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UK attractions sector / Amanda Jakes, PwC

Responding to increasing customer expectations in the UK attractions sector

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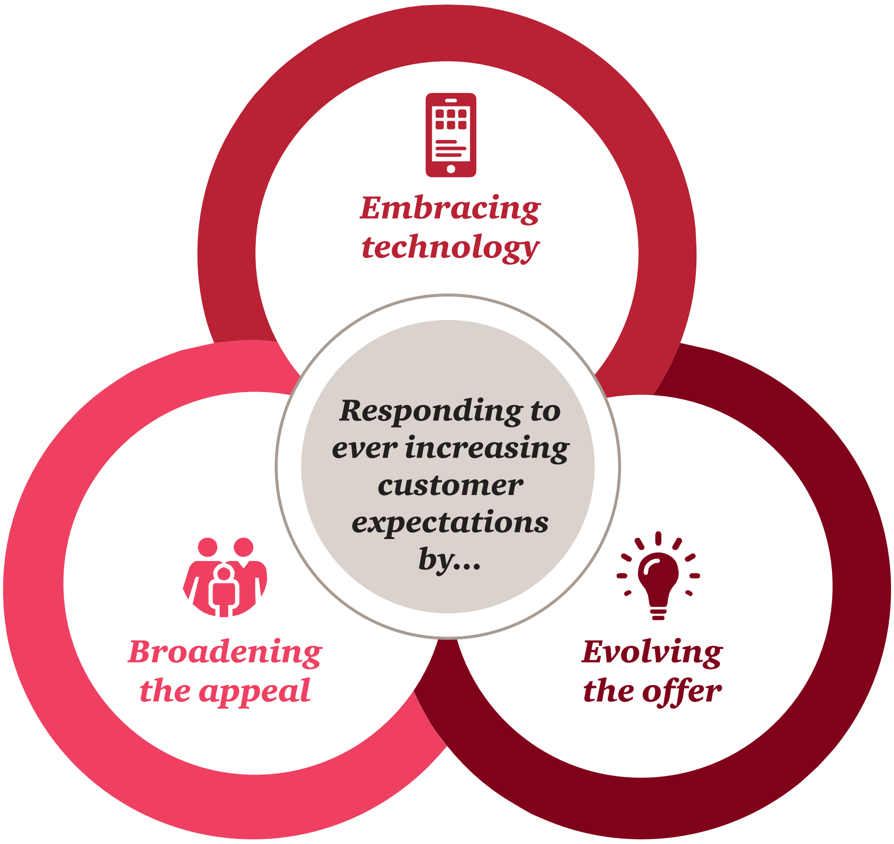
How is the UK attractions sector responding to more informed consumers with ever increasing expectations?

A recent PwC survey on consumer sentiment[1] indicates that whilst 25% of British consumers expect to be better off in 2017, some 26% expect to be worse off. Consumers are becoming more demanding and as household budgetary pressures grow on leisure spend, they are becoming more selective as to where they spend their cash.

Across the attractions sector, there are signs that customers increasingly want innovative, immersive and interactive experiences which provide value for money. In addition, they are more tech-savvy and with instant access to vast swathes of information at their fingertips, their expectations are rising.

These are interesting times for attraction owners and operators. How are they responding to these trends in order to drive admissions and create sustainable business models? Are they embracing technology? How are they proactively identifying and targeting new customer bases? How are they evolving the visitor experience?



We see three key inter-linking themes and through this short article, will explore each a bit further.

1 http://pwc.blogs.com/press_room/2017/01/consumer-sentiment-remains-positive-but-pressured-families-are-starting-to-feel-the-pinch.html

How are attractions embracing technology?

Technology permeates throughout all aspects of our everyday lives and increasingly we take this for granted.

However, one of the main challenges for attractions owners is deciding how best to embrace technology and ensure any investment is fit for purpose in a fast evolving sector. Latest research by Visit England (2015 data) indicates that around 93% of visitor attractions have websites but on average, only 29% have an online booking facility. This masks a range of take up rates across different types and sizes of attractions but even for larger, more commercial attractions such as theme parks, some three out of ten websites don't offer online booking.

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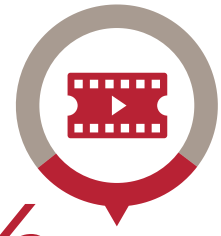

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Meeting expectations on customer experience is a key focus for any attraction and technology's role is increasing. Before a visit, guests are now spending more time online researching, planning and booking trips and ONS statistics indicate around 3 out of 4 adults access the internet 'on the go' (and 70% of this is done via mobile phones). The speed of page loading and number of pages also significantly influences bookings (retail research by Eventbrite suggests some 40% of shoppers abandon a transaction if the page takes longer than 3 seconds to load).

Technology also has a key role to play in enhancing the experience during a visit. Large theme park groups have adopted wearable technology and cashless systems (e.g. Disney MagicBand which encompasses entry ticket, fast pass, ride scheduling, dining, retail, hotel key and even parking). Others are using it to manage queues (e.g. Universal's new Tapu Tapu wristband for Volcano Bay which allows you to join a virtual queue). A number of attractions provide apps for guests to download and use throughout their visit (e.g. Tate Britain) or podcasts to supplement the experience (Bletchley Park). The most recent Theme Park Barometer research by Omnico highlights future trends such as use of robots as assistants and guides, electronic tattoos replacing tickets and smart mobility scooters.

Of course, the visitor experience doesn't finish when people physically leave the venue. Postings on social media are again part of everyday life for certain age groups with around 90% of all adults under 35 and over 50% of adults aged 35-64 using social media on a regular basis.

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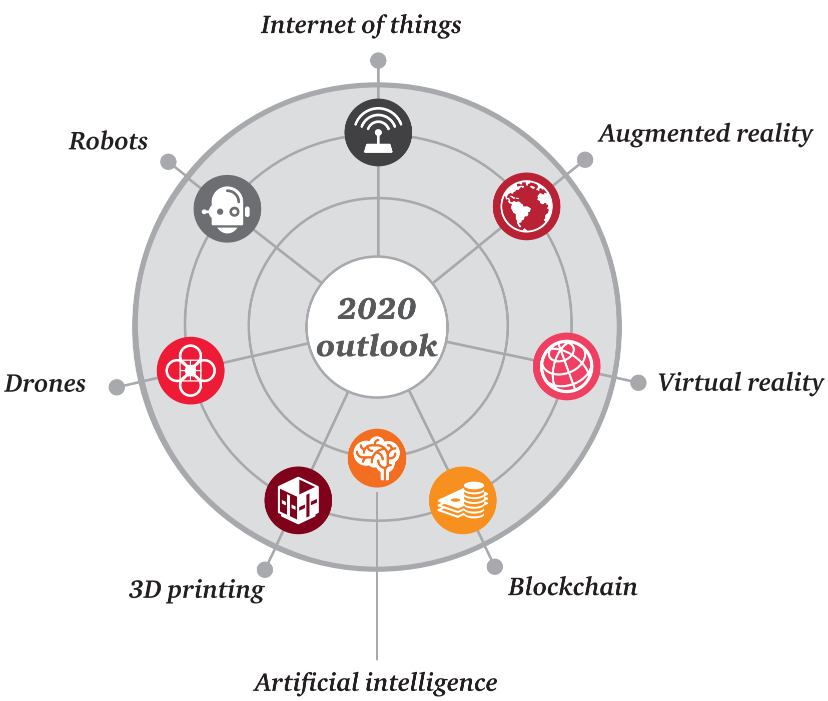
Another aspect is ***how technology is being incorporated into content, rides and experiences*** within attractions. For example, The National Trust has partnered with Panasonic to create more immersive experiences by bringing things to life through touch screens in some of its properties. 'Ride' technology has been prevalent in blockbuster roller coasters for years but we are also now seeing new adaptations across a range of other attractions, e.g. new Forbidden Forest at Warner Bros Studio Tour London and smaller attractions where technology is used to personalise an experience. Future trends may include using robots as entertainers and for shows or stunts.

One of the key trends is the introduction of ***virtual reality,*** which Merlin Entertainments has recently introduced at Thorpe Park with Derren Brown's Ghost Train and also at Madame Tussauds in New York. Industry research by Onmico revealed that globally, over 65% of guests want or expect virtual or augmented reality in theme parks within the next three years. These types of technology as well as variations such as mixed reality and extended reality, offer opportunities to create new experiences for guests and seek to develop new or existing partnerships in different ways (e.g. Universal and Nintendo). Indeed, we are already seeing virtual reality being more widely introduced across a number of more diverse sectors including healthcare, education and even retail.[2]

Furthermore, PwC forecasts consumer spend on the UK virtual reality sector will exceed £800m by 2021 reflecting annual growth of 76% over the five year period.[3]

Finally, ***technology has a role to play from a business/corporate viewpoint*** with PwC identifying the 'Essential Eight' emerging technologies for UK firms to focus on[4]. Almost regardless of the scale and nature of a business, technology has the ability to drive cost efficiencies throughout the business. It could even change the business model. It also offers valuable insight into existing customer preferences and habits, enabling the operator to tailor and personalise experiences and target specific groups.

The essential eight technologies



As ever though, there is a constant challenge between needing to invest in the product to drive admissions and investing in customer experience technology which is ever evolving and moving quickly. Prioritising spend and striking a balance between quantitative elements (footfall) and qualitative elements (guest satisfaction) is very important

However, it also brings challenges such as cost (initial implementation, staff training, on-going maintenance), consistency (e.g. confidence that the right platforms and technologies in place e.g. does mobile site look as good as tablet or laptop?), risk of things going wrong (e.g. all or key elements of an attraction breaking down) and security (risk of cyber fraud etc.).

2 http://pwc.blogs.com/industry_perspectives/2017/04/will-virtual-reality-mean-virtual-retail.html
3 PwC's 2017 UK Entertainment & Media Outlook
4 https://atpwc.co.uk/#/story/uk-leaders-increasing-investment-in-digital

How are attractions broadening their appeal?

.As existing attractions look to develop their offering, understanding project economics is key. How much will it cost to build or implement? How will this be funded? As visitor numbers grow or new markets are penetrated, how does the operating model change?

Successful attractions need to keep reinvesting to stay relevant. In addition, they need to encourage repeat visitors and broaden their offering to tap into new markets in order to grow the customer base. Against a backdrop of a more discerning guest who is looking for a memorable outing, many have chosen to address this by offering ***more immersive experiences*** whereas others are ***creating new partnerships*** which bring something different.

In many cases, attraction operators and owners are turning to the ***Creative Industries***[5] as part of their supply chain. This sector is estimated to be worth nearly £88bn to the UK economy and includes, amongst other things, intellectual property (IP) from film, TV and gaming, as well as actors and performers.

Use of IP

The majority of the larger theme and leisure parks across the UK now have license agreements or partnership arrangements with IP providers (e.g. Paultons Park/Peppa Pig, Drayton Manor/Thomas the Tank Engine, Blackpool Pleasure Beach/Nickelodeon, Alton Towers/CBeebies Land, Thorpe Park/Angry Birds (games)/Saw (film)/Celebrity Get me Out of Here! (TV), Merlin midway attractions/Shrek and more recently, Chessington/The Gruffalo). Aardman Animations (the creators behind Shaun the Sheep, Wallace and Gromit and Morph) have publicly stated their ambition to further expand their IP into more theme parks and the BBC are opening a themed attraction in China using BBC Earth and Top Gear IPs.
In November last year, Universal and Nintendo announced an arrangement that will see the characters, action and adventure of Nintendo video games brought to life within highly themed, innovative environments across Universal resorts.

New partnerships

In terms of broadening the appeal of an attraction, or ***tapping into new markets,*** there are a number of interesting initiatives. The National Trust has partnered with Sport England to promote physical activity in open spaces; this can take the form of formalised activities such as water sports or more informal, such as park runs. The 30th Go Ape in the UK opened at Chessington World of Adventures last summer and a number of attractions are reaching new audiences through TV documentaries (e.g. Chester Zoo). More immersive and personalised experiences are being developed too. Both Portsmouth and Chatham Dockyards have introduced ‘Escape Room’ experiences where guests have to solve problems within fixed time periods before being ‘locked in’.
At London Zoo, as well as a chance to sleep next to lions, there is an interactive adventure with guests helping forest rangers deal with a ‘lion-emergency’ and lend a hand to the veterinary team who come to the rescue.

So, attractions are broadening their appeal by directly investing in the product (i.e. incurring capital expenditure) but also through initiatives and partnerships which can be less capital intensive and easier to adapt to take advantage of changing trends.

5 http://www.pwc.co.uk/industries/entertainment-media/insights/imagi-nation.html

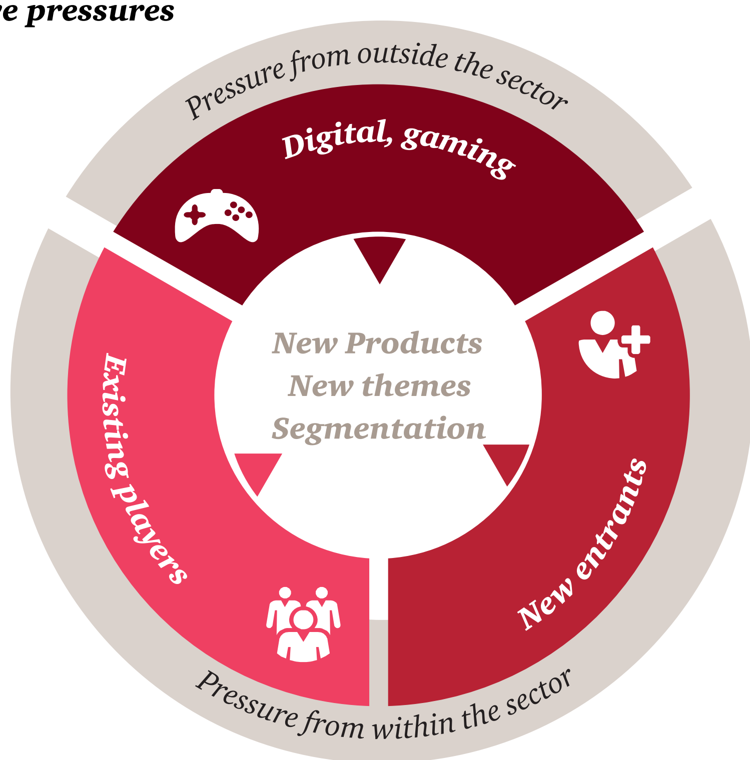
How are attractions evolving their offer?

One of the key competitors for attractions is in-home digital entertainment including gaming. This sector has seen rapid growth in recent years with 80% of UK adults watching an online TV/film service in 2015 and the video games market expected to see digital console game revenues (including online micro-transactions) grow at 11% to overtake the digital PC game sector in 2019[6].

As people spend more time on their digital devices, they seem to feel more closely connected to the content and ironically crave more live interaction and experiences. Over recent years this has supported wider trends in the music industry such as the major revival of tours and festivals, and video gaming/ e-sports – competitive computer gaming staged in front of live audiences – which as a sector is forecast to generate more than £1bn in global revenue and double its audience to 600 million by 2020 according to the BBC[7].
Of course, we've also seen evidence in the attractions sector with global theme park attendance rising by more than 5% in 2015[8].

So, attractions face a number of challenges relating to technology, a continued need to reinvest in enhancing the visitor experience and competition from a greater choice of in-home entertainment.

Competitive pressures



However, significant opportunities exist for attractions to offer authentic and unique experiences that can't be replicated elsewhere. As a result, existing attractions are facing ***increasing competition*** from within the sector as well as from new entrants.

A number of ***veteran attractions*** owners and operators with years of sector experience under their belts are ***introducing new products*** into the market; these are aimed at complementing their existing products but also offering something new or different. David Lloyd recently announced plans for a series of 'Adventure Parks' across the UK, with the first of 20 due to open later this year. The concept is a multi-activity centre encompassing zip wires, climbing walls and trampolines. Another experienced operator, Merlin Entertainments, has also recently submitted plans in Birmingham for a brand new addition to its midway portfolio, currently referred to as Project Thor. Both an indoor and outdoor attraction, it will incorporate skydiving and high ropes.

Commercial attractions also face increasing competition from the 'not for profit/ museums' sector who over recent years have had to become more commercially focused as public sector funding reduces. Many of these now offer ticketed temporary exhibitions and events, again increasing the choice for the consumer.

6 http://www.pwc.co.uk/industries/entertainment-media/insights/entertainment-media-outlook.html
7 http://www.bbc.co.uk/sport/39119995
8 http://www.teaconnect.org/images/files/TEA_160_611852_160525.pdf

Unsurprisingly there are a range of new entrants too, typically distinguished either by theme or by segmenting the target market. One new theme we are starting to see is 'Retailtainment' which is the blending of mainstream retail and entertainment experiences. Whilst common in the USA (e.g. Mall of America which has multiple rides and attractions alongside shops), this concept is relatively embryonic in the UK. However, that might be about to change given the recent joint initiative between Disney and Westfield with plans for themed attractions within shopping centres as well as a Star Wars fashion campaign. And there are other examples too of retail IP and attractions combining – of course LEGO has been doing this for years but new entrants are now emerging such as the Mattel Play! centre in Liverpool which opened last year.

The sector is also becoming more segmented by age with a more defined spectrum on offer. At one end of the spectrum, new experiences such as Kidzania are targeting the younger generations. The family market sits firmly in the middle and is actively being targeted by a new breed of indoor active entertainment centres; trampoline parks are one of the fastest growing leisure sub-sectors in the UK – they are already morphing into broader family entertainment centres with ninja courses and laser tag which provides new competition for some of the larger established indoor activity centres historically offering ski slopes, climbing and other high adrenaline activities. At the other end of the spectrum, there are more attractions focussing purely on the adult market.

These include, for example, the Bombay Sapphire Distillery in Hampshire (an attraction as opposed to just gin tasting) which won Gold in the VisitEngland Visitor Attraction Awards for Excellence 2016 and the rapid expansion of horror based pop up attractions around Halloween, many of which have age restrictions.

So, there are many issues, new technologies and competitive pressures facing the attractions sector. However, there are also real opportunities for those who can offer innovative, immersive and interactive experiences which are unique and which provide value for money. It will be interesting to see how individual attractions respond to more demanding consumers and how the sector evolves in the process.

Contacts

If you would like to discuss this article and wider trends in the market, or if you have something that you'd like to explore further with PwC, please contact Julie Clark or Amanda Jakes who will be happy to help.

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