



# Global Survey of Attractions and Covid-19:

## Disconnect between Operators and Landlords Q&A

**Can you give us a brief snapshot about the survey and the background behind it and the companies surveyed?**

I (Oliver Cully) originally conceived the idea for a survey in late March 2020 following questions from several clients as to how other companies in the sector are coping and impacted by Covid-19, as well as what others are doing to prepare for reopening. With many senior people focused on HR challenges including furloughing and redundancies and doing everything they can to mitigate losses, speaking to their counterparts at rival companies was not high on their list of priorities and also there was, indeed still is, such an atmosphere of uncertainty that many were holding their cards very close to their chests. I felt Scallywag Entertainments might be in a better position to reach out to companies via an anonymous survey to gauge the situation and opinions of the industry. In order to Globalize the survey and obtain suggestions and guidance from one of the industry's most experienced advisors, I reached out to Howard Samuels at Samuels and Company who quickly agreed to help out along with colleague Lanne Bennett.

37 companies which together own and operate 570 attractions across the globe were surveyed. They vary greatly from large global attraction companies with dozens of theme parks and indoor attractions, to single site FECs. 11 of the companies have allowed us to name them as participants and include recognised entertainment brands such as the UK's Puttshack (indoor golf FEC), Monopoly Dreams (Monopoly themed attraction) from Hong Kong, Andretti Karting from the USA, and some more local or traditional visitor experiences such as Shannon Heritage in Ireland (castles and museums) and Crystal Cave at Spring Valley in Wisconsin, USA.

**What are the key findings?**

The key finding identified is that there is a big disconnect between the duration of landlord's current rent relief measures, if they are offered at all, versus how long industry leaders believe it will take for business to recover. The survey results show that attraction leaders expect the industry recovery to take at least 1-2 years, whereas landlords' offers of support in the form of reduced rents,

are typically no more than 4 months. And more than one third of landlords have so far offered no rent relief at all. Another key finding as it relates to landlords was that most landlords are seeking to defer rather than cancel rents – this suggests that many attractions may find themselves having to engage in similar rent negotiations later this year.

Additionally, in the short term (next 6-9 months), most LBE's will have significant cash flow issues; realistically they will be lucky to achieve nominal revenues (25-50% - due to consumer confidence challenges to attend a long with meeting social distancing requirements); but will have much higher labor charges; and potentially little or no rent relief from landlords! Many LBE's, without deep pockets (like Disney/Universal), will be facing stiff headwinds to operate for the next year (until mid-2021); without landlord and/or government support.

Another area we looked at was virus prevention measures; a key finding of the survey is that nearly all attractions (just under 90%) will be requiring staff to wear facemasks with only some companies in the USA stating that they will not. Interestingly companies everywhere do not plan to be as stringent when it comes to mandatory mask-wearing for guests. From an experience of living in Asia however, we suspect that for attractions in this region, there will be few cases of guests not wearing them, at least for the next few months, and hence the need for mandatory mask-wearing for guests may not be needed.

**What was the general response in relation to Landlord Support and real estate rents from Attraction companies surveyed?**

We found that most companies are being offered between 3-4 months of rent relief (43% of the total), whilst some are receiving just 1-2 months (14%) but 36% are receiving nothing at all. Only 7% are being offered 5-6 months and no companies have said they are getting more than 6 months. Many of these rent relief measures are in the form of deferred or partial deferred rent, whilst some companies are benefiting from a real reduction in rents with 20% reporting 26-50% rent reduction and 20% reporting 51-75% reduction. Just over 10% are benefiting from a 76%+ reduction.



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**How are International Governments supporting the sector?**

We have found that most Governments are lending support in the form of delayed tax payments (64% have indicated this is the case) and low interest loans (more than 50%). In the US different States appear to be offering differing levels of tax support meaning only 8 out of 21 companies with a presence in the USA have indicated they are benefiting from deferred tax. Staff salary support appears to be exclusive to USA, UK and EU countries. No countries in the Asia region for instance have said they are benefiting from staff salaries being funded by their Governments.

**What is the overall impact on LBE Attractions and Customers?**

The impact on LBE Attractions and the industry more generally is already big, but we would say it is too early to say how big. In certain countries Governments are keeping many employees on the pay roll by funding their salaries directly, in the hope that when attractions re-open they will be needed. There are some encouraging signs in China, such as the successful reopening of Disney Shanghai that visitors will flock back to attractions (tickets for Disney Shanghai reportedly sold out for reopening albeit capped at 30% capacity), however the picture is by no means clear across the sector. We think it is likely there will be some significant consolidation in the sector these coming months and likely some casualties too – we just have to hope that most of the sector gets quickly back on its feet.

For customers – We think it is likely they will be looking closely at the news and using word of mouth and social media to investigate how safe attractions are to visit. Every attraction company we surveyed is implementing some form of safety measures with social distances being the most common at 90% with compulsory masks for staff closely behind. The key thing will be communicating to customers what measures are being put in place and why guests should feel safe visiting. A major outbreak of the virus linked back to a theme park or attraction might have negative ramifications on the sector as a whole, so it's essential that all companies take mitigation measures seriously to reduce the likelihood of this happening.

**How has Covid-19 affected Labour impact and Measures within the industry?**

The impact of Covid-19 is not surprising and extremely serious across the whole industry. At the time of the survey, nearly all the participants' attractions were closed apart from some in South Korea, one in France and those with attractions in mainland China that had recently reopened and some 78 new attractions projects

are on hold. From a staffing perspective therefore, we found that 32% of companies have made redundancies; what was more surprising to us was that 68% have not – yet. Many companies have opted for furloughing, voluntary and involuntary. It'll be interesting to see what will happen when Government schemes contributing or covering staff salaries end in the USA and European countries. We suspect, that even with many attractions starting to reopen, that we may be in for some significant job losses across the sector.

**What has been the response to Attraction Protocols and Measures?**

Most companies appear to be embracing protocol measures as an essential part of getting their businesses reopen and financially stable. In Asia there's little disagreement about the need for strong measures. The situation in some European countries and in the USA is more challenging though – and we have sympathy for people from those regions. Mask wearing and temperature checks etcetera are not in the culture in the way it is over here. It takes some getting used to – and masks are not necessary readily available everywhere. The scientific evidence does appear to be demonstrating that these measures are effective in containing Covid-19 though, so we expect these measures will become the norm in many countries but perhaps not all.

**What is the Short to Medium Term Outlook for Global LBE Attractions?**

In APAC, EMEA and North America, attraction companies will be focussed on the logistics of carefully reopening as well as the ongoing challenge of cost control with visitor level likely to sit between 10-50% of pre-Covid-19 for at least the next 2-3 months. For many attractions, their customer demographic will also change – according to the survey, the focus for the rest of this year will need to be on local visitation. For some attractions this is normal, but for many, where national and international tourists are the biggest source of visitation and revenue, this will be a big change. Marketing staff will need to quickly adjust their plans and adapt to the needs of locals and try to achieve repeat visitation.

As for the medium term, whilst many companies will be attempting some planning, what we are hearing regularly from the sector is that with such uncertainty, the best they can do is focus on the short term whilst putting in place sensible measures to manage further financial challenges that may come later this year. In the news we are already hearing reports of some of the larger companies issuing bonds or refinancing and many smaller companies are doing the same thing.