

White Paper

Consequences of COVID-19 on the expected attendance and admission income for the visitor attractions industry in The Netherlands

by: Mark Wijman and the staff of BVLE



Introduction

The global corona crisis is currently leaving deep marks on every part of society. There are travel restrictions, large-scale quarantines and "social distancing" will undoubtedly become the concept of the year. We have now reached the point where the question is no longer whether there is a recession but if we are on the forefront of an economic depression.

From this perspective, it is therefore a logical step to see what COVID-19, based on current insights and predictions, could mean for the visitor attractions industry.

In this document, BVLE specifically discuss the possible consequences in the field of expected attendances as well as admissions and per capita income for the two years after government restrictions are lifted and either a vaccine or a cure has been developed.

While this White Paper is obviously a snapshot, it does provide a clear answer to the question to what extent the industry's attendance (and associated income) are and still will be realistic given the current situation.



Current Predictions and Estimations

In recent weeks, various Dutch authorities have published their predictions for the Dutch economy after the corona crisis. Although the forecasts varies, they show a relatively similar picture: Shrinkage in 2020 and a subsequent growth in 2021.

For example, in its base scenario, Rabobank assumes a GDP growth of -5.0% in 2020 followed by a growth of 4.9% in 2021. ABN AMRO expects a slightly smaller impact, and predicts GDP growth of -3½ % in 2020 and 2½ % in 2021. ING projects GDP growth from -6.0 to -8.0 in 2020, followed by a “rapid recovery” in 2021, noting that “within such two years back the economy [may] be back to pre-corona level ”.

The Netherlands Bureau for Economic Policy Analysis has developed four scenarios, ranging from a best case in which GDP growth of -1.2% in 2020 and 3.5% in 2021 is predicted, to a worst case in which GDP growth of -7.3% in 2020 and -2.7% is forecasted in 2021. In the latter case Government restrictions are expected to take some 12 months, and impacts are expected to both in the National and international financial sectors.

Although the percentages differ in all scenarios (except one; the CPB worst case scenario), a brief but severe recession is assumed, followed by a quick recovery as soon as the year 2021. ING summarizes this sentiment well by stating that the corona crisis is leading to a “*deeper dip, but also faster recovery than during the Great Recession* ”.



Impact on Attendance

It is too early to make concrete projections and estimations of the expected impact of COVID-19 on the current attendance and admission income of visitor attractions. BVLE can, on the basis of past experiences, BVLE can, outline frameworks that give an indication of the expected consequences. BVLE base this on the consequences of the terrorist attacks on September 11, 2001, the 2008 economic crisis and more regional market disturbances of the recent past.

This white paper is intended as an interim document that provides the most accurate possible picture of the expected attendance and admissions income, based on current knowledge of market conditions for 2022 and beyond.

Because there has simply never been a similar crisis, all this remains an “educated guesstimate” based on the most comparable situations from the past. Only when more information becomes available about the economic impact of COVID-19 and the duration of the economic recovery can new estimations be drawn up on the basis of existing models for both attendance and admissions income.

The statements in this whitepaper are therefore in line with and partially based on the modelling developed by the major Dutch banks and the CPB. The expectation of a sharp contraction of the economy in 2020 (comparable to, but deeper than the 2008 recession) followed by a rapid recovery in 2021. A much faster recovery than the recovery following the situation in 2008.

BVLE therefore assume that the situation will stabilize no later than mid-2021 and while the aftermaths of the corona crisis will undoubtedly still be felt in society in 2022, it is important to note that BVLE expects that -according to current forecasts- the economic dip will be largely or even completely behind us by then. The following analyzes have been drawn up from this starting point.



In economically difficult times, BVLE sees that the demand for leisure and recreation is as great as ever, and possibly even greater than in prosperous times.

Although consumers need to make choices as to how their income is spend, it is often not a question of whether one should spend money on leisure entertainment, but on the type of destination. Strong mission and vision concepts, product offerings, as well as and a good level of likeability and compassion are bound to be the USP's in this situation.

In the past BVLE has identified that in economically difficult times many consumers choose to replace the second or third holiday (often a weekend break) with a considerably cheaper day trip in their own region or country : This means an opportunity for the leisure and entertainment industry. It should come as no surprise therefore, that the visitor attraction industry often is described as "recession-proof".

To get the best possible picture of the possible effects on attendance of visitor attractions, some historical attendance of theme parks from the period around September 11, 2001 and the economic crisis in 2008 are presented in this whitepaper. In order to give the most complete picture possible, the data is presented for parks located Worldwide and in North America (for 2001 and 2008) while for 2008 also the European data is added.

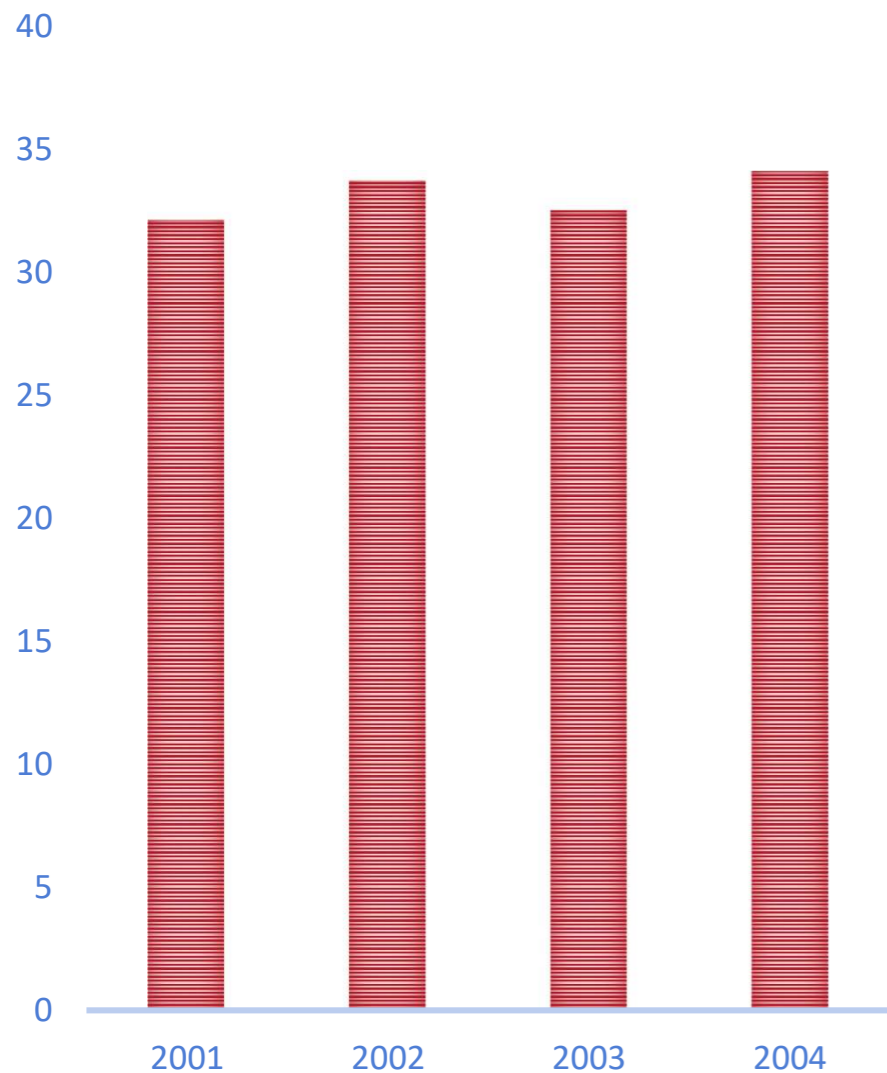
Experiences from the past



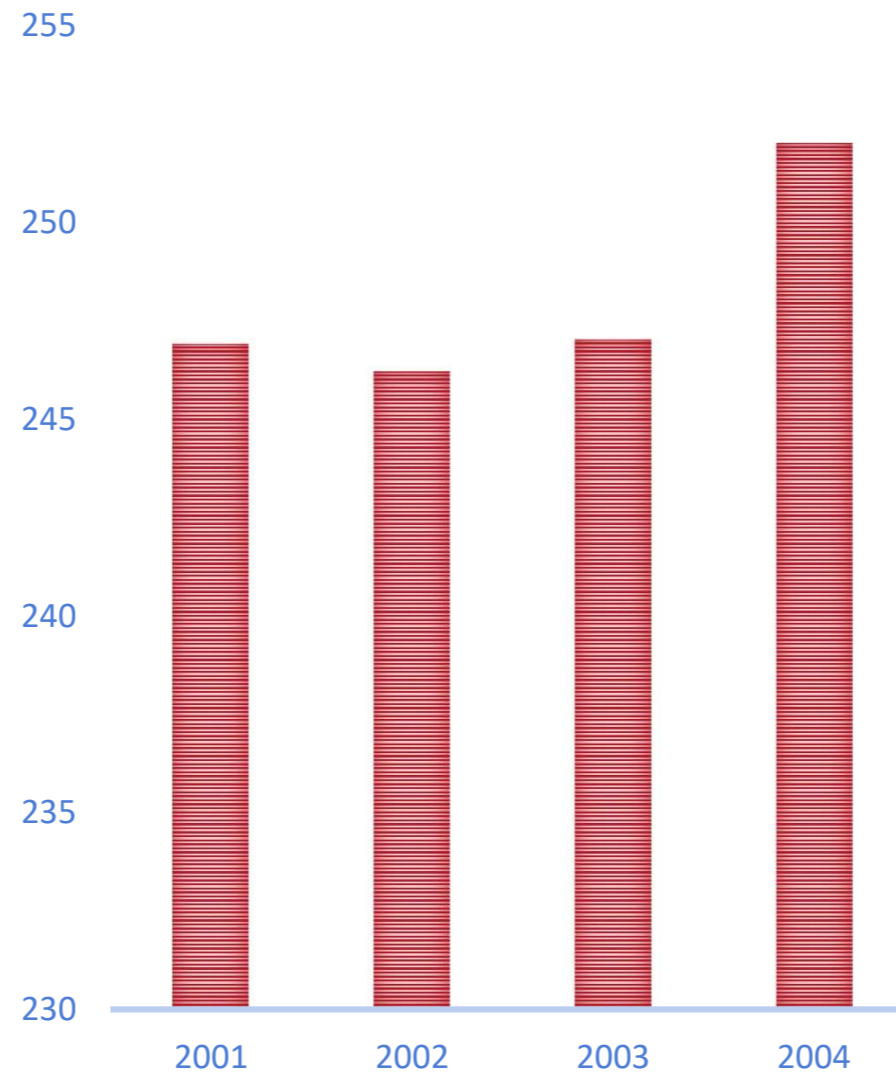
Theme Park Attendance

2001 – 2004 : Following the September 11 Terrorist Attacks

North American Theme Park Attendance in Millions



Worldwide Theme Park Attendance in Millions



In 2002 BVLE witnessed a limited reduction in the number of visits globally, on the other hand an ambitious increase in attendance at regional level was observed.

Despite the fact that there was a decline in the figures at regional level in 2003, BVLE again identified substantial growth in both segments in 2004. This manifestation is most likely supported by the typical industry investment strategy, where most attractions tend to install a major new attraction every other year.

This reinforces the interpretation that a choice will be made to look for leisure entertainment options closer to home after a term of ambivalence.

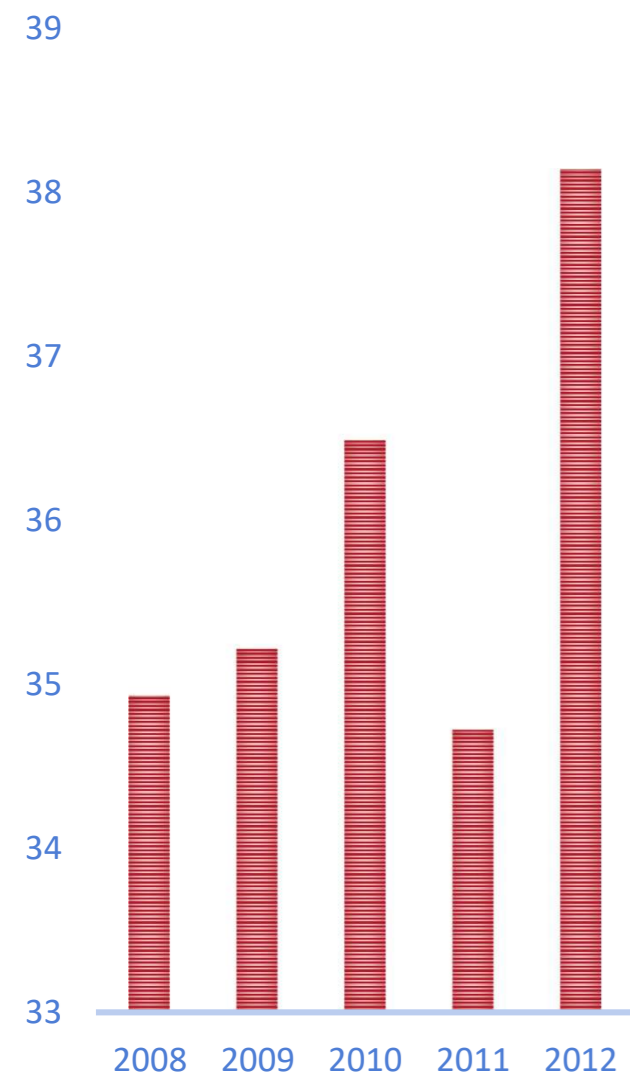




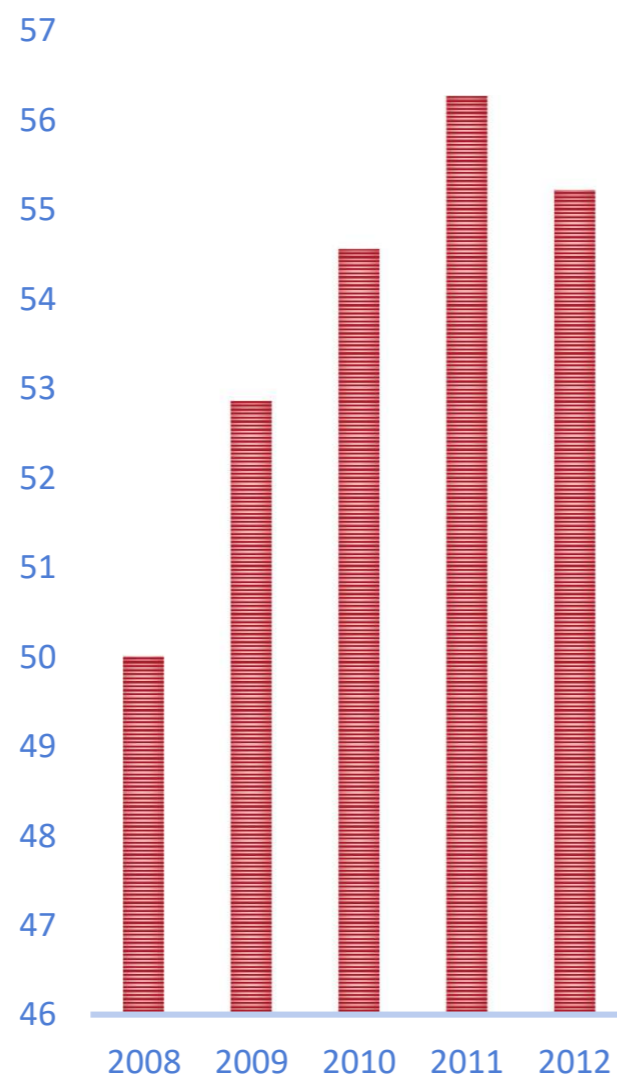
Theme Parks Attendance

2008 – 2012 : Following the Credit Crisis

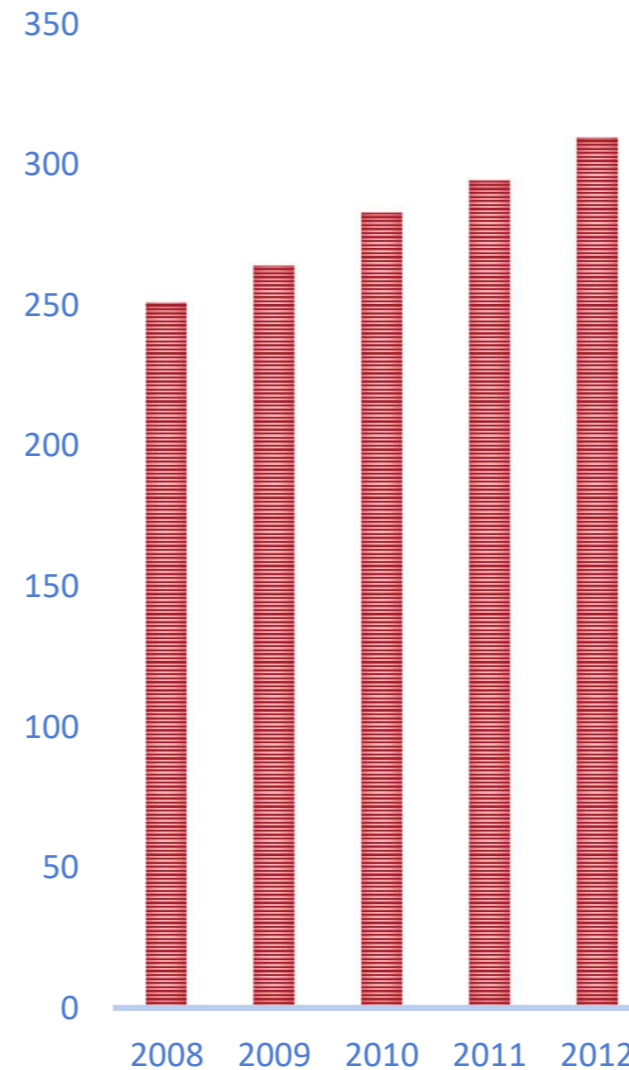
Regional North American Theme Park Attendance in Millions



European Theme Park Attendance in Millions



Worldwide Theme Park Attendance in Millions



BVLE have seen tremendous market growth in the above five years. Worldwide growth is realized of almost 60 million visitors or 23.6%. Within the Regional American Parks category, BVLE only sees a decline in 2011, followed by an increase in 2012 that offset the decline.

Overall, BVLE sees an increase of 3.2 million visitors or 8.4%. Regarding the European market, BVLE see an overall growth of 5.2 million visitors or 9.4%.

Taking the above into account, BVLE can conclude that visitor attractions continue to manifest themselves well after times of crisis and are rightly considered 'recession-proof' in that sense. After the economic crisis of 2008, the contraction of the market did not exceed 4.8%, while after the events of September 11, reductions of 3.6% can be observed.

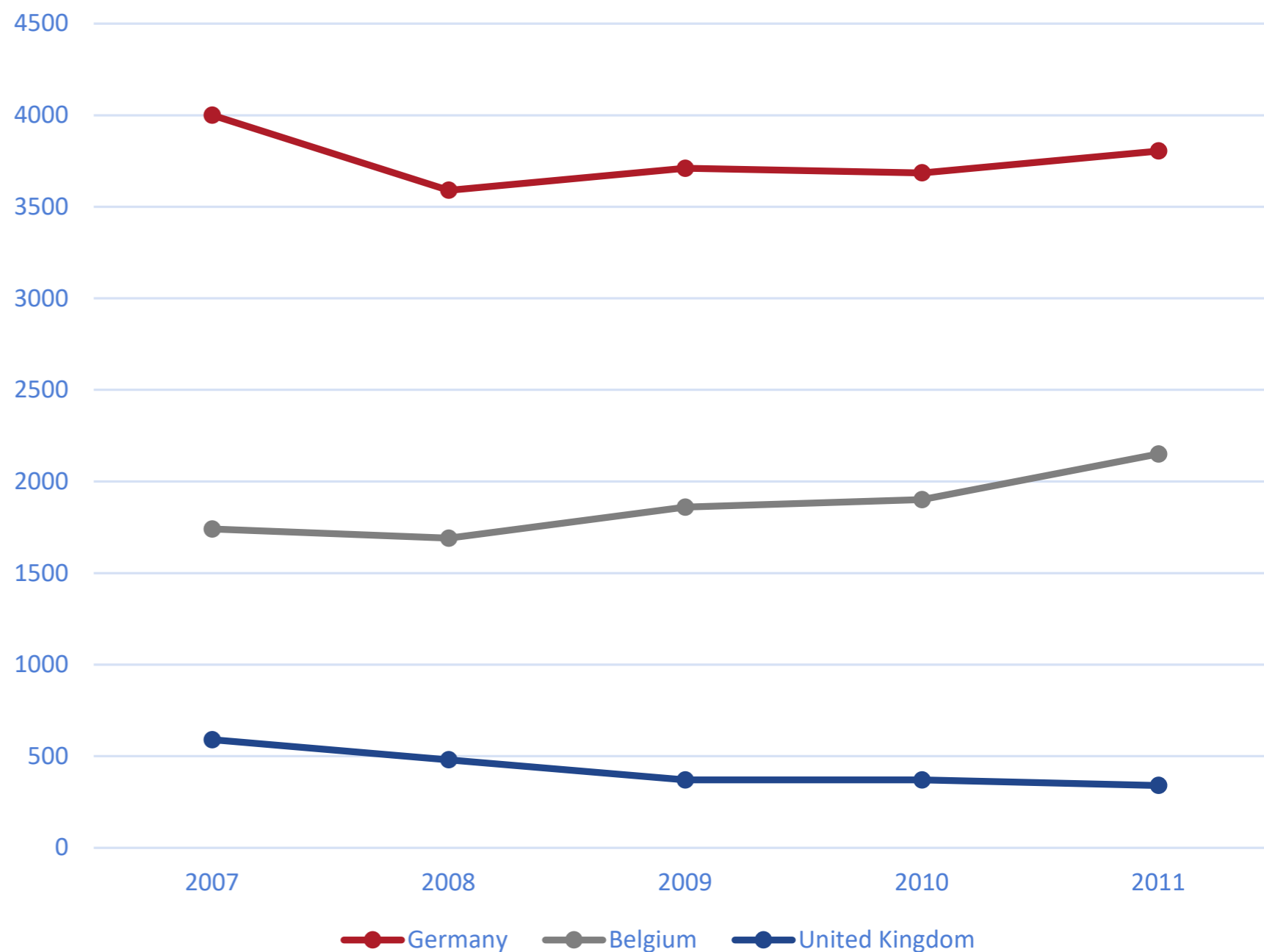
Note: The slight decrease in attendance to European parks in 2012, - the last year of this overview - , has been offset completely in 2013.

Inbound Tourism in The Netherlands

To estimate the impact of COVID-19 on inbound tourism in the Netherlands, BVLE again looks at historic data. The period 2008-2010 in particular offers valuable comparative material.

Looking at foreign guests in Dutch accommodation (a good indicator of inbound tourism) during the Great Recession, BVLE notes that the impact on inbound tourism during this period was less significant than one may expect (see graph on the right).

In 2008 and 2009 BVLE sees a decline in inbound tourism from foreign markets bordering The Netherlands. The adverse effect of the economic situation is particularly visible in the number of tourists visiting from the United Kingdom (-13.7% in 2008 and -14.0% in 2009). As soon as 2010, however, BVLE notices that the market either more or less flattens out, or starts to grow again, indicating a relatively brief decline in visitation.



Source: CBS, BVLE Research

Inbound Tourism in The Netherlands (Continued)

Indices of foreign guests in Dutch accommodation by country of origin, where 2007 equals 100.

	2007	2008	2009	2010	2011
Germany	100	94	97	101	105
United Kingdom	100	86	74	82	79
Belgium	100	101	106	115	123

Source: CBS, BVLE Research

The indices on the right give us a slightly different perspective on the same situation. Looking at the table BVLE can conclude that incoming tourism from most neighboring countries to The Netherlands had recovered in 2010 compared to 2007 (the year before the crisis) except for tourism arriving from the United Kingdom, in which case it took until the year 2015.

Based on the economic forecasts from the Netherlands Bureau for Economic Policy Analysis and the major Dutch banks, where it is currently expected that the economic dip will be deeper but less lasting than in 2008, BVLE can say that it is in line with the expected impact on tourism in 2020 and 2021 will be slightly stronger than in 2008 and 2009. In view of the expected shorter recovery period, it can be expected that inbound tourism from the majority of the neighboring countries will return to the level of 2019 by 2022.

These predictions omit the influence of COVID-19 on willingness to travel as there is no comparable case study for this in the selected markets. There is currently much speculation about the effects of the current crisis on the willingness to travel, and the possible consequences for long-distance journeys. Although it is still far too early to make statements about this, BVLE can look at other health crises from the past. A good example is the 2003 SARS epidemic, which had major consequences for tourism in Asia.

Looking at the effects of SARS on inbound tourism, a study from Taiwan shows that inbound tourism from Hong Kong and the United States recovered to its previous level almost immediately after the negative travel advice was withdrawn; there therefore hardly seems to be any anxiety that hindered travel. Inbound tourism from Japan, on the other hand, did have a longer recovery time. The latter is fully in line with the signals from the market, with experts pointing out that the Japanese are generally more sensitive to security situations. Most studies on the subject indicate that the impact of SARS on (inbound) tourism from affected countries was substantial and short-lived.

While the corona crisis has a very different scale from the SARS epidemic, the comparison certainly gives us an indication of the extent to which tourists are influenced by infectious diseases. For COVID-19, BVLE currently does not know whether the disease will still be active by 2022, but is hopeful of a vaccine by then. In addition, unlike SARS, this is a global pandemic that prevents tourists from simply avoiding a risky region; recreation in your own region or country basically has the same risks as recreation abroad.

“Visitor Attractions are recession proof: But what about spending?”

If BVLE looks at the admission fee development of theme parks in the years following the 2008 recession, it is observed that admission fees in this time-span still rose more strongly than inflation. In 2009, for example, Statistics Netherlands found that, despite the economic conditions, a visit to an amusement park in that year "had risen considerably in price".

Admission Fees and Guest Spending

Visitor Attractions are "recession proof". The demand for leisure entertainment continues to exist (and often even grows) in difficult economic times. But what about spending? In financially uncertain times, are potential guests still willing to pay for visitor attractions? Or are there also cutbacks in the leisure and entertainment industry? And if these cuts take place, will the visitor attractions industry be hit?

Source: CBS, BVLE Research

CVTO figures indicate that the average gate fees between 2008/2009 and 2012/2013 have increased by 9.6%

Year	Change in Admissions Fee	Inflation	Year	Increase in Admission Fee	Inflation
2001	8,0%	4,5%	2008	3,8%	2,5%
2002	7,3%	3,4%	2009	3,6%	1,2%
2003	8,5%	2,1%	2010	2,2%	1,3%
Cumulative	23,8%	10,0%	Cumulative	9,6%	5,0%

During the years of 2001-2003 the average admission price for theme parks in the Netherlands increased by 23.8% versus an inflation of 10.0%. In the years 2008-2010 this was 9.6% and 5.0% respectively. In both cases, the increase in admission prices for Dutch theme parks during times of recession was double that of inflation.

Naturally BVLE cannot forget that there is a difference between the advertised admission fees (the so-called rack rate) and the actually paid admission fees (the rack rate discounted with a yield percentage: in other words, realized average admission price). After all, not every guests pays full price, thanks to a variety of discounts and promotions.

BVLE notes that typically in times of recession, the number of discount promotions often (strongly) increases, in order to meet the increasing price awareness of consumers during these difficult times. As a result the difference between rack rate and realized average admission increases.

The average realized admission price is not measured by CBS, but falls within the parameters of the Continuous Leisure Research (CVTO) of NBTC-NIPO Research.

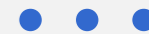
Taking into account that inflation was around 11% during the same time, BVLE concludes that even the actually paid entrance price will hardly be under any pressure during a recession.



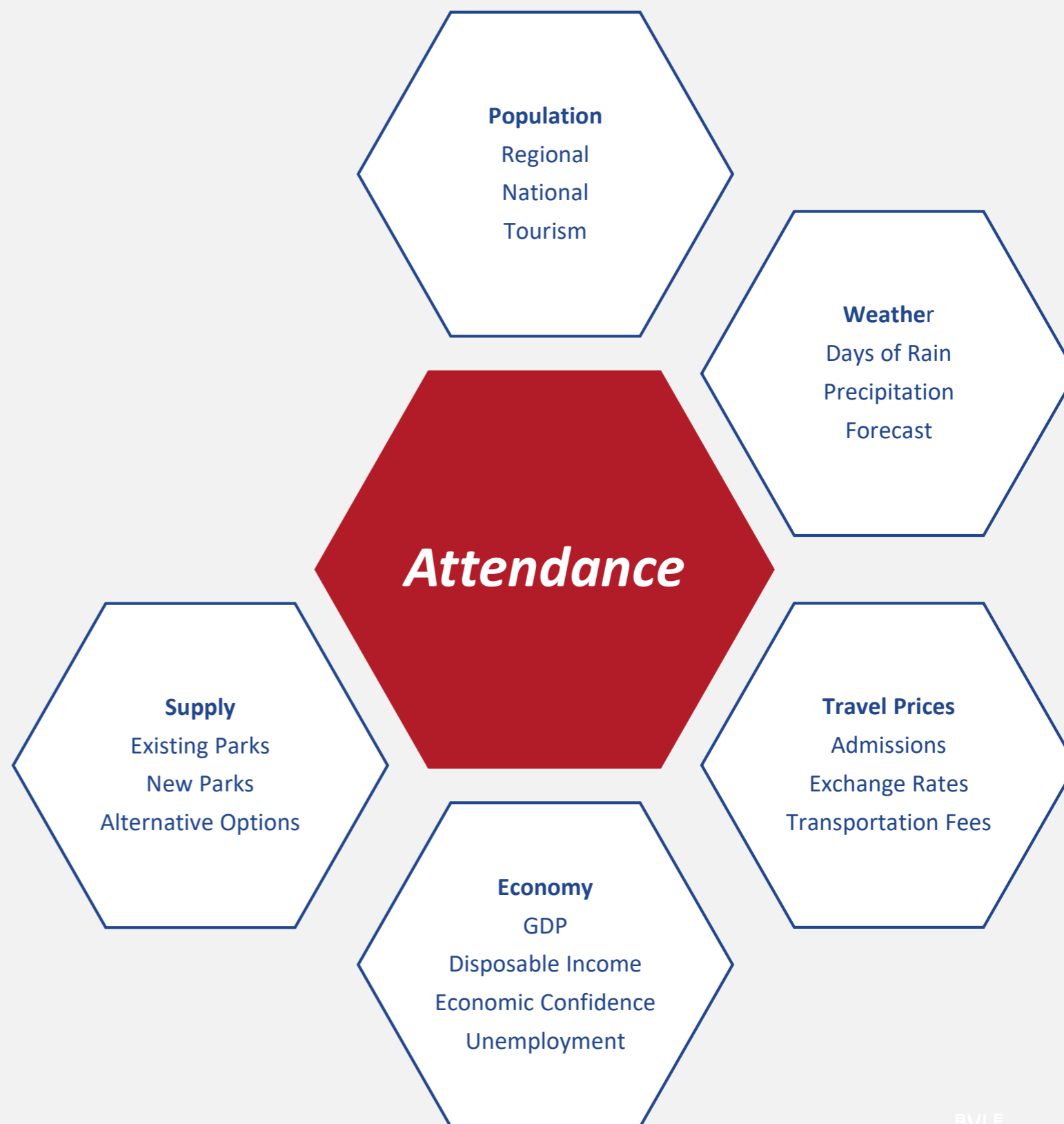
2001 - 2003

Average Admission Fee Increase





Factors Influencing Theme Park Attendance





Summary:

The robustness of theme parks during a recession is not just limited to visitor attendance, but also applies to admission prices as well as admission income and overall guest spending.

About BVLE

Business Ventures Leisure Entertainment (BVLE) is a leading international consulting firm focused on feasibility, strategic advisory and management in the visitor attraction field. BVLE offers the critical expertise to bring a project to a successful opening including market demand and feasibility analysis, master planning and design, attraction and vendor selection, pre-opening planning, management and strategic advisory.

For the past two decades BVLE has been at the forefront to assist new generation visitor attractions come to fruition, operate successfully and accomplish more than their goals.

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