

## **Operating Woes of Theme Parks: Its Financial Struggles worsened in the COVID-19 Pandemic**

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**Abstract:** Visitors travel for leisure and pleasure. They want to enjoy and feel a unique experience that theme parks can offer. From the appealing design of the structure and architecture to the engaging games and entertainment activities, visitors can cite thousands of reasons why theme parks are truly the happiest places on earth.

VI theme park is one of the beautiful theme parks constructed by LSM Company. Because of its lavish exterior and landscape, it is the most visited theme park in the Western part of world. However, visitors are not aware that VI theme park is struggling with their poor financial performance due to its poor management and financial strategies and lack of market analysis.

The COVID-19 pandemic created a lot of aggravating effects to the aforementioned situation of VI theme park. This global crisis put their operations, as well as the entire Tourism industry, on hold. Without any visitors coming to the theme parks, any chance to recoup their losses was completely nullified.

For a theme park to have a successful outcome of their operations, it is important to note that they need to conduct a comprehensive analysis on the essential facets of the market. Understanding these matters will help the company structure their theme park to have a more agreeable and memorable experience for the locals.

VI theme park needs to re-examine their operational strategies and find solutions to solve its financial woes. LSM Company management needs to know the significance of the stakeholders' engagement. These people have a lot to contribute for the survival and recovery of the VI theme park.

**Keywords:** Attractions, COVID-19, Operating Woes, Theme parks, Tourism sector

### **I. Introduction**

Tourism is one of the fastest growing industries in the world. It is considered a complex industry. The World Tourism Organization (WTO) defines it as "activities of a person travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes." According to UNESCO (n.d.), "the global tourism sector is large and rapidly growing, diverse and dynamic in its business models and structures". Tourism is considered as a competitive, sophisticated, fast-changing industry that presents its own challenges. It is also composed of different tourist attractions and one such attraction is the theme park.

Theme parks are considered as one of the important products of the Tourism industry. According to the International Association of Amusement Parks and Attractions (IAAPA), a theme park is "an amusement park that has themed attractions, be it food, costumes, entertainment, retail stores and/or rides". Theme parks have unique and interesting themes and a clean and pleasant environment. Tourists are looking for the combination of fun, excitement and education when they visit the theme park.

It is undeniable that theme parks have big contributions in a country's economy. These tourist attractions have a ripple effect and generate economic income and provide thousands of job opportunities for people.

This changed when COVID-19 pandemic hit different countries all over the world. Giant theme parks shut their gates, stopped operations and suspended ongoing construction. In terms of the financial impact of closures so far, theme park companies said that the closing of their parks would cause them to lose roughly millions of dollars in profit. Since the first quarter of this year, their stock prices have declined. The lockdown virtually shutdown tourism sector and by extension theme park attractions.

### **II. Statement of the Problem**

LSM Company is in the business of constructing and running state of the art theme parks across the globe. These theme parks are the most well known and most visited. For the longest time, the LSM Company has seen the success of their creations all over the world.

VI theme park is a subsidiary theme park of the LSM Company. The theme park consists of admirable architecture, landscape and the art of VI's Magic Kingdom. Unfortunately, a different story unfolded for the VI theme park. It did not prove to be as successful as LSM Company's other theme parks and it faces numerous problems and struggles.

Since the opening of VI theme park resort, it has been encountering various problems and struggling financially due to its over projection of expected number of visitors. The theme park was expecting hundreds and thousands of visitors but only a very small percentage of that went to the park for its opening day. The park failed to meet its needed number of visitors per day to sustain and meet its liabilities.

Another problem cited is the introduction of South Pacific culture which did not do well with the Western country's localities. LSM Company management were pinned with the South Pacific philosophies to the point that they overlooked researching all aspects of the Western countries culture and environment. Not all locals are eager to patronize this foreign culture and that led to another avenue for the poor operating performance of the theme park. The theme park lost million after the first six months of its operations.

This year (2020), another devastating situation hit the financial performance of the theme park. In March, the theme park together with their other theme parks and hotels were closed for more than nine months because of the ongoing pandemic. VI theme park resort closed its doors again for the second time in October due to the second wave of the COVID-19 in Western countries.

### **III. Causes of the Problem**

#### **A. Cultural Clash**

The LSM Company assumed that Western country locals will naturally assimilate the South Pacific Islands customs and regulations implemented in VI theme park – which are the same regulations universally implemented across all their properties. These regulations unknown to them create direct conflicts, cultural clash, with the established norms and behaviour of the Western locals. This shows a lack of ability on the part of the LMS Company to understand the culture of their visitors. For example, certain locals customarily drink wine with their meals but LSM Company implemented the no serving of alcohol policy on their theme parks. Another example, locals prefer a sit down, leisurely paced lunch hour as compared to South Pacific Islands people who take brisk lunch on-the-go. Theme park management basically expected their visitors to take a quick if not on-the-go lunch without alcohol. This did not sit well with the locals who ended up in long queues into overcrowded and under staffed resort restaurants where they could not drink wine. The LSM Company wanted to apply the South Pacific Islands strategies into the habits of Western locals.

#### **B. Initial Financial Plan**

VI theme park's initial plan was to make a first class theme park. Unfortunately, they kept on changing and rebuilding some parts of the theme park to the point that they kept on incurring costs beyond their initial budget. In fact, the Chief Executive Officer of the LSM Company instructed last-minute design and construction changes that led to the company's increased debt. Some examples of budget-breakers scenarios were the following: (1) Ordering a huge number of wood-burning fireplaces despite the original plans not having such features – the addition of which will necessitate modifications on the existing structure and therefore incur further cost. (2) Removing the two steel staircases of the Pearl Land attraction because they blocked the view of the Shell ride. The cost for the staircases removal reached hundreds of millions.

There was also a recession during that time, this also contributed to unsuccessful business for VI theme park. The executives failed to determine the signs of the upcoming recession. The locals had a severely limited disposable income which generally discouraged them from taking a costly trip to the VI theme park.

#### **C. The Domino Effect of COVID -19**

A world wide lockdown has been implemented because of the COVID-19 pandemic. Majority of the countries closed their borders and foreign tourists' movement are restricted. Travelling, which is one of the most ideal things to do to de-stress ourselves, became harder because of the requirements needed.

The effect of COVID-19 on VI theme park is unprecedented. Its financial performance has been greatly affected because of its temporarily closure. The LSM Company operating income suffered a loss approaching the billions due to the global pandemic. Revenue dropped by hundreds of million for the quarter. LSM put further plans of theme park refurbishment on hold as a result of the COVID-19 pandemic.

Theme parks are part of tourism that got hit by global pandemic. LSM Company is suffering a lot from the crisis. Its woes illustrate how the outbreak has shaken the operating performance of their business. The outbreak resulted in the massive cancellations of guests' reservations, which caused the park's subpar income to harshly drop even lower. These events necessitated the closure of some of VI theme park's restaurants and

attractions, which, overtime, encompassed more facilities to the point that they needed to lay-off their employees. COVID-19 triggered a domino effect from which the company is suffering in.

#### **IV. Courses of Action**

The VI theme park provides entertainment and inspiration for the people. For those reasons, the theme park needs to address the hurdles and issues they are facing.

LSM Company who handles the VI theme park made several erroneous assumptions on the reception of the Western country locals to impose South Pacific Islands practices. Their misconceptions of Western culture added to their financial struggles by alienating their target market and failing to attain profitability. They need to make a thorough and deep cultural analysis about the norms and practices of the locals in terms of dietary needs, customs, vacation patterns and spending habits. The LSM Company needs to make modifications in their guidelines to allow some extent of liquor consumption in their theme parks. They need to make accommodations for the Western country local habit of having lengthy sit-down lunches by fusion of variety of food choices, adding more seats and tables as well as reconceptualising and redesigning innovative business concepts established due to pandemic. The characteristics of the market need to be studied and identified so the theme park can adapt itself into something more easily assimilated by locals.

In the case of making modifications to their park, LSM Company needs to adapt cautious and deliberate planning to minimize additional expenses and debts. Last-minute costlier changes can be avoided with careful planning during the pre-construction stages. Should VI theme park decide to add more attractions later down the road, the conservative stance must be maintained. Adding more attractions, rides, games, interactive exhibits and entertainment activities will help to generate new tourism traffic to the VI theme park, but this must be tempered with deliberate planning to avoid these costly changes.

The theme park industry sector is severely affected by the COVID-19 pandemic but this sector is resilient, strong, and well-equipped to survive, recover and progress on its redevelopment. The time will come when VI theme park will open their doors and welcome their visitors again. They need to think of various promotional strategies and take on opportunities on how to deliver unique products and services for their customers. While waiting for the perfect time to reopen their business, they can utilize online platforms to strengthen their connection with their customers. VI theme park can come up with fun and exciting ideas. They can also dive into learning websites and feature their museums and other attractions.

#### **V. Conclusions**

It is evident to see that when the LSM Company decides to conduct its business in a new country, it should not be done without an extensive, in-depth research and analysis on the important aspects of the target market. This includes the country's culture, interests, customs, norms, life style, and habits. Awareness of these aspects will help the company make informed decisions on how to structure their theme park to be a more amenable experience for the locals.

Developing or adding new attractions and activities to the VI theme park requires major capital investments. Therefore, VI theme park management needs to conduct thorough analyses before making such decisions. For example, VI theme park resort can use various business models to determine the effects of the new attractions and entertainment activities on the visitors' attendance and use that knowledge to furbish their investment decisions.

#### **VI. Recommendations**

The theme park tourism sector has been rapidly growing all over the world and the competition on this sector is very high. To survive the competition, VI theme park needs to re-evaluate their business strategies and find solutions to solve its financial struggles. Tapping more consultants would be an advantage in turning the business around.

Cultural differences need to be studied and addressed as well. VI theme park management must not assume that the western country locals will just embrace the South Pacific Islands cultural habits, assuming that they will be automatically accepted rendered them inconsiderate to the needs and wants of the locals.

In laying the groundwork for the reopening of their doors once the pandemic is over, VI theme park needs to embrace change and current trends. They also need to follow safety and wellness measures and take extra precautions to ensure the well-being of their visitors.

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