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The Southern California Attractions Industry

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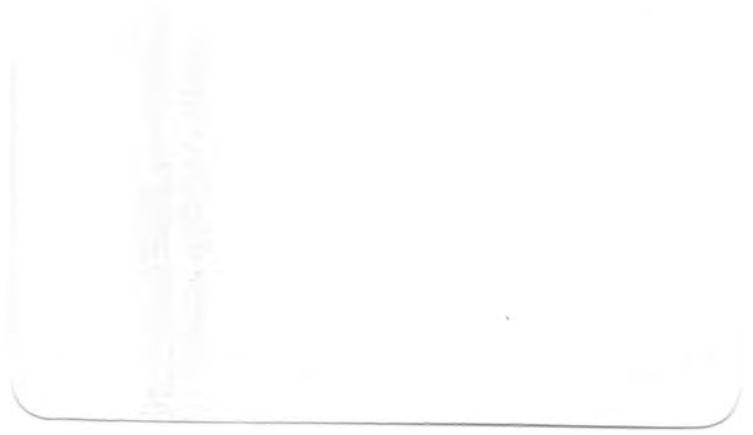
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The Southern California Attractions Industry

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12/87*

December 18, 1987

Prepared by
Shirley Komoto Maimoni, Walt Disney Imagineering &
Nick Winslow, Harrison Price Company

SOUTHERN CALIFORNIA ATTRACTIONS STUDY

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The Attractions Industry in Southern California

Executive Summary

PURPOSE

This report examines the competitive environment for attractions in Southern California in order to identify potential market opportunities for an attractions component in the Burbank Towncenter Project.

CURRENT SITUATION

Southern California is the second largest attractions market in the country, with 33 million visits and \$700 million in revenue in 1986. The industry is mature, with the major facilities competing for share in a slowly growing market. Changing market demographics are beginning to affect attraction attendance patterns. Extensive competition and very high entry cost will most likely restrict the development of any major new attractions in Southern California for the foreseeable future.

All indoor attractions built to date have failed to attract significant levels of attendance and spending, and have been financial disasters. Even "Fantasyland" at West Edmon-ton Mall has generated only lukewarm market response, with peak year attendance of 1.1 million and peak year gross revenues of C\$5.7 million (approximately US\$4.3 million). While it is true that none of these projects meet Disney standards, their experience should not be ignored.

CONCLUSIONS

The attractions component of the Burbank Towncenter project should not be positioned as an amusement facility in competition with the existing major attractions. Further, the appeal of the attractions component should not center around rides. Attendance and revenue-generating capacity of the attractions component will have to be viewed in light of total scope and critical mass of the Burbank Towncenter Project. A decision on gating and pricing strategy will depend on design, character and scope of the attractions.

DESIGN CHALLENGE

The attractions component at Burbank Towncenter will be critical to extending the project's drawing radius by differentiating it from other destinations. The Disney reputation for creativity, state-of-the-art technology, the best in design, and uniqueness should be evident everywhere, in a context that does not say "Disneyland" but defines a new kind of attractions product. The attractions should rely on immersion of guests into a storyline to create perceived value. Visceral experiences should be minimized or avoided. The attractions mix needs to match guest mix — residents and tourists, family day visitors and adult evening visitors, etc. Interaction between attractions and other project elements is critical to project feasibility. Attraction components should be changeable and software intensive to optimize repeat attendance potential. Some components should be designed to appeal to the growth segments in the market — young children and seniors. Southern California's excellent climate should be featured. The feeling of being in a large volume enclosed space should be avoided.

INTRODUCTION

PURPOSE

This report examines the competitive environment for attractions in Southern California in order to identify potential market opportunities for an attractions component in the Burbank Towncenter Project.

METHOD

This report used a combination of information sources, including market research materials from the Harrison Price Company, secondary published sources and telephone interviews and polls.

MARKET ANALYSIS

DEFINITION

For the purposes of this report, "Attractions" are defined as "gated amusement and related specialty facilities." The projects reviewed provide a full array of amusement, recreation and entertainment within a themed and controlled environment. Food and merchandise are offered with varying emphasis and each attraction requires a significant commitment of time and dollars for a single visit. This study includes the following attractions:

Theme Parks/Amusement Parks

Disneyland
Universal Studios Tour
Knott's Berry Farm
Sea World, San Diego
Six Flags Magic Mountain
San Diego Wild Animal Park
Marineland

Selected Specialized Attractions

San Diego Zoo
Queen Mary/Spruce Goose
Movieland Wax Museum
Medieval Times
Raging Waters

Specific attractions were selected on the basis of their attendance, high profile or significant industry performance. San Diego Zoo, although a public institution, was included because of its high attendance and position in the Southern California market as a world class attraction. Raging Waters was included because it is the most significant water park in Southern California. Medieval Times, a recent and unique market entrant, is a participatory dinner theater, performing at an extra-ordinary 85% of capacity, amassing a half million visits last year.

Excluded from this study are attractions without a gate charge (e.g. Farmer's Market), cultural attractions, live theaters, the Griffith Park Observatory and laserium, movie and special film format theaters, and natural attractions (e.g. public beaches and parks).

SOUTHERN CALIFORNIA AVAILABLE MARKET

Population

- Residents. The seven county area of Southern California — Los Angeles, Orange, Riverside, San Bernardino, Ventura, San Diego and Imperial — contains 17 million residents. The population has been growing from births and migration at about 3 % per year for the last decade, but is expected to grow faster - about 4-6% per year over the next 15 years. (Sales Marketing and Management, 1977-1987)

The market and population base of Southern California is second only to that of New York City in size and affluence. Comparisons of 50 mile radius populations show that the Southern California market is roughly double that of San Francisco or Boston, triple that of Miami or Baltimore, more than four times that of Dallas.

The largest growth segments are Southern California's ethnic markets. Hispanics are expected to increase from 14% of the Southern California population in 1970 to 36% by the year 2000. Blacks have remained nearly constant at 9-10% of total population. Non-Hispanic Caucasians, on the other hand, will drop from 75% to less than half (41%) by the year 2000. The Asian/Pacific/Other population has more than doubled since 1970 and is the fastest growing population in Southern California.

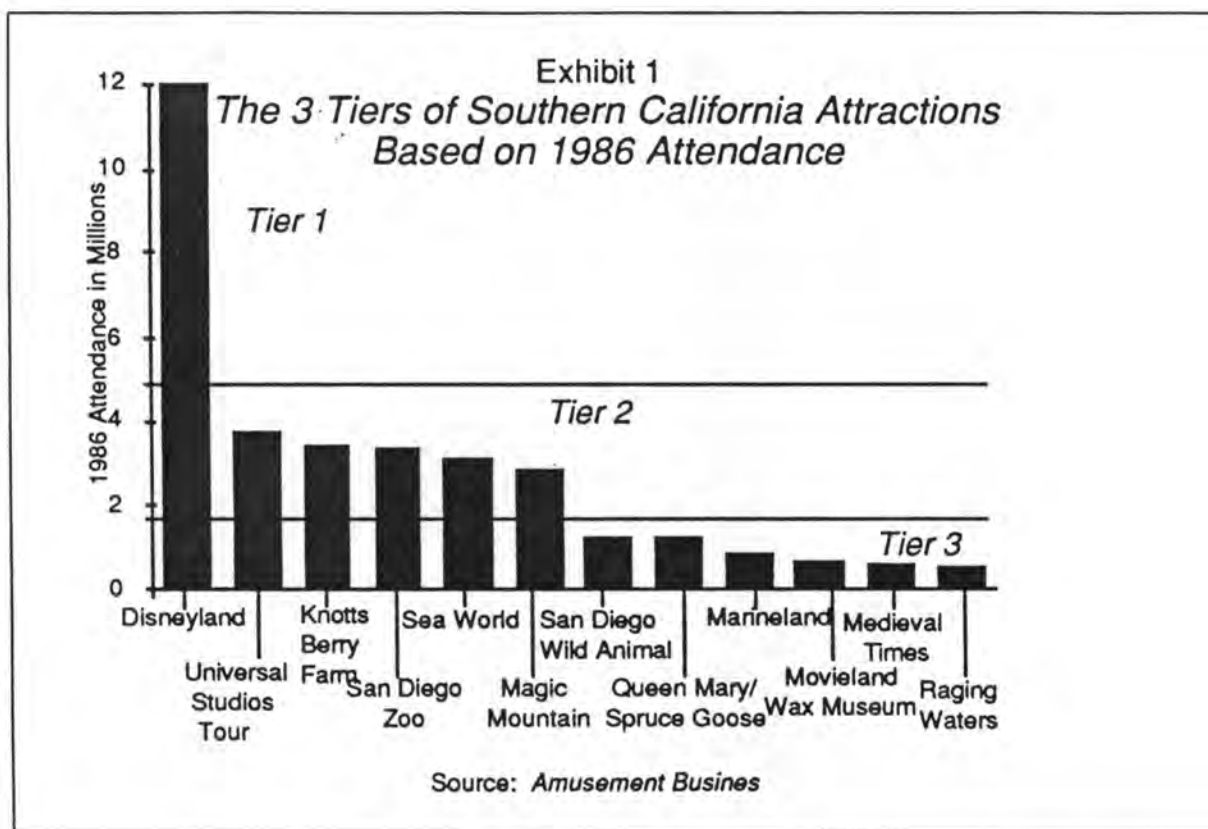
- Visitors to Southern California are estimated at 20.5 million persons. This group is divided into pleasure travelers, business travelers, and others. The combined market of some 37 million residents and tourists, with the region's affluence and favorable weather make Southern California an attractions capital.

Attendance

Attraction attendance in Southern California is substantial: 33.5 million visits were logged in 1986. Southern California is the second largest attractions market in the world, (behind Central Florida), representing about 1/3 of national attendance at major theme parks and attractions.

The Southern California attractions market breaks into three tiers. Disneyland stands alone in Tier 1 with 12 million attendance. Disneyland created the theme park industry when it opened in 1955 and has dominated Southern California attractions ever since. It has a 36% share of the attractions market and nearly half of the theme parks market.

The Tier 2 attractions include the next five best attended facilities and constitute 50% of attendance. The Tier 2 projects are solid, world class, well-capitalized facilities. Universal, Knott's and Sea World, in particular, have built market share by reinvesting aggressively in their parks. As a result, they are perceived by the public as well-run, well-maintained, high quality attractions. Six Flags Magic Mountain in Valencia has been less aggressive in recent years and the debt absorbed by the company in its recent leveraged buyout may limit future additions. For the most part, the Tier 2 parks all have a large critical mass of ride and entertainment capacity. Like Disneyland, the Tier 2 parks continue to build on a relatively inexpensive but substantial attractions base.



Tier 3 attractions make up the remaining 14% of attendance. In this segment, the Queen Mary/Spruce Goose and Movieland projects suffer because they are static attractions with lower value/price ratios than their competition. Marineland traditionally underperformed its competition and finally closed in 1987. Lack of reinvestment and Sea World's aggressiveness, decided its fate. Raging Waters and Medieval Times are relatively new entrants, and are harbingers of the future, illustrating how new projects can gain a foothold in a highly competitive market.

Exhibit 2
Attractions by Attendance

		Attendance (000)	Share %
Tier 1	Disneyland	12,000	35.8%
Tier 2	Universal Studios Tour	3,800	11.4%
	Knott's Berry Farm	3,500	10.5%
	San Diego Zoo	3,374	10.1%
	Sea World, San Diego	3,100	9.3%
	Six Flags Magic Mountain	2,800	8.4%
Tier 3	San Diego Wild Animal Park	1,228	3.7%
	Queen Mary/Spruce Goose	1,200	3.6%
	Marineland	820	2.4%
	Movieland Wax Museum	700	2.1%
	Medieval Times	500	1.5%
	Raging Waters	470	1.4%
Total		33,492	100.0%

Source: *Amusement Business*

Revenue

Total revenue earned by the major Southern California attractions was estimated at \$700 million in 1986 - an average per cap of \$21.

Disneyland captured 47% of Southern California industry revenue in 1986, compared to 36% of attendance, due to its above average per caps. Tier 2 attractions captured another 40% and Tier 3 attractions the remaining 14% share.

DEMOGRAPHIC & LIFESTYLE TRENDS

Like Americans across the nation, Southern Californians are growing older. They are also marrying and having children at record rates. The long-awaited "echo boom" is finally here. The result of these demographic shifts and the newly-discovered domesticity of baby boomers is changing the way people spend leisure time.

Leisure Behavior

Leisure has come to have a fuller meaning. No longer simply "doing nothing" or "relaxing," leisure means growth, expansion, development, rejuvenation, and fun. Consumers, especially the upwardly mobile, work hard and play hard. They often seek to fulfill multiple personal goals with their leisure activity, e.g. an educational family outing. There are a number of key dimensions that

characterize the choices that they make — active or passive, participant or spectator, solitary or social, indoor or outdoor, in-home or out-of-home, sedentary or physical, safe or experimental/adventure. Depending upon personal needs, stage in life, etc. consumers seek different mixes of the above dimensions in their leisure activities.

Aging

America is becoming a middle-aged society. Although births are rising, there are still fewer children in families than in past generations and people, in general, are living longer. Moreover, the current rise in births, although substantial, will not replace the baby boom and as a result, there is an overall decline in the teen market.

The median age in 1971 was 27.9; median age today is over 30. In 2011, the first baby boomers will begin turning 65 and for the next 20 years, the number of “elderly” in the U.S. will increase by 1 million a year from 35 million in 2011 to 55 million in 2030 — an increase of 59%.

The elderly of tomorrow — a large and potentially affluent market, will be more active, involved, sophisticated and demanding than elderly of the past. They will also be healthier and better equipped to enjoy themselves. The growing seniors market in Southern California is an opportunity for leisure-time developers because this group has the inclination and the discretionary time to spend on leisure pursuits. A primary question for Disney and the Burbank project is whether product can be designed that appeals to the growing seniors market.

Changing Family Market

Families represent a smaller share of households today than in previous decades. “Traditional” families (working father, housewife mother and two children) constitute only 14% of households. New categories are emerging: single parents; childless, voluntary associations; two-career, blended (children from previous marriages); etc. Families are no longer a monolithic entity and thus, require greater variety and more flexible leisure-time options.

Singles

Singles are an increasing share of the market. In 1955, singles constituted 1 out of 10 households; in 1980, singles were 1 out of 4 households. They include empty nesters, divorcees and those who have never married. The singles category also includes unattached people sharing a household. Their saving, spend-

ing and leisure patterns differ greatly from families with children, partly because their opportunity costs for recreation are different and their personal priorities and needs are different.

Increasing "Cocooning"

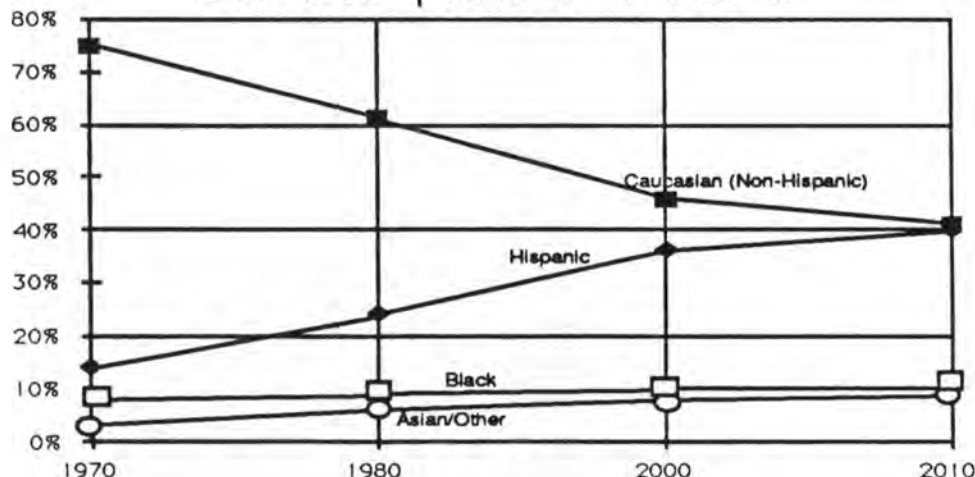
With less free time, there is a growing tendency for people to stay home. This is compounded by the expansion in home entertainment, particularly video cassette rentals, cable television and home computers. Not only are families enjoying video movies at home, but home electronics offerings have become a legitimate "date" for young people and a welcome addition to entertaining friends at home. Other forms of home entertaining (e.g. barbecues) continue to be popular, especially for families. Staying home has always been a competitor to the entertainment business — now there are more home entertainment options.

Cultural Pluralism and Multiple Appeals

Southern California has become an important melting pot, containing a rich and diverse collection of heritages and languages. It is home to large communities of Mexicans and other Hispanics, Japanese, Chinese, Pilipinos, Koreans, Samoans, Guamanians, and Southeast Asians.

Representing a myriad of cultures and languages, these ethnic groups are poorly served by the bulk of Southern California attractions, yet they are the fastest growing segments of the region. Future entertainment offerings in the region will need to address these diverse interests. The enormous success of the bilingual release of the hit film "La Bamba" demonstrates the potential for tailoring appropriate entertainment products to ethnic groups.

Exhibit 3
Ethnic Composition: 1970-2010



Southern California Trends: % of Population by Ethnic Group
(Excludes San Diego & Imperial Counties)

Source: Southern California Association of Governments, Growth Projections, 1986.

Personal Growth/Recreation

Real estate investment courses at Taos during ski season, personal computer classes on Sitmar cruises, spreadsheet workshops at Club Meds — these go beyond the usual vacation/convention and allow consumers to meet multiple personal goals, e.g. growth *and* relaxation. Paying to work on an archaeological dig in Kentucky, paying to collect and catalog artifacts in Equador — such activities have been gaining popularity. For families, this experience takes on a new form as well: from scaled-down interactive learning centers for parents and children, to computer summer camps. Again, the consumer is able to fulfill a number of needs through a “single” experience.

SOUTHERN CALIFORNIA

As noted earlier, the Southern California attractions market gives every indication of being saturated. Competition is stiff and entry costs are high. Southern Californians have the largest quantity and widest array of leisure, recreation, amusement and entertainment options of any U.S. city. The region’s museums, beaches, performing arts centers, spectator sports, participative activities, mountains and deserts all compete with attractions for leisure time and dollars.

Due to the wide range of choices available and their leisure time sophistication, Southern Californians are highly selective in the way they evaluate alternatives and use their leisure time and dollars. They seek fresh, unique experiences that engage them in a variety of ways — emotionally, physically and intellectually. They return to places that offer changing experiences and flexible environments. They seek to balance active and passive pursuits. Total immersion experiences — being a player rather than a watcher — are gaining popularity, as evidenced by the market success of Medieval Times and “Tamara.” These theatrical attractions immerse the guest in a period setting with actors, food and drink reinforcing the story and the fantasy, and represent a new form of hybrid attraction. In addition, there are a number of dining, shopping and entertainment choices emerging in the marketplace which offer varying degrees of immersion experiences and it is likely that this popularity will continue.

BURBANK

Demographic data on the Burbank area, presented by the Disney Development Company shows a primary resident market which, when compared to California as a whole, has lower household incomes, a smaller proportion of family house-

holds, a declining percentage of persons in the 25 to 34 year age group, higher median age and a higher percentage of ethnic minorities (44% to 48% Hispanic). This profile does not coincide with the market segments identified as targets for Disney Centers — Dinks, Sinks and young families. Further, the physical environment and prevailing activity patterns reflect the secondary character of the market.

III

ATTRACTIONS INDUSTRY

ORIGIN

Amusement parks have their roots in seventeenth century European pleasure gardens where people spent pleasant summer days strolling in the gardens, watching acrobats and other live performers and participating in sports, gaming, music and dancing. Mechanical rides and fun houses were created and introduced during the 1873 Vienna World's Fair forever linking amusement parks and World's Fairs. Coney Island is considered the first amusement park in the United States, because it was the first "day resort" to introduce mechanical amusements. By the late 1800's, parks and picnic facilities were a common feature at the end of the many American tram and trolley lines and with the introduction of attractions such as the ferris wheel and "dark rides," an amusement park building boom was launched. The boom continued until there were more than 1,500 parks in the United States by 1919. (Onosko, Tim. *Fun Land, U.S.A.: the Complete Guidebook to 100 Major Amusement and Theme Parks*. New York: Ballantine Books, 1978.)

The modern era — themed amusement parks — began with Disneyland in 1955. The initial cost was about \$30 million. Since then, the industry has grown to over 30 major parks attracting an estimated 66 million visitor-days excluding the three Disney parks, and over 96 million including Disney. Service, cleanliness, friendliness and family appeal were the primary attributes differentiating theme parks from their predecessors, the amusement parks or carnivals.

The theme park industry experienced rapid growth in the 1960s-70s, but has slowed in the 80's as market areas became saturated, competition stiffened and the population aged.

EXISTING BASE

As mentioned previously, there is a huge base of commercial attractions in Southern California — six major theme/amusement parks and six major specialty attractions. The Southern California attractions market is dominated by Disneyland, which captures an estimated 36% of attendance and 47% of revenue.

Exhibit 4
MAJOR ATTRACTION DEVELOPMENT IN SO. CALIFORNIA

Opened	Closed	Attraction	Location
1903	1978	The Pike	Long Beach
1954	1987	Marineland	Rancho PV
1955		Disneyland	Anaheim
1958	1968	Pacific Ocean Park	Venice/Santa Monica
1962		Movieland Wax Museum	Buena Park
1964		Sea World	San Diego
1964		Universal Studios Tour	Universal City
1966	1979	Busch Gardens	Van Nuys
1967		Queen Mary/Spruce Goose	Long Beach
1969	1977	Japanese Deer Park	Buena Park
1970		Knott's Berry Farm	Buena Park
1971		Magic Mountain	Valencia
1972		Wild Animal Park	San Diego
1984		Raging Waters	San Dimas
1985		Medieval Times	Buena Park

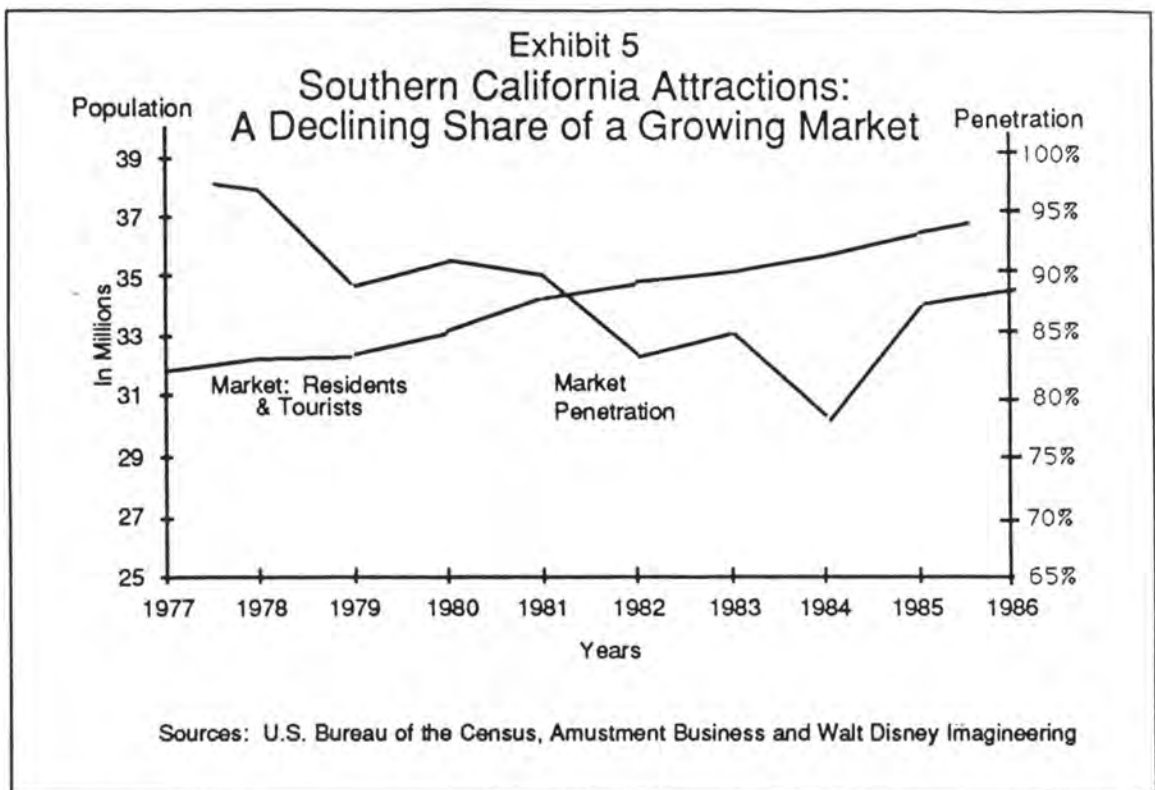
Source: Harrison Price Company; WDI Information Research Center, 10/87 telephone interviews; and Onosko, Tim. *Fun Land, U.S.A.: the Complete Guidebook to 100 Major Amusement and Theme Parks*. New York: Ballantine Books, 1978.

Significantly, no major new parks have been built during the last 5 years, while three theme parks and one amusement park closed in the last decade.

OPERATING CHARACTERISTICS

Declining Penetration

The Southern California market grew 25% over the last 10 years. Attractions attendance, however, grew only 4% in the same period, resulting in a decline in gross market penetration.



Reinvestment

Southern California attractions have protected market share largely through extensive reinvestment programs. Opening new rides and attractions provides the basis for annual advertising and promotion campaigns, particularly in the resident market, and provides an incentive for repeat visitation.

Exhibit 6
REINVESTMENT AMONG THE TOP 5
SOUTHERN CALIFORNIA ATTRACTIONS
(in millions)

	Prior 3 Years	1987
Disneyland	\$84.0	\$38.4
Knott's Berry Farm	\$ 5.0	\$10.0
Sea World	n.a.	\$17.0
Universal Studio Tours	\$ 6.5	\$ 4.0
Magic Mountain	\$ 0.4	\$ 3.1

Source: Harrison Price Company and Disneyland Cost Accounting, 11/87.

- MCA is expanding its Universal City complex by \$75 million over the next 5 years. The 18 screen, 6,000 seat Cineplex, a part of the expansion, opened in 1987. In addition, MCA plans to add three major live

action attractions, a 1,700 space parking structure and a specialty retail area. Investment in the "Tour" has been increased and is estimated over the years as follows (Economic Research Associates):

1980	2 million	Castle Dracula show
1981	1.5 million	Special Effects area added
1983	3-5 million	Adventures of Conan show
1986	6.5 million	King Kong
1987	4 million	Miami Vice

- Sea World recently added 19 acres, including "Muscle Beach," a major new Whale tank, and a new children's area called "Walk Across America."
- Knotts Berry Farm added nearly \$10 million in new attractions for 1987, including 3 thrill rides, the \$7 million "Kingdom of the Dinosaurs" dark ride, a Fiesta Village rehab and a new 3-D theater. Knotts recently completed a master plan for \$50 million of improvements over the next 3-5 years.
- Magic Mountain made a major investment in 1987, spending \$3.1 million to add a Looping Starship ride and renovate the Frosty Palace music and dance area. Total investment in the prior three years was \$367,000.

The cost of adding new rides and attractions, both in absolute terms and per unit of capacity, is very high. In most cases, additions or renovations can only be justified against a low cost base. This economic reality restricts entry into the Tier 1 and 2 levels of attractions and benefits the larger parks.

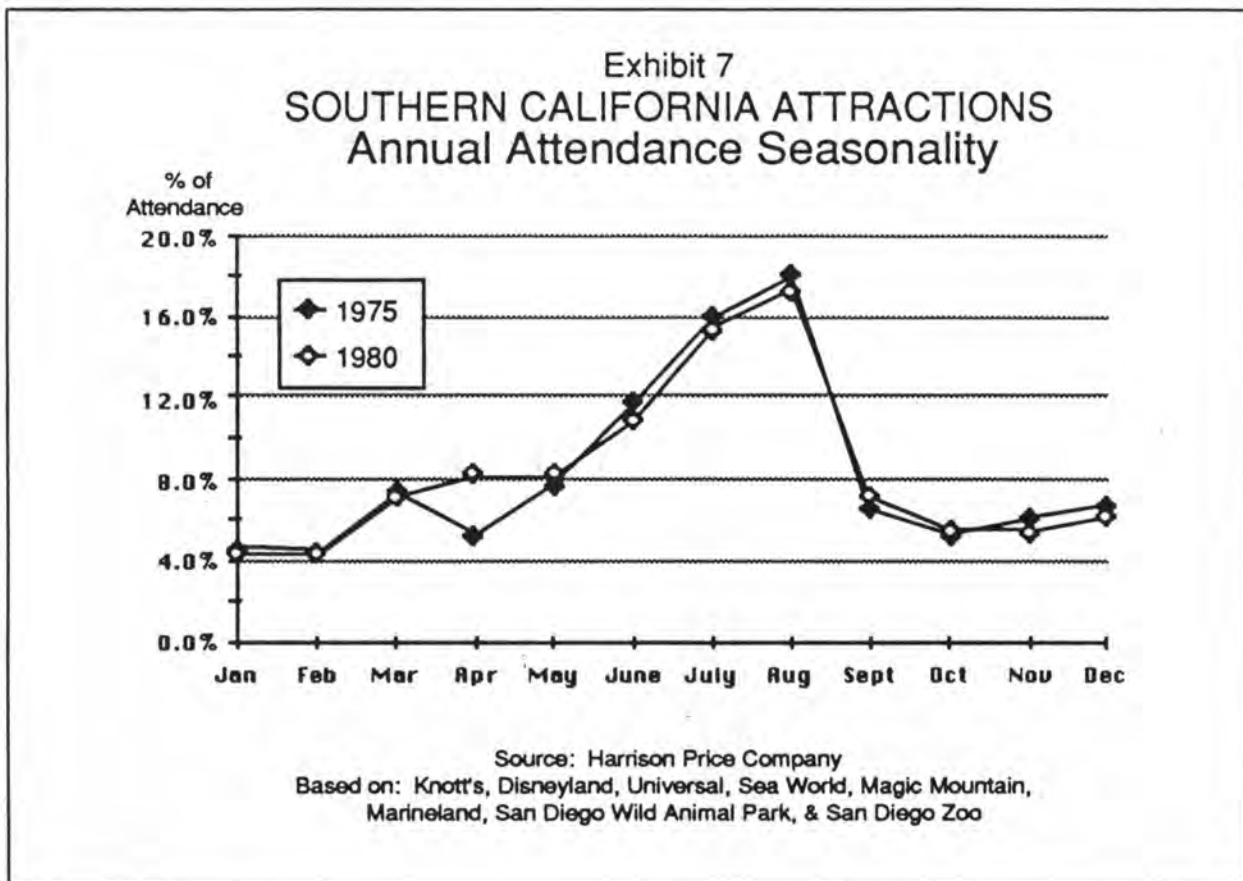
Seasonality

An estimated three-fourths of all visits to attractions are day trips, resulting in an industry where seasonality is a fact of life. Seasonality, in turn, increases sizing requirements, capital costs, and operating expenses for attractions. Fortunately, inclement weather is not a major factor in Southern California. Parks operate year-round, mitigating the impact of seasonality compared to other markets. In Harrison Price Company's opinion, Southern California's good weather works against placing conventional park attractions indoors.

Exploring alternatives to reduce seasonality is an important and necessary function of identifying potential market opportunities.

- Attractions which appeal to the resident market are less likely to have seasonal variations throughout the year, but will be more sensitive to weekday versus weekend demand variations.

- Attractions which appeal to seniors or families with very young children will be less seasonal because these groups have more freedom to visit attractions during off-peak periods.
- The Los Angeles Unified School District is debating moving to year-round schools. A year-round school program would benefit attractions by balancing weekday-weekend and non-vacation demand, but may create part-time staffing problems.



Location

Attractions, particularly those of regional and/or national stature, are less site location sensitive than other commercial ventures such as office buildings or shopping centers. The regional strength and size of the metropolitan population base is critical, however Magic Mountain, Knott's, Sea World, and even Disneyland are not in "ideal" locations, although they have good freeway access. The Japanese Deer Park failed despite excellent accessibility and the San Diego Wild Animal Park continues to hold its own in spite of its difficult and inconvenient location. A quality attraction with sufficient critical mass will draw to an acceptable but mediocre location, but a second rate or underscaled attraction will not appreciably benefit from an excellent location.

Pricing

All major attractions in Southern California are gated — the guest pays an entrance fee which gives them access to the rides and attractions. Over the years, a number of different ticketing strategies have been used — pay one price (passport), pay as you go, and ticket book. Today, all major attractions in Southern California offer some form of “pay one price” where all rides and shows are free with the purchase of one ticket. Parking, food, games and merchandise are extra.

Gate prices for parks in Southern California fall within several dollars of one another, except for Disney. As the premier product on the market, Disneyland adult admission is 15-20% higher than Sea World's, which is the second most expensive and is 40% higher than the \$15+ average of other major attractions in the area.

Exhibit 8
SOUTHERN CALIFORNIA ATTRACTIONS
UNLIMITED USE TICKET PRICES

Attractions by Ticket Price	1985			1987		
	Adult	Child	Senior	Adult	Child	Senior
Disneyland	\$16.50	\$10.50	\$11.50	\$21.50	\$16.50	\$17.25
Sea World		n.a.		\$17.95	\$11.95	n.a.
Magic Mountain	\$14.95	\$ 7.50	—	\$17.00	\$ 8.50	\$ 9.00
Knott's Berry Farm	\$13.95	\$10.50	\$10.50	\$16.95	\$12.95	\$11.95
Universal Studio Tours	\$13.50	\$ 9.95	\$11.00	\$15.95	\$11.95	\$11.50
Queen Mary/Spruce Goose		n.a.		\$13.95	\$ 7.95*	\$12.55
San Diego Zoo		n.a.		\$8.50	\$ 2.50	\$8.50
Wild Animal Park		n.a.		\$12.95	\$ 6.20	\$6.95
Raging Waters		n.a.		\$11.95	\$ 8.95	\$ 6.95
Movieland Wax Museum		n.a.		\$ 9.95	\$ 5.95	\$ 6.50
Medieval Times		n.a.		\$ 26.00**	\$18.00	n.a.

*Teen price is \$9.95

**Saturday Adult ticket is \$28.00

Source: WDI telephone surveys in September, 1985 and September-November, 1987.

Mix

Average per capita guest spending among Southern California attractions is estimated at \$21. Half of all spending is attributable to the “gate,” 25% to merchandise and 22% to food and beverage.

Exhibit 9
SOUTHERN CALIFORNIA ATTRACTIONS
ESTIMATED PER CAPS AND SALES MIX

Attractions by Estimated. Revenue	Est. Per caps 1986	Projected Revenue in mil	Revenue share	Gate %	Estimated Sales Mix				Total
					Food %	Merch %	Games %	Other %	
Disneyland	\$27	\$328.3	46.5%	50%	20%	30%	0%	0%	100%
Knott's Berry Farm	\$23	\$80.5	11.4%	51%	20%	19%	8%	1%	99%
Universal Studios Tour	\$21	\$79.8	11.3%	55%	20%	25%	0%	0%	100%
Six Flags Magic Mountain	\$23	\$64.4	9.1%	51%	21%	15%	8%	4%	99%
Sea World, San Diego	\$18	\$55.8	7.9%	58%	20%	21%	0%	1%	100%
San Diego Zoo	\$6	\$19.4	2.8%	58%	26%	15%	0%	1%	100%
Queen Mary/Spruce Goose	\$15	\$18.0	2.6%	56%	19%	25%	0%	0%	100%
San Diego Wild Animal Park	\$15	\$17.8	2.5%	55%	19%	26%	0%	0%	100%
Medieval Times	\$32	\$16.0	2.3%	0%*	80%	20%	0%	0%	100%
Marineland	\$15	\$12.3	1.7%	57%	20%	24%	0%	0%	100%
Raging Waters	\$15	\$7.1	1.0%	57%	25%	15%	3%	0%	100%
Movieland Wax Museum	\$9	\$6.0	0.8%	66%	10%	24%	0%	0%	100%
Overall Average	\$21	\$705.3	100.0%	51%	22%	25%	2%	1%	100%

*The price of the meal at Medieval Times is essentially the admission.

Source: Harrison Price Company documents & meetings, WDI telephone surveys and Disneyland Finance.

Spending Velocity

Average guest spending per hour among Southern California attractions is just over \$3.00. Per capita spending increases with length of stay and the attractions with the highest length of stay have the highest per capita spending.

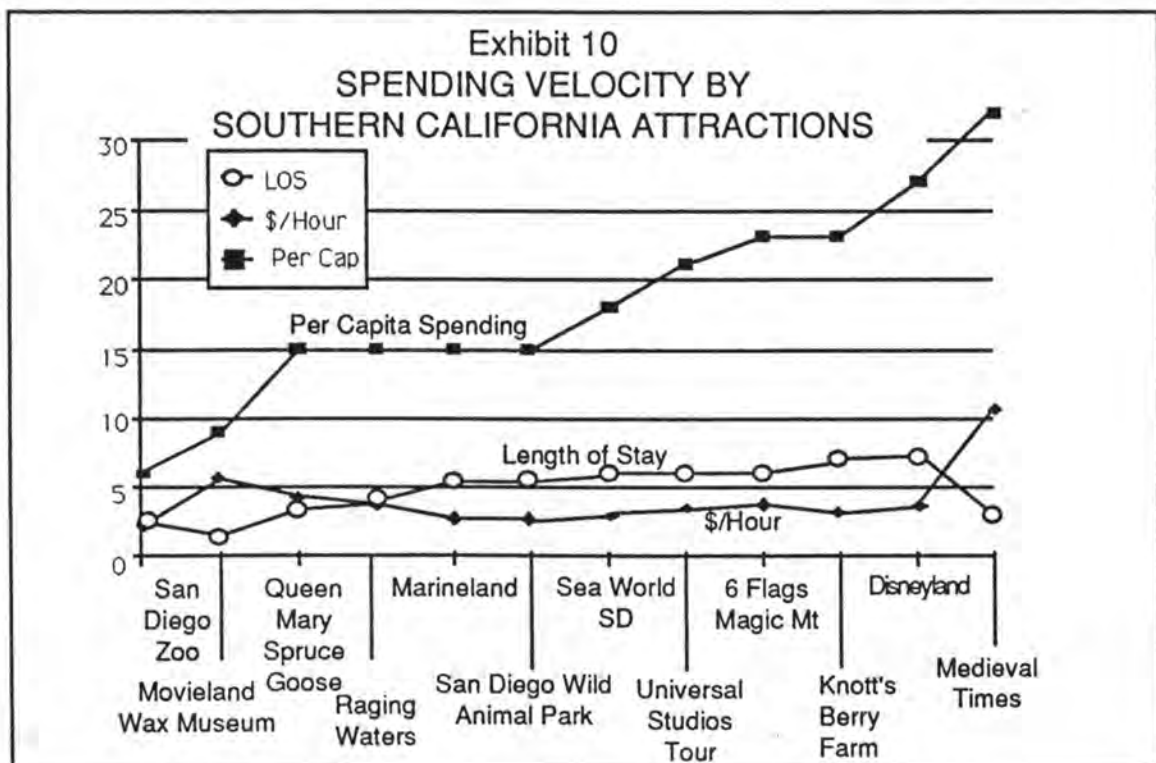


Exhibit 11
SOUTHERN CALIFORNIA ATTRACTIONS
SPENDING VELOCITY*

Attraction by Spending per Hour	Est. Per caps 1986	Average Length of Stay	Average Spending per Hour
Movieland Wax Museum	\$9	1.5	\$5.67
Queen Mary/Spruce Goose	\$15	3.5	\$4.29
Six Flags Magic Mountain	\$23	6.0	\$3.83
Raging Waters	\$15	4.0	\$3.75
Disneyland**	\$27	7.3	\$3.75
Universal Studios Tour	\$21	6.0	\$3.50
Knott's Berry Farm	\$23	7.0	\$3.29
Sea World, San Diego	\$18	6.0	\$3.00
Marineland	\$15	5.5	\$2.73
San Diego Wild Animal Park	\$15	5.5	\$2.64
San Diego Zoo	\$6	2.5	\$2.30
Average	\$21	6.4	\$3.28

*Medieval Times is excluded because per caps include a full dinner, which is part of the show.
Source: Harrison Price Company and **Disneyland, 1987

Market Penetration & Resident/Tourist Split

Overall, Southern California attraction attendance is split — half tourist and half resident. Looking at the detail below, however, it is obvious that some attractions appeal mainly to tourists, some attract mainly residents and some have a balanced appeal. Except Medieval Times, the more tourists, the lower the proportion of first visits.

Exhibit 12
SOUTHERN CALIFORNIA ATTRACTIONS
RESIDENT/TOURIST SPLIT & MARKET PENETRATION

Attraction by % Tourist	Res/Tour Split		First Visit %	Mkt Penetration		
	% Res	% Tour		So Cal %	Tourist %	Total %
Movieland Wax Museum	5%	95%	90%	0.20%	3.20%	1.90%
Queen Mary/Spruce Goose	10%	90%	90%	0.70%	5.30%	3.20%
Universal Studios Tour	15%	85%	72%	3.40%	15.80%	10.20%
Marineland	20%	80%	70%	1.00%	3.20%	2.20%
Disneyland	47%	53%	24%	33.40%	31.00%	32.10%
Knott's Berry Farm	50%	50%	30%	10.40%	8.50%	9.40%
San Diego Wild Animal Park	60%	40%	30%	4.40%	2.40%	3.30%
Sea World, San Diego	65%	35%	40%	11.90%	5.30%	8.30%
Medieval Times	75%	25%	90%	2.20%	0.60%	1.30%
San Diego Zoo	80%	20%	15%	16.00%	3.30%	9.00%
Raging Waters	84%	16%	10%	2.30%	0.40%	1.30%
Six Flags Magic Mountain	90%	10%	15%	14.90%	1.40%	7.50%

Source: Harrison Price Company and Disneyland

COMPETITIVE ENVIRONMENT

The Southern California attraction's market is mature and appears to be saturated. Regional attendance during the period 1981 through 1986 increased by only 1.4 million, an average annual growth rate of 0.9%. Led by Disney and the Tier 2 attractions, the battle for market share is intense and expensive. The larger, established attractions are increasing market share at the expense of smaller attractions, and some consolidation has occurred. The Tier 1 and Tier 2 attractions have gained so much critical mass that the entry cost into the Southern California theme park business has become prohibitive. At the same time, new competition is coming from smaller, highly niched, non-traditional attractions (e.g. Medieval Times, mini parks, water parks, etc.) as well as from the increasing popularity of other leisure time options. Moreover, the cost of adding ride and show capacity is skyrocketing and rising operating costs, especially for labor and insurance, are increasing the pressure on margins.

Specialized Products

New products have emerged which focus on special market segments or limited types of recreation and entertainment experiences. They often include participatory activities which involve the guest directly in an experience and are capable of being replicated. They include:

- Water parks
- Children's parks and now, children's sections in large parks (e.g. "Camp Snoopy" at Knott's and "Walk Across America" at Sea World)
- Photon, War Tag, Medieval Times - attractions with limited themes but substantial guest involvement.

Other Factors

Public/Private Joint Developments

Development of commercial recreation projects on public land is an important phenomenon. Traditional examples include public recreation facilities on a lease or concession basis, such as golf courses, campgrounds and food service facilities at parks and beaches. With increasing budget constraints, local Parks and Recreation Departments are attempting to maintain service levels by encouraging and soliciting private development of new commercial facilities. Examples include the Raging Waters water park at a Los Angeles County park, the 18,000 seat Pacific Amphitheater at the Orange County Fairgrounds in Costa Mesa and the tour of Kennedy Space Center operated by TWA Services.

Urban Products

Providing a recreation focus to urban development has been a trend in the 1980s. The success of the "festival marketplace" concept created by the Rouse Company at Faneuil Hall in Boston and Harborplace in Baltimore has stimulated downtown development opportunities in these and other cities. Although Festival Marketplaces are specialty retail projects, their principal appeal is as a leisure experience. They generate revenues largely from impulse buying rather than from planned purchases, and rely on a large volume of patrons with low per capita spending by commercial retail standards.

Aquariums

Following enormous successes in Boston, Baltimore and Monterey, a number of U.S. cities are using aquariums as the cornerstone for urban redevelopment. Aquariums are committed or proposed in New Orleans, Charlotte, Charleston and San Diego. These projects are designed with the specific interests of the local market in mind, and place more emphasis on show and environment than the previous generation of aquariums. The jury is out on whether or not the proliferation of such projects will saturate the market. No aquariums are currently proposed for Los Angeles or Orange County.

Enclosed "Theme Parks"

Several attempts have been made to develop specialty, enclosed "theme parks" and attractions in urban settings, all with disastrous results. "The World of Sid and Marty Krofft," "Old Chicago," "Autoworld," and "The Baltimore Power Plant" all positioned themselves as enclosed alternatives to outdoor parks, met with indifferent market response and closed within two years. In each case the financial losses were substantial. There are several lessons to be learned from these ventures which are germane to the Burbank project:

1. Because of their high development and operating costs, the urban parks were limited in scope and highly themed to a narrow storyline. The limited scope made the indoor parks suffer in comparison to even the more modest outdoor parks and the narrow storyline constrained market appeal.
2. Positioning the projects as indoor theme parks improperly conditioned guests to expect a thrill-oriented experience, leading to disappointment from teens and young adults.
3. The economic rationale for developing such attractions, with their above-average capital and operating costs, was based on reducing

seasonality by protecting against inclement weather. Actual attendance patterns showed no major shifts in seasonal patterns. Survey results reveal that in cold weather climates, residents liked to engage in winter activities in winter and wanted to be outdoors during fair weather.

The cumulative impact of these factors is that indoor urban parks have experienced low market penetration rates, low per caps, high costs and normal seasonal shifts resulting in poor overall economic performance.

The Admiral

The latest urban attraction casualty is The Admiral, developed and operated by Six Flags in St. Louis. The Admiral was a 300 foot historic boat, renovated as an urban entertainment center and moored next to the arch in downtown St. Louis. Six Flags operates a successful theme park in the St. Louis market and went into the project with excellent name recognition and goodwill. The Admiral was gated, with admission prices of \$4.95 for adults and \$2.95 for children. Principal features of The Admiral included the following:

- Festival retail
- Audio-animatronic show (included with admission)
- Multi-media show (included with admission)
- Large ballroom
 - 700 seat venue for a live show during the day
 - Ballroom dancing and banquet facility for 1,000 persons at night.
- 400 Seat Cabaret
 - Magic show during the day.
 - Cabaret show at night
- 225 Seat Oyster Bar
- 500 Seat indoor/outdoor food court
 - Food service during the day
 - Disco at night
- 200 Seat fine driving restaurant
- Promenade decks, observation areas, etc.

The Admiral opened St. Patrick's weekend and closed, bankrupt, the first week of October. During its seven months of operation,

The Admiral had total attendance of 300,000 of which 100,000 was daytime and 200,000 was at night. The manager of the attraction made the following observations:

1. Conventional wisdom among the residents was that the admission fee killed the project. Management's position was that the fee negatively affected daytime visitation but had no impact at night.
2. All aspects of The Admiral were based on a nostalgia theme which, in retrospect, was viewed as too narrow.
3. The fact that downtown St. Louis has nearly no resident population and is not an important recreation/entertainment destination hurt the project.
4. Six Flags could not successfully transition The Admiral from a family daytime attraction to an evening, adult attraction. The project got positioned as an adult place and was heavily used Friday and Saturday nights, but was empty daytimes and weekday nights.
5. The cabaret never worked.
6. The disco (food court) did very well at first but slumped as other trendy places opened in the market. Special nights and other promotions helped but did not alleviate the problem.
7. The fine dining restaurant worked very well on the weekends but did only one turn per day on weekdays.
8. The audio-animatronic show was successful with guests while the Multi-media show failed. Neither of these shows, nor the live shows, were capable of generating any appreciable daytime business at The Admiral.
9. Group business had growth potential.

Six Flags allowed the project to proceed to bankruptcy because it concluded that the "family daytime" business could never generate enough revenue for The Admiral to be financially viable.

West Edmonton Mall (WEM)

The most ambitious amusement attraction in a mixed use environment has been the "Fantasyland" attraction at the West Edmonton Mall (WEM), the world's largest shopping center. Fantasyland is an iron ride park with 27 rides including a major roller coaster. It was

built to generate traffic to the mall and has become one of WEM's most notable features. Despite all the hype, "Fantasyland" numbers are singularly unimpressive. In its best year — FY 1986 — Fantasyland had paid attendance of just 1.1 million and gross revenues of \$5.7 million Canadian (approximately US\$4.3 million). In FY 1987, attendance and revenue dropped to 800,000 and \$5.2 million Canadian (approximately US\$3.9 million), respectively, due to a fatal accident on the roller coaster. Tourism to Edmonton has actually decreased since the West Edmonton Mall opened. While it is evident that the amusement facilities deliver a limited number of residents and tourists to the project, the overall economics of "Fantasyland" must be considered suspect.

Dining Out

Dining out is an entertainment experience and, as a result, restaurants, particularly themed restaurants, compete with theme parks for leisure time. The lines between dining and fun/entertainment are becoming blurred. The George Lange Corporation predicts that Southern California will continue to experiment, set trends, and expect more from the dining experience.

Shopping

Shopping is an important leisure activity. According to analysts, people spend more time in shopping centers than any other place outside work and home. Shopping centers today are the main streets of yesterday and people are drawn to them in their search for "community." Shopping centers have added rides (carousels, simulators), recreation (ice skating, bowling) and entertainment (clubs, cinemas) to bridge the gap between shopping and entertainment and to extend their operations into the nighttime period and, as mentioned earlier, festival marketplaces are specialty shopping with an emphasis on fun.

Exhibit 13
GROWING COMPETITORS OF ATTRACTIONS

1950s-1960s	1970s & 1980s	Late 1980s and Beyond
Regional theme parks	Regional theme parks	Regional & international theme parks
Amusement parks	Amusement parks	Amusement parks
Traditional travel tours	Traditional travel tours	Travel! —Traditional travel tours, designer packages and independent travel
Sports and games	Sports and games	Sports and games
Television and other home entertainment	Vacation destinations, Club Meds	Vacation destinations, Club Meds
Miscellaneous other outdoor entertainment	Television and other home entertainment	Home entertainment/electronics/home computers
	Miscellaneous other outdoor entertainment	Cultural/fine arts, e.g. plays, museums, galleries, symphony
	Shopping malls	Specialty, Mini and Water parks, Aquariums, Interactive parks
	Event attractions (e.g. Renaissance Fairs)	Themed dining
		Festival marketplaces and shopping malls
		Working vacations, Growth recreation, Personal challenge adventures
		Photon and other technology-based out-of-home interactive entertainment
		Event Attractions (e.g. Renaissance Fairs)
		Immersion and simulation experiences (e.g. Orient Express, Medieval Times, Mystery Week-ends, War Tag etc.)
		Miscellaneous other outdoor entertainment

TRENDS

The theme park market in Southern California is mature, attractions are investing heavily to avoid losing market share. An older population and changing values has led to a changing set of competitors and products. Restaurants, shopping centers and other non-traditional entertainment segments are now competing for leisure time and dollars. New partnerships are emerging.

Technology & Product Innovation

Entertainment technology is playing an increasingly important role in the attractions industry. Simulators, high tech special effects, and unique presentation formats are important tools that attractions and other entertainment facilities use to communicate their story, engage the guest and extend the experience. Technologies that were once unique to Disney have proliferated throughout the industry. New product development is ever more competitive and necessary to court an increasingly sophisticated market.

- Simulator technology is finding wide acceptance for "ride" experiences. Product offerings range from the simple Doron SR-2 system currently found at several shopping malls, to Showscan's dynamic motion theater, to Disney's Star Tours.
- Special format films are becoming commonplace in Southern California. The Reuben H. Fleet Space Theater in San Diego is well attended with about 500,000 visitors per year. It features the world's first OMNIMAX projection system and now offers Showscan films as well. The Mitsubishi IMAX Theater, part of the California Museum of Science and Industry in Exposition Park, has increased its attendance from 300,000 in 1986 to about 350,000 in 1987. Capacity constraints coupled with the high costs of paid advertising in Southern California have historically crippled the theater's exposure and attendance growth. Special format theaters in Southern California include the following:

OMNIMAX	Reuben H. Fleet Space Theater, San Diego
IMAX	Mitsubishi IMAX Theater, California Museum of Science and Industry, Los Angeles
3-D	Disneyland, "Captain EO" Knott's Berry Farm, "Sea Dream"
Circle-vision	Disneyland
Laserium	Griffith Park Observatory

- Live shows have continued to be popular among Southern California attractions because they are less expensive than iron rides and they are more flexible and responsive to the audience. Operators are increasingly becoming judicious about cast size because of high labor

cost. Live shows will continue to evolve with special effects and other presentation technologies becoming increasingly important.

- Hybrid combinations of technologies ranging from “Beatlemania” to Bob Rogers’ “Spirit Lodge” represent a new approach to creating attraction shows. The merging of powerful effects with a limited contingent of live actors has proved to be a tremendous draw.
- Entertainment experiences which immerse the guest in the fantasy through staging, interaction, technology, theatrical device are gaining popularity. On the low tech end, “Tamara” and Medieval Times are two theatrical events which allow the guest to participate in the show and to be immersed in the period and the action of the story.

On the higher tech end, Photon is touted as a “new, futuristic approach to amusements and recreation that allows a high degree of player involvement in a fast-paced, fantasy-based, life-sized contest of wiles, wits and physical skills on an imaginary alien planet called Photon.” (from company press releases) A high tech version of “Capture the Flag,” the first Planet Photon facility was opened in 1984 in Dallas. Photon goes beyond passive simulated experiences by issuing passports and equipment and creating a padded battlefield for the contest. Photon is positioned in a very thin market—over 80% of the customers are boys, primarily adolescents age 10-15, and it's longevity is suspect.

Beyond Photon, War Tag, a low-tech, highly-participative, immersion experience, has gained popularity in Southern California. Using paint bullets in outdoor battlefields, War Tag is a realistic simulation requiring military-type strategies. It is a contest of teamwork, fitness, cunning and planning. It has been used by some companies as a local “Outward Bound,” to promote team play and cooperation among company employees.

Growing Interest in Cultural Activities

Interest in the arts is a function of income and education. The quality and breadth of cultural offerings increases as a society and its public and private institutions gain wealth and maturity. Southern California is growing as a world class cultural center. The area's high tech industrial base, financial and educational institutions and commercial entertainment resources, together with the resources of major foundations (e.g. Getty), individuals (Mrs. Disney) and government have launched Los Angeles into the cultural mainstream.

Exhibit 14
THE ARTS

	1977	1982	1984	%Δ 77/84
Number of establishments	1,094	1,754	2,085	90.6%
Receipts/Revenues (000)	\$486,392	\$1,010,136	\$1,309,000	169.1%
Payroll (000)	\$148,209	349,928	484,000	226.6%
Number of employees	9,211	13,786	16,675	91.0%

Note: Los Angeles, Orange, San Bernardino, Riverside and Ventura Counties
Source: Los Angeles Chamber of Commerce

There were 22.9 million visits made to arts organizations in 1984, including performances, museums, galleries, touring exhibits, etc. This exceeds the 14.6 million attendance to professional sporting events in Los Angeles in that same year. The arts, as a whole, have an estimated economic impact of nearly \$2.3 billion annually on the L.A. market.

The use of leisure time and resources to pursue cultural interests and attend cultural events and attractions is projected to grow in the foreseeable future, providing increased competition in the attractions market.

IV

SUMMARY AND CONCLUSIONS

CURRENT STATUS

Attractions are an important component of the leisure time market in Southern California. The industry gives every appearance of being mature, with the major facilities competing for share in a slowly growing market. Changing market demographics - an aging population, fewer teens, more young children, more senior citizens, more ethnic minorities, fewer family households, more two income households, etc. — are beginning to affect attraction attendance patterns. Home entertainment, themed retail and dining, cultural attractions, specialty attractions (water parks, zoos, Medieval Times, etc.), spectator sports, outdoor sports and recreation and other leisure time alternatives are all part of the competitive mix. Southern California has more amusement/entertainment/recreation offerings than any other region in the U.S. Extensive competition and very high entry cost will most likely restrict the development of any major new attractions in Southern California for the foreseeable future, although smaller, highly-niched attractions will continue to be developed.

Indoor attractions which feature amusements have a dismal performance record in the U.S. All such projects have failed to attract significant levels of attendance and spending, and have resulted in financial disasters. The two most recent failures are the Power Plant in Baltimore and the Admiral in St. Louis, both Six Flags projects. Even the much ballyhooed "Fantasyland" at West Edmonton Mall, which has no competition whatsoever, has generated only lukewarm market response, with peak year attendance of 1.1 million and peak year gross revenues of C\$5.7 million (approximately U.S. \$4.3 million). While it is true that none of these projects meet Disney standards, their experience should not be ignored.

CONCLUSIONS

The principal findings of the attractions analysis are as follows:

- The attractions component of the Burbank Towncenter project should not be positioned as an amusement facility in competition with the existing Tier 1 and Tier 2 attractions. It will suffer from insufficient critical mass compared to the other parks and lead to a confused image of the project.

- High-capacity, ultra high cost rides should be avoided. Such rides will help position the attractions component as a “theme park”, and detract from the economic feasibility of the project.
- Smaller rides placed for accent and emphasis can enhance the project.
- Gating the attractions components may negatively affect attendance and further contribute to the positioning problem. A decision on gating and pricing strategy will depend on design, character and scope of the attraction component, and should be deferred until such time as an evaluation can be made based upon the design.
- Attendance and revenue-generating capacity of the attractions component will have to be viewed in light of total scope and critical mass of the Burbank Towncenter Project. Feasibility testing of the attractions component as a free-standing facility will grossly understate it’s economic potential.
- Burbank may not be the most desirable location for an attraction, but it is acceptable.

DESIGN CHALLENGE

The attractions component at Burbank Towncenter will be critical to extending the drawing radius of the project by differentiating it from other entertainment and specialty retail destinations. Given the conclusions listed above, creating an attraction which will help establish Burbank Towncenter as a major Southern California destination presents a number of design challenges:

- The attractions should rely on immersion of the guests into the storyline to create perceived value. Visceral experiences should be minimized or avoided.
- Burbank Towncenter is being designed to appeal to a number of very different constituencies, residents and tourists, family day visitors and adult evening visitors, etc. The attractions mix needs to match guest mix.
- Critical mass is important to nearly all attractions. The Burbank attractions component should play off the other project elements (retail, dining, entertainment, etc.) to maximize perceived critical mass. Interaction between project elements is critical to generating stay times and per caps high enough to make the project feasible.

- Attracting residents will be critical to the overall success of the project. Attraction components should be changeable and software intensive to optimize repeat attendance potential.
- Some components should be designed to appeal to the growth segments in the market - young children and seniors.
- Southern California's excellent climate should be featured. The feeling of being in a large volume enclosed space should be avoided.
- The Disney reputation for creativity, state-of-the-art attractions technology, the best in design, and uniqueness should be evident everywhere, in a context that does not say "Disneyland" but defines a new kind of attractions product.

