M E M O R A N D U M

Date: April 16, 2008

Subject: Industry Analysis Project

To: Matt Ford

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Industry Background

The industry that will be analyzed is amusement parks (except water parks). The NAICS classification code is 713110 titled amusement and theme parks. However, to better define the industry we will use the seven digit code 7131102, which is amusement parks (except water parks). The description used to define this industry is "establishments primarily engaged in operating amusement or theme parks. These establishments offer a variety of attractions, such as mechanical rides, games, shows, theme exhibits, refreshment stands, and picnic grounds. These establishments may lease space to others on a concession basis.[1]"

Geographic Scope

In this analysis we will focus just on the national theme parks. Most of the known theme parks are all operated right here in the United States.

Supply Chain

Inputs:	→	**Process:**	→	**Output:**	→	**Downstream:**
Roller Coaster steel gravity momentum chains brakes carts		Theme Park Group of roller coasters continuously operating		Entertainment Providing rides year round for enjoyment and thrill		Individuals Anyone who is capable of riding a roller coaster

The key upstream supply industries are going to be more than your roller coaster manufacturers, but for our purpose they are the ones we are focusing on throughout the project. However, the key upstream suppliers also are soft drink & food companies, clothing and toy companies, and even costume providers. The

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[1] http://www.census.gov/prod/ec02/ec0271sssz.pdf

key downstream customer industries are any individual that can attend an amusement park.

Industry Size

The industry size continues to grow even in slow conditions. The following chart maps the last five years of the industry revenues[2]. As you can see it has been a slow, but steady growth throughout the years. GDP averaged 3.3% in the years 2003 through 2007[3]. The theme park industry averaged 3.68% growth in the years shown below.

Year	Revenues (in billions)	% YOY
2002	$9.9	3.13%
2003	10.3	4.04
2004	10.8	4.85
2005	11.2	3.70
2006	11.5	2.68

Market Value

The total market value for this industry is $76.3[4] billion dollars as reported by Yahoo Finance.

Age

Coney Island, a railway company, opened the first park in 1875. It was just a carousel, but in 1884 the first gravity switchback train was introduced. This was the first roller coaster in the USA. Once the great depression hit, there was a decline in the parks. In 1955, Disney opened the first actual theme park that shapes the theme parks we know today. Most of the roller coasters before 1955 were made of wood and in 1959 Disney opened the first steel roller coaster named Matterhorn.[5]

Industry Life Cycle Position

As mentioned above under industry size the theme park industry has grown about 3.68% per year on average. The GDP during these same years averaged 3.3%. These figures indicate that this industry is in the maturity stage. Other signs of maturity are that this industry is somewhat concentrated and entry is low.

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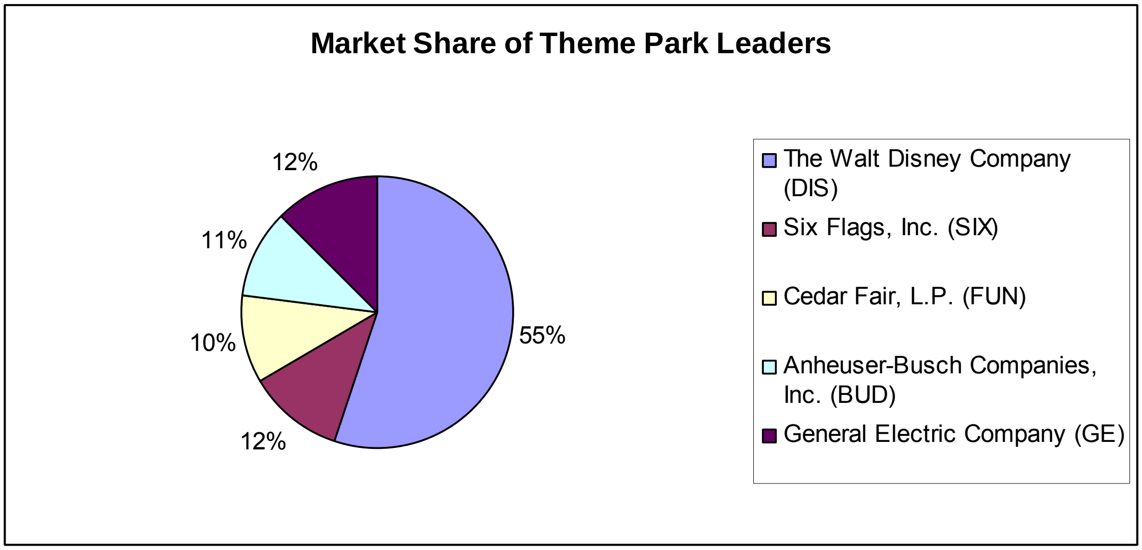
[2] http://www.iaapa.org/pressroom/Amusement_Park_Attendance_Revenue_History.asp
[3] http://www.economist.com/countries/Australia/profile.cfm?folder=Profile%2DEconomic%20Data
[4] http://biz.yahoo.com/p/7conameu.html
[5] http://www.learner.org/interactives/parkphysics/coaster2.html

Competitors

There are five top competitors in this industry based on the annual attendance report of 2007. The market share was found based on the attendance for 2007.



Below in the following chart is general information on the company's location (headquarters), the birth of the company, their annual attendance for 2007 and the number of parks each company owns and operates in the United States.

Company	Location (Headquarters)	Birth	Attendance[6] (in millions)	# of Parks
The Walt Disney Company (DIS)	Los Angeles, CA	1955	116.5	6
Six Flags, Inc. (SIX)	New York City, NY	1961	24.9	21
Cedar Fair, L.P. (FUN)	Sandusky, Ohio	1975	22.1	13
Anheuser-Busch Companies, Inc. (BUD)	Saint Louis, Missouri	1959	22.3	7
General Electric Company (GE)	Fairfield, Connecticut	1962	26.4	3

[6] http://www.themeit.com/attendance_report2007.pdf

Aggregate Financial and Operational Data

The table following below lays out the operational revenues, costs, profits for the last three years unless not made available. The employment figures are all from 2006.

Company	Revenues (in Millions)[7]	Cost (in Millions)	Profits (in Millions)	Employment[8]
The Walt Disney Company (DIS)	2007- 10,626 2006- 9,925 2005- 9,023	8,916 8,391 7,845	1,710 1,534 1,178	137,000
Six Flags, Inc. (SIX)	2007- 973 2006- 945 2005- 957	939 896 808	34 49 149	2,500
Cedar Fair, L.P. (FUN)	2007- 987 2006- 831 2005- 569	833 612 431	154 219 138	31,850
Anheuser-Busch Companies, Inc. (BUD)	2007- 2,147	N/A	N/A	3,500
General Electric Company (GE)	2007- 932	741	191	13,850
Industry Totals	2007- 15,665 2006- 11,701 2005- 10,549	11,429 9,899 9,084	2,089 1,802 1,465	188,700

Market Trend of Prices for Magic Kingdom[9]			
Year	2006	2007	2008
Ticket Price[9]	$63	$67	$71

We are assuming on the market trend of prices for Disney World that this has been the standard for the industry, since no information is available on the industry as a whole.

Market Trend of Attendance[10]					
Year	2002	2003	2004	2005	2006
Attendance	324 million	322 million	328 million	335 million	335 million

[7] http://www.sec.gov
[8] http://biz.yahoo.com/ic/56/56327.html
[9] http://www.msnbc.msn.com/id/20133750/
[10] http://www.iaapa.org/pressroom/Amusement_Park_Attendance_Revenue_History.asp

Key Trade Groups

There are a lot of trade groups offered in this industry. To list all of the groups would be longer than the report. So, we narrowed down five that seem to be the key major trade groups in this industry.[11]

1. IAAPA- International Association of Amusement Parks and Attractions
2. TEA- Themed Entertainment Association
3. AIMS- The Amusement Industry Manufacturers and Suppliers
4. NAPHA- The National Amusement Park Historical Association
5. NAARSO- The National Association of Amusement Ride Safety Officials

Key Trade Publications

There are many trade publications on this industry. The best trade publication called Amusement Business went out of business in 2006. They were the top leader in industry statistics and information. However, there are still tons of these publications available. The top ones that we found were: Park World, Amusement Today, Roller Coaster and Fun World.[12]

F1: Amusement Parks Rivalry

There is rivalry in every industry, some more extreme than others. The more intense the rivalry, the lower the profit potential in that particular industry.

Price-based rivalry: Rivalry comes in the form of price based rivalry but mostly in non-price based rivalry. With the price based rivalry we can take a look at the average ticket prices for the theme parks. They are all relatively close in price. Cedar Fair is on the low side with $43.00[13] while the rest range from $60 to $75[14]. These ticket prices have been going up over the years. If we take a look at Disney World, in August 2007 an adult one-day, one-park pass increased 6 percent, $67 to $71. Disney last raised prices August 2006 when a one-day, one-park ticket went from $63 to $67. When the theme park raised its price from $59.75 to $63 plus tax in January 2006, Universal Orlando and SeaWorld Orlando also raised their ticket prices. Price wars have become an annual rite between these three major theme parks.[15] (+)

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[11] http://themeparks.about.com/od/industryorganizations/Amusement_industry_organizations.htm
[12] http://www.themeparkcity.com/itps/bijr_magpubs.htm
[13] www.cedarpoint.com/public/admission/prices/
[14] http://www.awesomeflorida.com/florida-attractions/theme-park-prices.htm
[15] http://www.msnbc.msn.com/id/20133750/

Non price-based rivalry: In the amusement park industry the rivalry really takes place with non-price rivalry. The first area you can look at is product innovation. There is constant product innovation in this industry. Every year parks are trying to make rides taller, faster, and more thrilling all while keeping them as safe as possible. By trying to be on the edge on innovation amusement parks are also adding to another aspect of non-price based rivalry, capacity. The parks are trying to add the maximum number of rides as they can fit on their property to thrill their customers. It seems every year major parks add at least one new ride. For example, in 2007 four Disney parks, one Busch Gardens park, five Six Flags parks and Cedar Point all added brand new rides or attractions to stand out from other parks. (-)

Industry Concentration: Another way to asses the intensity of the rivalry in an industry is to estimate the concentration of it. This is done by using the CR4 test and the Herfindahl Index. The CR4 test is a concentration ratio that involves the percent of industry sales for the 4 largest firms in that industry. The Herfindahl Index is an equation that involves all firms in an industry and their respective percent of market share. These tests are not only used to measure industry concentration but the Department of Justice uses them to asses the "goodness" of mergers. They need to make sure any potential mergers wouldn't violate any anti-trust laws.

<u>CR4 Test</u>

Largest Firms in the Amusement Park Industry Revenues

Company	Revenue (millions)
Disney	$ 2,800[16]
Busch Entertainment Corp	1,250[17]
Cedar Fair	987[18]
Six Flags, Inc.	973[19]
General Electric Company	932[20]

Industry Revenue: $11.5 billion

4 largest firms total revenue: $6.01 billion

CR4 = 6.01/11.5

CR4 = 52.3%

[16] http://www.bloggingstocks.com/tag/WALT+DISNEY+WORLD/
[17] http://www.topix.com/business/beverages/2007/10/busch-entertainment-corp-moving-headquarters-to-orlando
[18] http://www.sec.gov/Archives/edgar/data/811532/000119312508043745/d10k.htm
[19] http://www.sec.gov/Archives/edgar/data/701374/000104746908002688/a2183546z10-k.htm
[20] Http://www.sec.gov

When the CR4 is greater then 60% it is assumed the industry has reduced rivalry. The CR4 of the amusement park industry is 52.3%. This shows the industry has neutral to slight reduced rivalry. (0)

Herfindahl Index

Company	Market share (%)
The Walt Disney Company (DIS)	54.9
General Electric Company (GE)	12.44
Six Flags, Inc. (SIX)	11.7
Busch Entertainment Corp. (BEC)	10.5
Cedar Fair, L.P. (FUN)	10.4

$$HI = 10{,}000\ (\sum Si^2)$$

$$HI = 10{,}000\ (.549^2+.117^2+.105^2+.104^2+.124^2)$$

$$HI = 10{,}000\ (.352307)$$

$$\mathbf{HI = 3523.07}$$

When the Herfindahl Index is greater then 1,800 then it is assumed to reduce rivalry. So from the calculations from the amusement park industry we can see with their Herfindahl Index that there is reduced rivalry in the amusement industry. (+)

Specific Assets: These new rides that are being built are also considered specific assets. Specific assets make it difficult to exit an industry once you have entered. These big, million dollar coasters that are being built every year make it harder and harder for someone to exit this industry. Disney's total property and equipment expenses toped $30 billion[21] for the 2007 fiscal year. This is compared to our substitutes is quite high; Regal Cinemas is 2.7 billion, MGM Casinos is 16.5 billion and Dover Motorsports, Inc. is only 157 million. The high fixed costs in our industry associated with building a new park or attraction are what drive managers to fill capacity at the parks. They are trying to reach capacity utilization. (+)

Capacity utilization = output produced / output potential (capacity).

[21] http://www.sec.gov/Archives/edgar/data/811532/000119312508043745/d10k.htm#tx75445_8

Stability of Demand: If you take a look at the first chart on page 4 of this report you will see the attendance numbers for each park in the industry and also the market trend for attendance over the last 5 years. These numbers have increase over the years. This shows that the demand for the industry is stable if not increasing. With this kind of demand being shown theme parks will continue to add attractions to be seen as more attractive destinations and to produce repeat customers. (+)

Product Differentiation: The attractions offered at the theme parks vary. For example Cedar Point has 17 roller coasters and in all four parks inside of Disney World only have 7 coasters.[22] This industry cannot be viewed as a commodity because of all the different variations each theme park creates. For example, Walt Disney is the "kid wonderland" and Cedar Point is the "rollercoaster king." So, price is stable, but attractions change constantly to stay on the edge of innovation. (+)

Buyer switching costs: The only switching costs buyers incur are transportation costs involved in visiting the various parks. It is very easy to enter and exit a park, but location is the challenge for most individuals. This is why many of the theme parks develop vacation packages because typically a theme park is not in everyone's "backyard." (-)

Overall rivalry: When trying to determine the intensity of rivalry based on the CR4 test and the HI index, they illustrate a reduced amount within the industry. Price- based rivalry is low, but then non price-based rivalry is what drives the competition against their competitors. Capacity utilization is typically at a reduced amount due to each park waiting to get the next "breakthrough" attraction to draw attendance to their park. The product differentiation between the parks also drives competition within the industry to try and make a niche for them, for example Walt Disney is the "kid wonderland." (+)

F2) Availability of Substitutes

Type and number of substitutes: Since this service industry is one that provides an entertainment that customers can interact with, there is a large quantity of quality substitutes to theme parks. Water parks and carnivals are the closest related substitute due to interaction with rides and attractions, but there are numerous other substitutes related to theme parks. Other substitutes to this industry consist of movies, casinos, sports games/ventures, arts, and any other industry that offers entertainment to customers. (-)

[22] http://www.rcdb.com/

Profitability of substitute industries: The profitability for the substitutes range from one extreme to another. For example, casinos are a substitute that receives large profits from their operations. In a statement released by the New Jersey Casino Control Commission, they received approximately 2.4 billion in gross revenues through June 2007 from 11 local casinos.[23] On the other end of the spectrum, carnivals are able to offer small attractions and the gaming aspect of the theme park, but they are only able to compete on a smaller scale due to the constant change of location and mobility aspects of the attractions. This limits their profitability to a smaller amount due to the operating conditions. (0)

Switching costs: Since the theme park industry charges on average $60-75 per ticket, customers could choose to easily go to a carnival or to the water parks due to reduced ticket prices. Carnivals can be little to no cost at all to get in, while water parks normally range from $20-30 per ticket.[24] Switching costs are also going to be cheaper for the customers who commute a long distance to reach the parks because they will settle for the substitute that is closer and cheaper for transportation. (-)

Overall threat of substitutes: This industry faces the problem of being in the entertainment industry by having numerous substitutes customers can turn to to use their disposal income for entertainment. Profitability in this industry is harder to come by with the more substitutes they compete against. The switching costs to the customers are inexpensive, which is another issue for theme parks to sustain profits within their industry. (-)

F3: Bargaining power of suppliers

Supplier overview: There are a large number of industries that work as suppliers for the amusement park industry. In alphabetical order the categories that these suppliers fall under are as follows, animated figures and robotics, animation, effects & show control, batting cages, climbing walls, games, coin-op machines, costumes and mascots, fireworks shows flags, and banners, fog machines and misters, food service, fountains, go-kart manufacturers, haunted house supplies, inflatable play, insurance and legal services, laser shows, laser tag suppliers, lighting and theatrical equipment, live show producers, lockers, management and consultants, mazes, miniature golf equipment, miscellaneous suppliers, park amenities, play structures, prizes and merchandise, ride manufacturers, simulators and film, themed attraction and park design, themed construction, scenery, and props, and ticketing and crowd control.[25] To focus the supplier power we will concentrate on large roller coaster manufacturers.[26]

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[23] http://www.nj.gov/casinos/home/news/200706_revenue.pdf
[24] http://www.awesomeflorida.com/florida-attractions/theme-park-prices.htm
[25] http://www.themeparkcompany.com/

[26] http://www.rcdb.com/er.htm

Company	Number of Coasters	Current Status	Well Known Coaster
Arrow Dynamics	101	Bought by S&S Worldwide	Vortex (King's Island)
Bolliger & Mabillard	72	In Business	Raptor (Cedar Point)
Giovanola	23	Went Bankrupt and started G-Tech Rides	
Intamin AG	93	In Business	Millennium Force (Cedar Point)
Pinfari	143	In Business	
Vekoma	246	In Business	Firehawk (King's Island)
Premier Rides	20	In Business	Flight of Fear (King's Island)
Togo	56	In Business	King Cobra (King's Island)
Zamperla	196	In Business	

Supplier size: The majority of roller coaster suppliers are international companies that can sell not only to North American amusement parks, but internationally as well making parks bid to have the biggest or fastest coaster. There is not any financial information available for these international companies. (-)

Supplier concentration: The number of roller coaster manufacturers is decreasing as many of the companies have gone out of business. These are in turn being bought up by other manufacturers increasing the industry concentration. Right now there are nine coaster manufacturers with a CR4 of 72% (calculated in number of roller coasters made). Having so few large suppliers and such a high CR4 decreases the potential for sustainable industry profits. (-)

Supplier substitutes: There are very few supplier substitutes for the big crowd drawing attractions. As you go to the smaller rides that are more standard or the standard park games the substitutes grow. There are a very small percentage of people who would pay a large admission price to buy overpriced food, play in an arcade or ride something that they could find at a local carnival no matter how many of these "filler" attractions there were. (-)

Importance of supplier input: Amusement parks rely on the roller coaster suppliers when they are looking to make a new attraction. These companies design the coasters and the parks are willing to pay extreme prices for them. A standard coaster costs around $8 to $10 million.[27] Parks that want to try to get an original coaster that may be the tallest or fastest are going to paying considerably more. The Top Thrill Dragster at Cedar Point cost $ 25 million.[28] When a coaster is incorporated into a larger attraction parks pay much more; like Expedition Everest at Animal Kingdom that cost around $110 million.[29] The smaller suppliers that make clothing and game prizes are easily replaceable. (-)

Threat of forward integration: There is little threat of forward integration of suppliers into the theme park industry. With the numerous different suppliers and the suppliers focus they would have to completely change their business. If one of the roller coaster manufacturers wanted to open their own park they would have to work with the 29 other categories of suppliers that were listed in supplier overview. (+)

Overall supplier bargaining power: Overall the suppliers of large roller coasters have a large amount of power and this is what draws a lot of people to the amusement parks. For this reason supplier power is a negative for sustained industry profits. (-)

F4: Bargaining power of customers

Buyer overview: The buyers of the theme parks products are individuals looking for an exciting activity for vacation or a day off. Many buyers are families that are looking for something to do together that everyone will enjoy. Retired people are also buyers, but a much smaller percentage of them are.

Buyer size: There are millions of buyers and they all contribute very little to the amusement parks revenues, but as the birth rate in the U.S. declines and the population's age increases the percentage increase in visitors has been declining. Retired age (65 +) visitation decreased from 13% in 1990 to 8% in 1997.[30] (0)

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[27] http://themeparks.about.com/b/2003/10/24/how-many-roller-coasters-will-18-billion-buy.htm

[28] http://www.rcdb.com/id1896.htm

[29] http://images.businessweek.com/ss/06/05/theme_parks/index_01.htm

[30] http://findarticles.com/p/articles/mi_m4021/is_n4_v20/ai_20497085/pg_1

Buyer concentration: The buyers are not very concentrated. The largest concentrations generally come from school trips of 50 – 100 and these are still miniscule when compared to all the buyers. Sometimes a large corporation will rent out a park for a day, such as PG does with King's Island, but this is only one day out of the season. There are also travel packages offered, generally through the parks that give them revenues not only from the parks, but also the hotels. (+)

Alternative buyers: The theme park industry sells its products to millions of alternative buyers. New families are started everyday that need a good place for a family vacation, maybe somewhere they went when they where kids. (+)

Standard products: Theme park products aren't all standard. There are some standard rides, but there are also rides that set every park apart from the others. If you want to ride the current fastest coaster you have to go to New Jersey to ride the Kingda Ka. For the fastest wooden coaster you have to go to Kings Island where the Son of Beast is located. (0)

Switching costs: There are decent price differences between the admissions that parks charge but with multiple park options and discount tickets commonly available these differences can be reduced. Online tickets can be bought for some parks at 20 dollars off regular price. There is no other direct cost, but there is a large price difference associated with the distance between parks. (0)

Park	**Admission**	**Park**	**Admission**
Magic Kingdom	$71.00	Disneyland	$66.00
Universal Studios	$60.00	Disney's Animal Kingdom	$71.00
Seaworld Florida	$67.95	Busch Gardens Tampa Bay	$64.95
Cedar Point	$42.95	King's Island	$29.99
Hershey Park	$39.99	Six Flags Great Adventure	$47.95

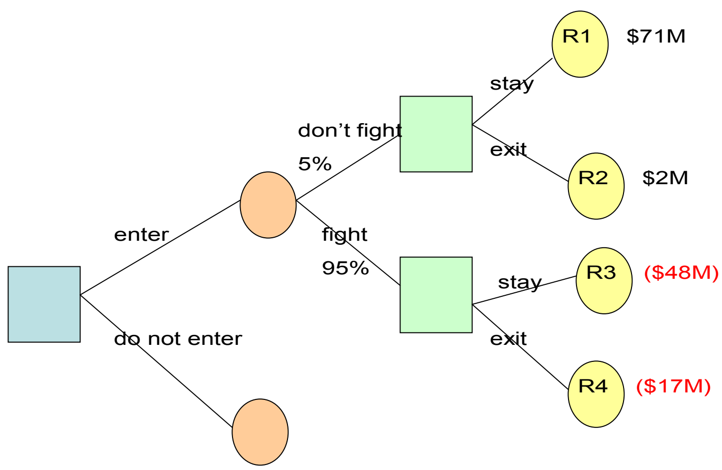
Threat of backwards integration: There is almost zero threat of backwards integration. The buyers of amusement park products go for entertainment and are highly unlikely to buy their own rides. Since the buyers are individuals a vast majority don't have the capital or resources needed to create their own theme park. (+)

Availability of full information: Buyers can look online to find the prices of amusement parks, see what attractions they offer and see if they can get any discount coupons around the area. Special package prices and multi-day ticket prices are also listed for the buyers benefit. All of this information could sway a buyer's decision about which park to go to. (-)

Overall buyer bargaining power: Overall there is very little buyer power due to the sheer number of customers and lack of good and reasonable alternatives making this a positive for sustained industry profits. (+)

F5) Threat of entry

Entry decision model: Potential entrants into the industry will face many challenging decisions to enter and stay in or exit due to the established competitors fighting entrants in the industry. For example, beverage industries have strong ties to the established parks and have contracts to not accept future entrants that will be in direct competition of them. Below is an example of a decision tree:



New entrants in this model are going to end up at R4 or they will not enter the industry based on the fight by competitors and the costs to become established in the industry. (+)

Economies of scale: Theme parks are finding ways to lower the price as attendance increases, but it is not directly shown through admission prices. Theme parks are finding ways to lower costs by putting packages together to sell to customers that include travel and hotel accommodations, as well as a small reduction in admission costs. For example, Walt Disney advertises 7 day/ 6 night stay at a Walt Disney resort for four with admission tickets include for $1,600.[31] New entrants will have a hard time being able to bundle packages for customers to entice them to come to their park as opposed to the establish parks within the industry. (+)

[31] http://disneyworld.disney.go.com/wdw/index?bhcp=1

Product differentiation: Almost every theme park has something unique that stands out among the rest of the competitors in the industry. For example, Walt Disney is known as the “kid wonderland” and Cedar Point is known as “the king of roller coasters.” With this factor being evident throughout the entire industry, it is hard for an entrant to develop a type of park that is differentiated than those already existing within the industry. With the parks that already exist; they have a huge “branded” identity that customers have been loyal throughout the history of the industry. The second strategic map at the end of the report illustrates where the competitors are located based on their “branded” identity. (+)

Capital requirements: Capital requirements throughout this industry is a huge complication for a new entrant due to just the sheer size and dollar amount it takes to run an effective theme park. Below is a chart based on just the capital needed for continuing operations for the already established parks in 2007:

Company	**Capital Expenditures[32] (in thousands)**
The Walt Disney Company (DIS)	1,566,000
General Electric Company (GE)	N/A
Six Flags, Inc. (SIX)	1,040,000
Busch Entertainment Corp. (BEC)	N/A
Cedar Fair, L.P. (FUN)	78,522

Given the condensed financial data available to the public, GE and BEC are unable to give a clear picture on what they spent in 2007. This chart illustrates that entrants will have to raise a substantial amount of capital to enter. For example, Walt Disney spent approximately 1.6 billion in 2007 on capital expenditures alone. For a new entrant, 1.6 billion will be hard to come by to start up a park that will sustain profits. (+)

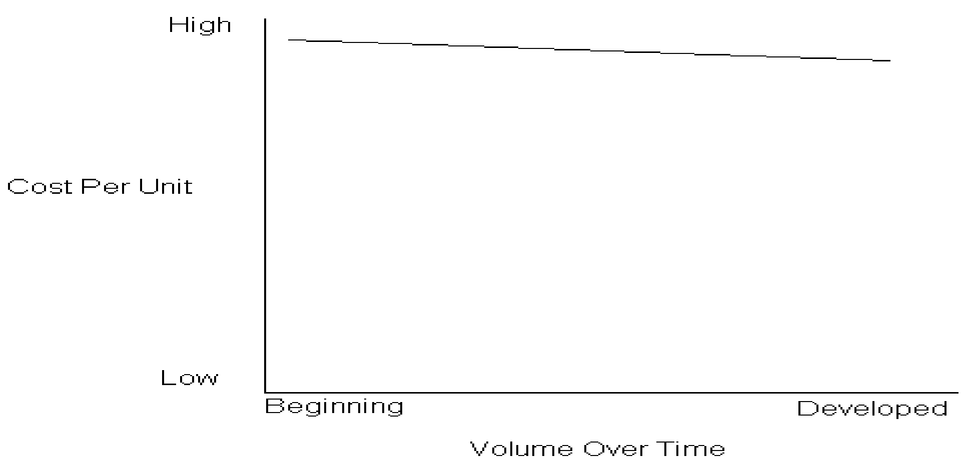
Access to distribution channels: Potential entrants are going to find easy access to distribution channels based on the channel they are reaching for is the public. People are located throughout the United States and are going to be available to experience new theme parks wherever they may be built, whether a close drive away or a different means of transportation to reach a park further from home. Potentials entrants have the advantage with this aspect due to wherever they establish a physical location, their will be local people around to come and experience the new park. (-)

[32] http://www.sec.gov/Archives/edgar/data/1001039/000119312507252227/d10k.htm

Excess capacity: Across the whole industry, parks are operating at a reduced capacity due to the fact that they want to keep space available for the next “big attraction.” By working at reduced capacity, they are able to entice designers of new coasters to use already established parks because they are going to be more profitable to sell their design to an established player within the industry as opposed to a new entrant. For example, Kings Island had purchased land in previous years around the park to hold on to for future development of new roller coasters. The park kept this land until it landed a new wooden attraction that was going to be a big hit, “The Son of the Beast” in 2000. (+)

Learning/experience curve: The learning curve for new entrants is a steep curve because unlike the McDonald’s curve of “fixed one, fixed them all,” theme parks are not going to be something that you can just pick up and run with. Companies that are established players took years in order to find a way to reduce costs while operating over time. The learning curve for the theme park industry would look as follows based on the generalized idea that theme parks spend years trying to find a way to produce their product at a cheaper cost over time:

Learning Curve[33]



As a result of this, the entrants would be turned away due to the steep learning curve throughout the industry. (+)

[33] http://themeparks.about.com/od/industryorganizations/Amusement_industry_organizations.htm

Government policy: Theme parks are required to meet strict regulations with regards to safety within their park. Theme parks have to be in compliance with government officials that have significant oversight, U.S. Consumer Product Safety Commission, and the ASTM F-24 committee, which focuses on technological collaboration and improvements.[34] Licensing for ride operates take years of experience and ample time of training to prepare employees properly. Government interaction with actions in our economy to lower interest rates has no direct effect on entrants, but banks lending patterns will have a huge impact deter entrants due to the failing banking system in today's economy and the risk associated with a new park and the amount of capital required. (+)

Overall threat of entry: Threat of entry is going to be low or almost non-existent in this industry due primarily on the failing economy and the amount of capital required to get an operation started. The amount of capital required is too risky for banks to handle and with all the other factors working against new entrants, it is almost impossible to enter and sustain profits.

Summary of Five Forces Analysis

Force	Highlights	Effect
F1 Intensity of Rivalry	Industry concentration shows slightly reduced rivalry, non price-based rivalry is most apparent, capacity utilization is normally at a reduced amount, buyer switching costs are tied in increased transportation costs	+
F2 Threat of Substitutes	Many substitutes, some substitutes more profitable than others, low switching costs between substitutes	-
F3 Supplier Bargaining Power	Large specialized equipment, park competition to have best attraction, number of suppliers decreasing due to large numbers of bankruptcies	-
F4 Buyer Bargaining Power	Tens of millions of buyers, very low buyer concentration, almost no threat of backwards integration	+
F5 Threat of Entry	High government regulations and licenses, Competitors will fight entry, steep learning curve, working at reduced capacity, high capital requirements	+

Overall Grade: 1+ industry

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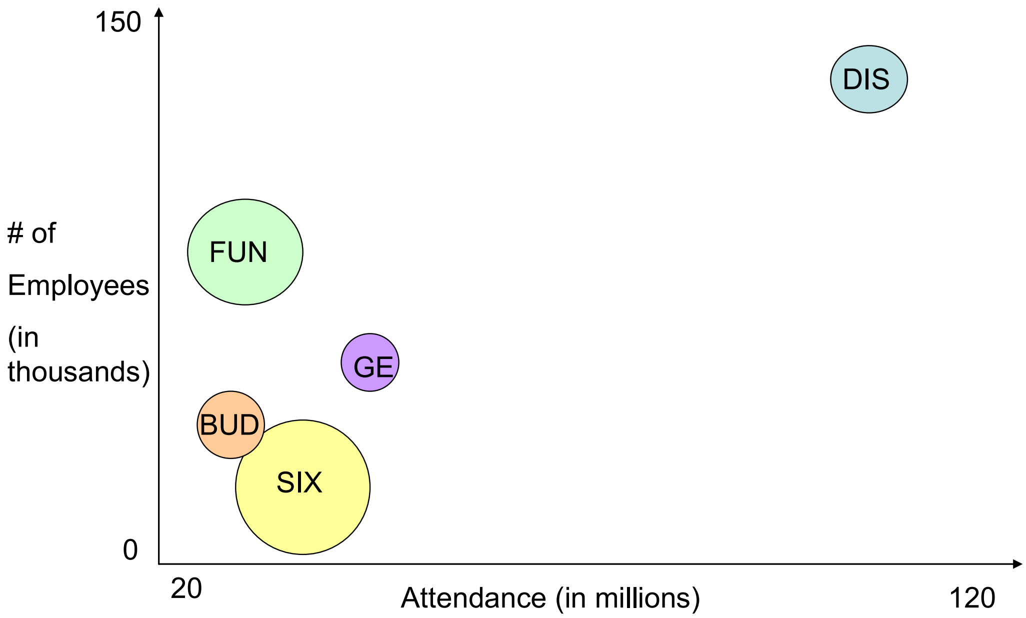
[34] http://www.saferparks.org/regulation/

Strategic Map

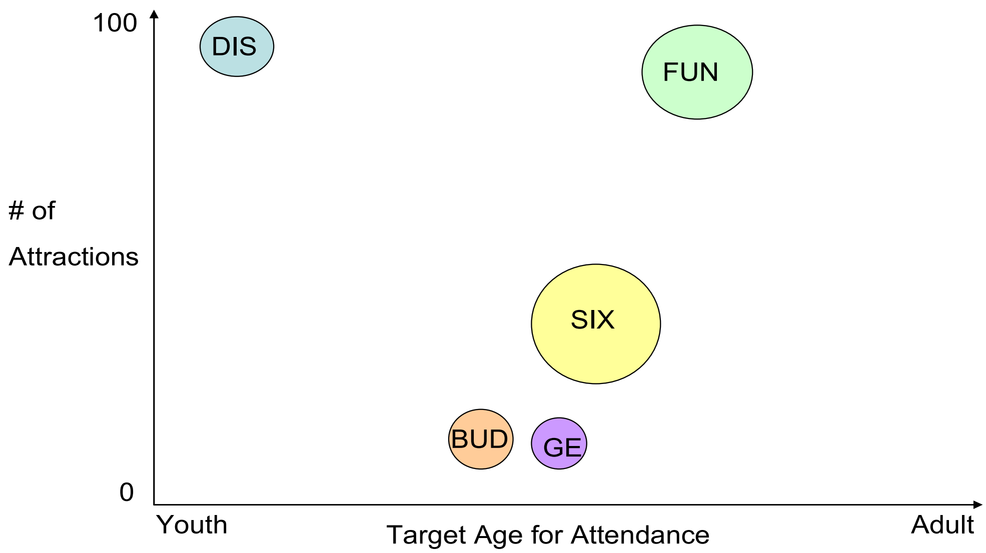
The following map locates competitors in the industry based on attendance vs. number of employees:



Size determined by number of parks owned.

The parks in the lower right aim to reduce their cost by reducing their employees, but this also lowers their attendance. Theme parks are about enjoyment and you can't enjoy yourself if everything is covered in trash, the bathrooms are dirty, and the rides are commonly broken or in poor working condition. In order to have everything clean and in good working condition a lot of employees are needed. Through these two aspects Disney sets itself apart by offering a more enjoyable experience that attracts far larger repeat crowds even though they operate fewer parks.

The following map locates competitors within the industry based on number of attractions vs. target age of attendance:



Size determined by number of parks owned.

Walt Disney stands out in the upper left by targeting the youth audience to their parks and offering a high volume of attractions for the public to experience. Cedar Point is on the other extreme by offering a high volume of attractions, but tailors their age range to the adult “thrill seekers.” They do this by having a number of their attraction ranked in the top 20 of roller coasters in the world. The group at the bottom has not been able to establish a clear niche within the industry based on a general approach to target age for attendance and also by not pouring enough capital into their parks to change their position within the established industry.