

<table>
<thead>
<tr>
<th>Life Cycle Stage</th>
<th>Growth</th>
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<tbody>
<tr>
<td>Ind. Globalization</td>
<td>Low</td>
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<tr>
<td>Revenue Volatility</td>
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<td>Capital Intensity</td>
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<td>Regulation Level</td>
<td>Med</td>
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<tr>
<td>Technology Change</td>
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<tr>
<td>Competition Level</td>
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<tr>
<td>Barriers to Entry</td>
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<tr>
<td>Industry Assistance</td>
<td>None</td>
</tr>
<tr>
<td>Concentration Level</td>
<td>High</td>
</tr>
</tbody>
</table>
Porter’s Five Forces

● **Threat of New Entry:** *Low*
  ○ Barriers to entry are high
  ○ High Fixed Costs = High Initial Investment

● **Buyer Power:** *Medium*
  ○ High fixed costs mean that if people stop attending, parks have issues running

● **Supplier Power:** *High*
  ○ There are few options within any geographic proximity
  ○ Destination parks have huge control over their consumers who are price inelastic

● **Threat of Substitution:** *Medium*
  ○ Low among regular parks as demand is dictated by geographic proximity
  ○ High among destination parks

● **Competitive Rivalry:** *Medium*
  ○ Low between regular competitors who only compete for nearby customers
  ○ High between destination parks
Cost Structure

- High Fixed Costs (Land, Equipment, & Rides)
- Wages are a major cost and vary with attendance
- New Purchases and Depreciation are major factors
  - 10-30 mill for a new roller coaster
  - 2-6 mill to maintain a year
- Insurance & Promotion costs are also high

![U.S. Amusement Parks: Sector Vs. Industry Costs](chart.png)
Introduc>on
Industry Analysis
Pricing Strategies

COLORS:
• Amount of Amusement Parks & Arcades per state

NUMBERS:
• Amount of Amusement Parks ONLY per state

Introduction
Industry Analysis
Pricing Strategies
Recommendations
Competitive Breakdown

- Top 5 firms hold 98.4% of the market share
- 519 parks in the country - but only 47 belong to those top 5 firms
- Orlando has 7 of the largest theme parks in America
- California and Texas follow, as they make fantastic locations for year-round accessibility
Competitive Breakdown

- Top 5 firms hold 98.4% of the market share
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- Orlando has 7 of the largest theme parks in America
- California and Texas follow, as they make fantastic locations for year-round accessibility
Industry Concentration: High

- **CR4:** \(52.4 + 22.1 + 8.3 + 8.1 = 90.9\)
- **HHI:** \((52.4)^2 + (22.1)^2 + (8.3)^2 + (8.1)^2 + (7.5)^2 = 3424.92\)
- \(3424.92 > 1000\), so highly competitive
- \(3424.91 > 1800\), so Justice Dept would challenge proposed mergers
Product & Service Segmentation

- **Majority of revenue is from entrance fees**
  - The largest category (62.5%) also includes charges for additional entertainment (after entrance)
    - Arcade games
    - Access to limited time rides
    - etc.
  - Several large operators (ex: Disney) own licensing rights to popular brands & characters
Consumers

- Mostly domestic visitors (80%)
- International visitors are also more likely to visit major, large-destination water parks than domestic visitors
- Most popular age group is <18
  - These visitors are usually accompanied by consumers who are 35 - 54 years old
Government Regulation

• Regulation of parks mainly related to public safety
  - Regular maintenance
  - Inspection of rides
• Safety and health standards are important because of the primary target audience (children)
• Water Parks have special regulations because of the risks of open bodies of water
  - Health concerns
  - Drowning
  - Suction Entrapment
Seasonality

Disney Interest 2015

Introduction  Industry Analysis  Pricing Strategies  Recommendations
Seasonality

Introduction

Industry Analysis

Pricing Strategies

Recommendations
Seasonality

Interest in NJ Six Flags Parks 2015
Main Pricing Strategies

- **3rd Degree Price Discrimination**
  - Spectator Pricing
  - Resident Pricing
  - Special Group Discount Pricing

- **2nd Degree Price Discrimination**
  - Six Flags Coca Cola Discount
  - Season Passes
  - Extremeness Aversion Pricing

- **1st Degree Price Discrimination**
  - Disney Surge Pricing
  - Fast Pass Pricing
Raw Data

- Collected from each parks’ website
- Google Trends data
3rd Degree Price Discrimination

**Definition:** price discrimination in an easily segmented market with identifiable subgroups and willingness to pay

- Spectator Pricing
- Resident Pricing
- Special Group Pricing
Spectator Pricing

- Senior Citizens
- Chaperones
- Averse Park Riders
- Residents
# Resident Pricing

## Introduction

Introducing the Resident Pricing strategy, which offers special deals and discounts for residents of Florida. This strategy aims to attract more visitors to the theme parks by offering competitive pricing and exclusive benefits.

## Industry Analysis

The theme park industry is competitive, with many companies offering various pricing strategies to attract customers. By offering resident pricing, the theme parks can tap into a large, underserved market of locals who are interested in visiting the parks but might not have considered it due to high ticket prices.

## Pricing Strategies

### 3-Day Florida Resident Disney Select Ticket
- Special value: Just $56 per day for 3-day ticket!
- Includes FastPass!

Enjoy access to one theme park per day during specific dates throughout the year—specially priced for Florida Residents! Plus, 3-Day Florida Resident tickets don’t expire for 6 months after first use or by December 17, 2017, whichever comes first. [Blockout dates apply.](#)

### 4-Day Florida Resident Disney Select Ticket
- Special value: Just $56 per day for 4-day ticket!
- Includes FastPass!

Enjoy access to one theme park per day during specific dates throughout the year—specially priced for Florida Residents! Plus, 4-Day Florida Resident tickets don’t expire for 6 months after first use or by December 17, 2017, whichever comes first. [Blockout dates apply.](#)

### 1-Day Theme Park Ticket
- Tickets start at $97 plus tax, per day
- Make up to 3 FastPass+ selections in advance

Experience a full day of fun at 1 of 4 Walt Disney World theme parks! Better yet, book a 3-day or 4-day ticket—specially priced for Florida Residents! Please note that tickets expire 14 days after first use. [Blockout dates apply.](#)

### Florida Resident Annual Pass Options
- Get a Disney Silver Pass with a $112 down payment
- Includes parking at all 4 theme parks
- Same-day admission to all 4 theme parks
- Complimentary MagicBand
- Make up to 3 FastPass+ selections in advance

With multiple Florida Resident passes to choose from, you can experience the magic and flexibility of an annual pass and the convenience of a monthly payment option.

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* [Blockout dates apply.](#)
Special Group Pricing

**Local**
- Student Ticket
- Small Group Ticket
- Large Group Ticket
- Per Ride Ticket
- Weekday Ticket
- Bring a Friend Ticket
- Sr. Citizen Ticket

**National**
- Adult Ticket
- Child Ticket
- Combo Ticket
- Large Group Ticket
Darien Lake

One Day Admission
Save up to $8 dollars off the main gate price

Enjoy a day full of FUN at Darien Lake! Save up to $8 dollars off the main gate price when you purchase and print your ticket online!

<table>
<thead>
<tr>
<th>Details</th>
<th>Park Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>SEASON PASS BRING-A-FRIEND</td>
<td>Passholders Bring-A-Friend for just $33</td>
</tr>
</tbody>
</table>

| Adult Ticket       | $38.99          |
| Child - Under 48 inches | $29.99          |
| Senior - 62 years of age and over | $29.99          |

Dorney Park

Season Pass Bring-A-Friend - Special

Enjoy one full day admission to Dorney Park & Wildwater Kingdom. Valid for anyone age 3 or older. Must be accompanied by a valid 2019 Season Passholder. One (1) ticket per Passholder, per day.

| Season Pass Bring-A-Friend - Special | $33.00 |

Introduction  Industry Analysis  Pricing Strategies  Recommendations
2nd Degree Price Discrimination

**Definition:** versioning the product offering so that consumers self-select which product they want based on the price.

- Six Flags Coca Cola Discount
- Season Passes
- Extremeness Aversion Pricing
Coca Cola Question

• FOR A :

Introduction  Industry Analysis  Pricing Strategies  Recommendations
Six Flags and Coca Cola

Six Flags offers a discount with a Coca Cola can

- Bring the can to the park
- Enter the promo code online
  - Additional discounts offered for purchasing online in advance

<table>
<thead>
<tr>
<th>Discount Type</th>
<th>Average Discount in Dollars</th>
<th>Average Discount as Percent</th>
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</thead>
<tbody>
<tr>
<td>East Coast Amusement Parks</td>
<td>$11.50</td>
<td>17.90%</td>
</tr>
<tr>
<td>East Coast Water Parks</td>
<td>$4.50</td>
<td>10.61%</td>
</tr>
<tr>
<td>Non-East Coast Amusement Parks</td>
<td>$15.00</td>
<td>21.69%</td>
</tr>
<tr>
<td>Non-East Coast Water Parks</td>
<td>$6.50</td>
<td>16.67%</td>
</tr>
<tr>
<td>Amusement Park Average</td>
<td>$13.55</td>
<td>20.01%</td>
</tr>
<tr>
<td>Water Park Average</td>
<td>$5.50</td>
<td>13.64%</td>
</tr>
</tbody>
</table>
Season Passes

Introduction

Industry Analysis

Pricing Strategies

Recommendations
# Season Passes

<table>
<thead>
<tr>
<th>Park</th>
<th>Location</th>
<th>Type of Park</th>
<th>Adult Ticket</th>
<th>Season Pass</th>
<th>Gold Pass</th>
</tr>
</thead>
<tbody>
<tr>
<td>Six Flags Discovery Kingdom</td>
<td>CA - Vallejo</td>
<td>Amusement</td>
<td>$65.99</td>
<td>89.99</td>
<td>159.99</td>
</tr>
</tbody>
</table>

Local non-resident: 5 trips/year  
Regular $65.99 x 5 trips = $329.95 vs. Season Pass $89.99  
Regular ($65.99 + $20 parking + opportunity cost of waiting in line) x 5 trips = $429.95 vs. Gold Pass $159.99

**Conclusion:** If you’re thinking about going to an amusement park more than once, it is always better to buy the season pass.

**Strategy:** price bundling with services like VIP early entry, free parking or entry into water parks
Extremeness Aversion Pricing

**Goldilocks Principle:**
People will avoid extremes in product pricing.

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**Introduction**

**Industry Analysis**

**Pricing Strategies**

**Recommendations**
1st Degree Price Discrimination

**Definition:** pricings products such that each consumer pays exactly their willingness to pay. The firm collects all consumer surplus for maximum profits.

- Disney Surge Pricing
- Fast Pass Pricing
Disney Surge Pricing

● Surge pricing is new for Disney
  ○ Implemented for crowd control
  ○ Effects to be seen
  ○ Only on single tickets, not packages

● Disney World
  ○ Changes based on season
  ○ **Magic Kingdom**: Value: $105 | Regular: $110 | Peak: $124
  ○ **Epcot, etc**: Value: $97 | Regular: $102 | Peak: $114

● Disney Land
  ○ Changes based on surge days (weekends and holidays)
  ○ **Magic Kingdom**: Value: $95 | Regular: $105 | Peak: $119
Timing of Surge Prices

Introduction

Industry Analysis

Pricing Strategies

Recommendations
Timing of Demand (from Google Trends)

Interest from May-December (2015)

Google Searches

May June July August September October November December

Disney World

Disney Land

Introduction  Industry Analysis  Pricing Strategies  Recommendations
Surge Pricing Vs. Demand

Introduction

Industry Analysis

Pricing Strategies

Recommendations
Disney Surge Pricing Conclusions

● People look at tickets ahead of time
● Disney is still testing the effects of surge pricing
● Based on previous years’ data on popular days
  ○ Form of crowd control

Introduction  Industry Analysis  Pricing Strategies  Recommendations
Fast Pass

- Six Flags: Flash Pass, Flash Pass Gold, & Flash Pass Platinum
- Disney World: FastPass+
- Disney Land: FastPass
- Seaworld: Quick Queue
Six Flags Flash Pass

- **Flash Pass**: reserves your spot but does not decrease wait time
- **Flash Pass Gold**: reserves your spot and decreases wait time by 50%
- **Flash Pass Platinum**: reserves your spot and decreases wait time by 90%
Disney World and Disney Land

- Reservation System: 1 hour windows
  - No extra fee
  - Crowd control
SeaWorld Quick Queue

- Only for Busch Gardens and Sesame Place
- Busch Gardens prices vary from $10.99-$45.99
- Sesame Place prices vary from $15.00-$35.00
- Both use surge pricing: higher on Fridays, weekends, and holidays
Fast Pass Conclusions

- No clear similarities across parks
- Seems unrelated to ticket price
- Only visible strategy is crowd control
  - Dynamic: Disney and SeaWorld parks
  - Static: Six Flags parks
Conclusions

- 2.4% projected growth from 2016-2021 largely dependent on domestic trips by US residents, Number of adolescents, consumer Spending and Time spent on leisure and sports
- Most concentrated areas geographically are destination places like Florida, Texas, New York, California
- Top 5 firms hold 98.4% of the market share
- Seasonality: high interest in summer months for local parks, destination parks have steady interest
- **Third**: spectator, resident, special group
- **Second**: Coca Cola discounts, season passes, extremeness aversion pricing
- **First**: Fast pass, surge pricing
Recommendations

- Continue to act on licensing opportunities
  - Frozen rides opening in Epcot Norway
  - Universal holds Nintendo rights
  - Lord of the Ring rights still available
- Develop rides that break records, market to thrill-seekers
- Continue to develop surge pricing, apply it to all tickets
- SeaWorld is at a turning point- needs to recreate itself and develop new immersive entertainment
Questions?
Sources

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- https://www.sixflags.com/
- https://seaworld.com/
- https://www.cedarfair.com/
- https://www.universalorlando.com/
- https://www.universalstudios.com/
- https://www.google.com/trends/
- https://answers.yahoo.com/question/index?qid=20110413162803AAJCYag
- http://www.aceonline.org/coasterhistory/
- http://www.ultimaterollercoaster.com/coasters/parks/states
Google Trends for 2015

Interest Through 2015

- Walt Disney World
- Disneyland

January, February, March, April, May, June, July, August, September, October, November, December
Surge Pricing Compared to Demand

Demand

Pricing