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Interview with Ted Miller

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INTERVIEW OF TED MILLER

BY

DAVID L. GROVES

ABSTRACT

Ted Miller is Vice President/General Manager of Silver Dollar, Tennessee. This article presents an overview of theme and water parks from the perspective of small operations. It also emphasizes the importance of innovation to the future of the business and cites risks as a prime example to move to a new frontier in the industry.

DEVELOPMENTAL ISSUES

QUESTION 1: What is one of the major problems facing theme parks today?

ANSWER: The competition in the industry is becoming greater. The primary problem is the market being split by so many individuals because they assume high profitability. As a result, many of the individuals rush into the business without proper feasibility studies and take away a percentage of the business of those already in the field. I do not mean to suggest that competition is not good and keeps the industry healthy, but those individuals who invest in leisure industry based upon high profits and do not do their homework cause much damage.

QUESTION 2: What has the impact of specialized mini-parks been upon the industry and existing attractions?

ANSWER: The impact has been to segment the existing market and it has been difficult for the non-specialized attractions to effectively compete. This type of attraction is a profitable investment to the smaller operator because of the need for less capital to initiate business.

QUESTION 3: What is the future of these small mini-parks; that is, the force that brings specialty to the industry?

ANSWER: The market will eventually expand to accommodate both the large diverse and specialized operations but currently the market is in transition and is causing both competitive problems. One is taking from the other in terms of the total volume of business. The key is the

exploring of new markets and a way to appeal to these markets with more diverse specialty.

QUESTION 4: What is the primary factor that has characterized the industry the last five years?

ANSWER: Growth in the industry has leveled off and probably will decline in the near future. The result of this has been a lack of innovation that has characterized the industry over the last five to ten years. What is needed in the future is a spirit of innovation to keep the industry growing and moving and to reach out to new audiences, particularly adults. There will be opportunities to find new audiences in the future that emphasize different adult populations. This has been the major impact of EPCOT Center, which is a park designed primarily for adults.

QUESTION 5: What is the trend in the industry in terms of audiences and participation?

ANSWER: The general trend will be away from the thrill type of park to ones of a participant type of attraction. Whether the change will come from the audience or industry, it will come within the next ten years. I would hope that the industry begins to take a lead in development but in the current economy, investors are not willing to take the risk in the developmental areas to bring about the innovation needed for the more participant type of attraction.

QUESTION 6: Will the trend of adding new facilities in the future continue?

ANSWER: It will continue because the cycle is that the park invests every two years in a new attraction to have something different for those who have been to the park as well as having an advantage over the competitors. The impact of this type of development has been a promotional bump, attracting new individuals or increasing visits to the park but the number of visits has not offset the initial investment. These additions are the cause of a temporary increase in attendance and to depreciate the cost of the investment, it must be done over a longer period of time. The general result is a deep cutting into R.O.I. when new attractions are added. The only way to offset the cost is to raise prices and this generally has a negative impact on number of people at the gate. These types of investments cannot continue without inflation helping raise gate admissions.

QUESTION 7: What has been the primary impact upon the profession of inflation?

ANSWER: It has both positive and negative aspects. The positive aspect is that inflation increases the value of the capital investments that have been made and provides an environment for increased prices. In non-inflationary times, there is a resistance to price increases. During inflationary times, there is more justification for increasing prices. The negative aspect, of course, is the increase in operating costs.

QUESTION 8: Given the fact that the key to the future is innovation/risk taking, what is the solution to the problem?

ANSWER: The solution to this problem is converting existing facilities into multiple use. Most parks were designed for a single purpose and audience phenomenon. Operators have to change their attitude to one of extending use as well as opening the door to new audiences and marketing their attraction and changing it to meet the needs of these various audiences. The current operation that has done an excellent job of this is King's Island. It has diversified and extended its season which, in essence, has made better use of the initial capital investment and has yielded a greater return in terms of profit. Marketing is not the only answer to new audiences but extending and changing the basic nature and flavor of the park to meet the needs of these individuals.

QUESTION 9: Right now, the primary factor that seems to be limiting innovation in the field is risk. What are the phases that the theme parks will go through in the future to eventually arrive at this philosophy?

ANSWER: There will be an adaptation phase like the King's Island model and once the operators and investors realize the current trend, they will begin to reinvest new capital in new facilities of the participant variety. During the past ten years, the market was good and there was a good rate of growth and little competition. Now that the industry has stabilized and it is going to take marketing and innovation and risk to increase the growth potential. New audiences have to be found to increase the demand instead of depending upon the same variety of individuals to support the theme park industry. This type of risk is needed to expand the base of business. The other factor that is going to have significant impact on the adaptation is the current trend toward the streamlining of facilities to become more efficient in the operations. Efficiency in this context is not only in guest services but also in management, marketing, and maintenance.

QUESTION 10: What will be the impact upon quality?

ANSWER: Most people feel that with cost cutting comes lowering of quality. This is not always true. Quality may tend to increase because, with the concern about effectiveness and efficiency, comes a greater concern about the client and how to serve him/her better.

QUESTION 11: If EPCOT is a model or one type of model for future development, what has been its impact upon the profession to date?

ANSWER: Anytime we talk about an attraction dealing with 10 to 12 million people, it obviously has cut into the other theme parks and stolen visitor days away from them. The other impact has been that it has changed the expectation level of the client. This expectation level will obviously transfer to having a totally different impact upon demand by the consumer. The primary question is one of innovation and improvement of the profession in terms of different models and taking risk. There are very few investors who have the potential to develop these types of facilities. The scale and magnitude of EPCOT will have a significant impact upon the profession for the next five to ten years. Others will duplicate component parts on a smaller scale.

QUESTION 12: How are the smaller operations competing with the larger ones?

ANSWER: The small ones are doing well, they are chipping away segments of the bigger market. There seems to be a trend toward the giant (EPCOT) and a second trend is toward the smaller park (mini-park). This leaves the midsize in the worst shape. There has been much consolidation in industry and it will continue in the future because of the economic times and the growth rate of the industry. Consolidation is the key word for size to be able to better control the market and indeed reduce the amount of competition. This will have a negative impact because these individuals will tend to be more complacent and more secure and, therefore, not have to take the risk. Much of the change that will occur in the industry will come from the top like the Disney operations like EPCOT or at the smaller end with the mini-parks. The overall key to success in the industry is each type of park finding its niche and filling it in a creative/innovative way no matter what the risk. Without risk, profits tend to stabilize and decline.