Operational Differences and Development Prospects of Chinese Theme Parks

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Abstract. In conjunction with the global economic recovery and the steady growth of the domestic economy, there has been a notable surge in leisure tourism demand, which has in turn driven the rise of China's theme park industry. International theme parks such as Universal Studios and Disney are popular choices, while domestic theme parks like Jinxiu Zhonghua also face market competition and challenges in revenue growth. The objective of this paper is to gain insights into the overall performance of China's theme park industry by analyzing the operational differences among various theme parks. Furthermore, future trends are predicted by comparing the financial performance and operational capabilities of different companies. The Chinese theme park industry has demonstrated considerable growth potential, with domestic operators such as Happy Valley and Fantawild exhibiting robust market competitiveness. To achieve long-term development, theme parks must implement effective cost control, optimize resource allocation, enhance visitor satisfaction, and prioritize the creation and utilization of local IP.

1 Introduction

As the global economy demonstrates signs of recovery, the domestic economy is also exhibiting gradual and steady development, accompanied by a corresponding increase in the consumption level of residents. Consequently, there has been a notable surge in the demand for leisure travel, which has contributed to the gradual emergence of China's theme park industry as a preferred destination for individuals of all age groups. It is evident that prominent theme parks such as Universal Studios and Disneyland have become a preferred choice for domestic travelers. The considerable expansion of China's theme park industry is contributing to the advancement of sustainable economic growth. Some prospective theme parks may benefit from emulating these successful models. Jinxiu Zhonghua in Shenzhen was the inaugural theme park in China, established in 1988. Nevertheless, it has since been surpassed by numerous other theme parks in terms of market competitiveness and revenue generation. This illustrates the existence of a multitude of operational variations between theme parks in China.

Few previous studies have analyzed the overall operation of the global theme park industry. Milman provides an overview and historical survey of the theme park industry, analyzing key concepts and phenomena. The research concludes that the continued growth

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of the global theme park industry is influenced by the quality and quantity of marketing and advertising campaigns, the development of new products and visitor experiences, and external variables beyond the control of the park [1].

Other studies tend to focus on specific parks, such as Disneyland, Happy Valley in China, etc. Groote used historical analysis and SWOT analysis to examine Disney's global theme parks. The research concludes that Disney has successfully globalized its business through diversification of products, services and market expansion, but that it also faces the threat of market saturation and foreign competition [2]. Similarly, there are two Disney parks in China, the first being in Hong Kong. In terms of operation, Shen et al. analyzed the PPP project of Hong Kong Disneyland through a case study and discussed the risk allocation and management of the park. The research ultimately found that the PPP model can effectively allocate and share risks between public and private partners, which has reference significance for public sector projects in other countries and regions [3]. However, there must be differences in the operating methods between the Disney parks in Shanghai, China and those in Hong Kong, China, which will also lead to differences in the final revenues of the two parks. Therefore, Wang compared the operating conditions of Hong Kong Disneyland and Shanghai Disneyland, using the knowledge of microeconomics and macroeconomics for analysis. The study concluded that Hong Kong Disneyland's losses were mainly due to high wages and high total costs, while Shanghai Disneyland was profitable [4].

In addition to such international theme parks, the operation model of China's local theme parks is also worth mentioning. Guo analyzed the spatial layout, theme types, investment and development status of theme parks in Wuhan, and identified the existing operational problems. The study proposed specific strategies for the development of theme parks in Wuhan, including building local brands, innovative product design and optimizing geographical location selection [5]. In addition, the analysis of visitor flow can also provide a reference for the management and marketing of theme parks. Liang et al. selected the data of Shenzhen OCT theme parks (including Shenzhen Happy Valley, Window of the World and Splendid China) from 2002 to 2008, analyzed the seasonal flow of tourists in the peak season of the theme parks and its influencing factors by using the diurnal variation index. The research found that different types of theme parks due to different market structure and climate indicators, Golden Week tourist flow fluctuations have obvious differences [6].

In addition to external factors, the various attractions and projects within the theme park also have an impact on the overall operational performance of the park. In order to assess the operational efficiency of 15 attractions at Samsung Everland in South Korea, Kim and Kim employed the use of data envelopment analysis (DEA). The research indicated that roller-coaster attractions exhibited lower efficiency levels, whereas those featuring rotational attractions demonstrated superior efficiency [7]. Lillestol et al. conducted a content analysis of mass media articles about the two major theme park operators in the United States as a case study. The study revealed that theme parks employ competitive strategies, including value, uniqueness, market segmentation, and quality, while also identifying currency and convenience as additional advantageous management and promotion mechanisms [8]. Similarly, Milman surveyed 122 general managers representing theme parks and attractions in North America, utilizing a self-administered questionnaire to collect the requisite data. The research findings indicate that economic forces, staffing, and demographic shifts are the primary factors influencing the future trajectory of the theme park industry. Consumers tend to seek experiences that offer opportunities for interaction, fantasy, and the exploration of mysteries. The future viability of the industry is contingent upon its economic impact and the quality of its services [9]. It is evident that the operational impact of the aforementioned theme parks is influenced by the emotional responses of tourists. Through empirical investigation, Bigne et al. employed a structural equation model (SEM) to examine the influence of theme park visitors' emotional states on their satisfaction and behavioral intentions. The findings indicate that the dimensions of pleasure and arousal in tourists' emotions have a notable impact on satisfaction, with pleasure exerting a direct and indirect influence on loyalty [10].

Previous studies have largely concentrated on the operations of specific theme parks, with few cases available for comparison and analysis of the broader theme park industry in China. By examining the operational differences between various domestic theme parks, it can gain insights into the overall performance of the domestic theme park industry and anticipate future developments.

2 An examination of the current development status of theme parks in China

From an operational standpoint, China's theme parks are experiencing growth in both total revenue and visitor numbers. In 2023, the aggregate revenue of 80 theme parks on the Chinese mainland reached 15.36 billion yuan, representing a 15.29 percent increase from the previous year. These figures reflect the robust demand among Chinese consumers for theme park entertainment and the enhancement of their purchasing power.

From a geographical standpoint, the distribution of theme parks in China is relatively dispersed, although there is a discernible trend towards centralization. As evidenced by the data released by ACEOM and Themed Entertainment Association (TEA), two of the seven theme parks on the list are situated in Guangdong Province, and all are located within the Guangdong-Hong Kong-Macao Greater Bay Area. This indicates a tendency towards centralization.

In terms of market dynamics, the Chinese theme park industry has not only returned to its pre-epidemic levels but has also achieved record highs in certain areas. To illustrate, the Shanghai International Resort recorded 6.3 million visitors in the initial three-month period of this year, representing a historical high for the period. Additionally, the tourism revenue surpassed 4 billion yuan, exhibiting a 116% increase compared to the previous year. As indicated in the 2023 Global Theme Park and Museum Report, jointly released by AECOM and TEA, seven of the top 25 theme parks globally in terms of overall visitor attendance are located in China. Furthermore, the number of tourists has increased significantly in comparison to 2022.

Additionally, technology plays a significant role in maintaining the status quo of theme parks in China. An increasing number of theme parks are employing digital and augmented reality (AR)/virtual reality (VR) technologies to augment the visitor experience. These technologies not only enhance the interactive and immersive nature of the rides, but also facilitate the instantaneous sharing of experiences via social media, thereby attracting a larger demographic of younger consumers.

Furthermore, Chinese theme parks are enhancing their appeal and market competitiveness by incorporating domestic intellectual property (IP). For example, domestic brands such as Huaqiang Fangte, Happy Valley, and Haichang Ocean Park continue to launch new projects themed on local culture and characteristics, which effectively increase the return rate of tourists and promote the continued development of the brand.

3 The differences analysis based on the financial perspective

The financial performance of a company can be evaluated in terms of profitability and solvency. By examining the financial data of domestic theme park companies such as OCT Group, Songcheng Performing Arts, and Fangte Culture, it is possible to gain insight into the financial characteristics of different companies.

3.1 Profitability

In terms of profitability, OCT Shenzhen in South China functions as a comprehensive cultural tourism and real estate development company. Despite the considerable revenue generated from its diverse business portfolio, which encompasses real estate, cultural tourism, and entertainment facilities, the company's operating income remains relatively modest [11]. The company's overall operating costs are high, resulting in relatively low net profit margins.

In contrast, the business of Songcheng Performing Arts is primarily engaged in the provision of cultural performances, delivered in the offline format. The profitability of the company is significantly influenced by fluctuations in market demand and external factors, such as the impact of epidemics. Despite recent growth in its online business, Songcheng's overall profitability remains comparatively low in comparison to OCT.

Even though the total revenue of Fangte Culture falls between the two, 2023 benefited from the recovery and enhanced growth of the theme park operation business, as well as the increase in digital animation revenue, particularly the increase in box office revenue for major films in the Bear series, resulting in a higher net profit margin. This illustrates the company's robust capabilities and promising trajectory in the domains of cultural technology and digital animation (Table 1).

Table 1. Total annual revenue and profit for 2023

Company	Total Revenue (Billion Yuan)	Net Profit (Billion Yuan)	Net Profit Margin (%)	Gross Profit Margin （%）
OCT Group	557.22	-64.92	-15.13	18.97
Songcheng Performance	19.62	-1.10	-5.64	66.35
Fantawild	66.69	8.01	13.98	50.93

3.2 Debt Paying Ability

Solvency is defined as the ability of a company to cope with debt stress. As illustrated in the figure, Songcheng Performing Arts is the sole company with a quick ratio exceeding 1, exhibiting a comparatively lower debt burden with a debt ratio of approximately 15%. However, its current ratio reaches 4, signifying robust short-term solvency and minimal financial risk. Nevertheless, the efficiency of capital utilization remains suboptimal. Conversely, OCT is experiencing considerable debt repayment pressure, with an asset-liability ratio of 76% and a quick ratio of only 0.5. This indicates that the company is facing significant debt repayment pressure in the near term and must adopt a prudent approach to managing liquidity risks. It is evident that Huaqiang Fangte exhibits markedly inferior current and quick ratios relative to its competitors, indicative of a deficiency in its capacity to meet debt obligations (Table 2).

Table 2. Debt, Current and Quick Ratio for 2023

Company	Debt Ratio(%)	Current Ratio	Quick Ratio
OCT Group	76.81	1.613	0.576
Songcheng Performance	15.43	4.662	4.650
Fantawild	55.86	0.31	0.25

3.3 Operational Capacity

As evidenced by the data presented in the table, the turnover rate of accounts receivable for the OCT Group is relatively low, suggesting that the recovery speed of accounts is slow. Furthermore, the inventory turnover rate and the current assets turnover rate are also low, indicating that the inventory is unsalable and that the asset utilization efficiency is not high. While the accounts receivable turnover rate for Songcheng Performance is notably high, indicating a robust collection efficiency, the inventory turnover rate is also elevated, suggesting favorable commodity liquidity.

Table 3. Assets and Turnover Ratio for 2023

Company	Turnover of Account Receivable	Inventory Turnover Ratio	Current Asset Turnover	Total Assets Turnover
OCT Group	59.43	0.241	0.195	0.146
Songcheng Performance	636.9	64.78	0.73	0.209
Fantawild	10.70	7.95	5.32	0.25

However, the turnover rate for total assets is comparatively low, indicating that the company's operating efficiency remains suboptimal. The turnover rate of Fantawild is intermediate among the three, and the turnover rates of accounts receivable and inventory demonstrate favorable performance, reflecting enhanced collection velocity and inventory liquidity. Additionally, the turnover ratio of current assets and total assets illustrates the elevated efficiency of asset utilization (Table 3).

3.4 Development Ability

As evidenced by the data presented in the table, while the growth rate of OCT Group's operating income exhibits a negative trend, this may be indicative of the company's encounter with market-related challenges or a decline in sales. However, the capital preservation and appreciation rate reaches as high as 98.6%, suggesting that the capital remains relatively preserved. The operating profit growth rate of 44.66% suggests that the company has the potential to achieve profit growth through effective cost control or other operational activities. Songcheng Performance exhibited robust growth, with an operating revenue growth rate of 320.76% and an operating profit growth rate of 160.66%. This indicates that the company has demonstrated both expansionary and profitable performance. The rate of capital preservation and appreciation is slightly lower than that of the OCT Group, yet it remains at a high level. Both Fantawild's operating revenue and operating profit growth rates were positive, indicating the company's robust development. The rate of capital preservation and appreciation exceeds 100%, indicating that the company has not only preserved its capital but also achieved value appreciation.

Table 4. Growth Rates and Capital Accumulation for 2023

Company	Revenue Growth rate (%)	Rate of Capital Accumulation(%)	Operating Profit Growth Rate (%)
OCT Group	-27.39	98.6	44.66
Songchen Performance	320.76	96.99	160.66
Fantawild	31.94	108	47.00

In general, Songcheng Performance has demonstrated the most robust growth, Fantawild has exhibited a consistent and favorable trajectory, and OCT Group has sustained profitability despite a decline in revenue, indicating robust market adaptability and internal management efficiency.

4 Suggestions and Prospects

For each company to achieve long-term development and stable profits, it is essential to formulate strategies that align with its specific circumstances. The following recommendations are proposed for the prospective evolution of theme parks in China:

It is essential to implement effective cost control measures to ensure the financial stability of the enterprise. For a company such as the OCT Group, despite its considerable revenue, high losses indicate the necessity of implementing measures to enhance cost control and operational efficiency, optimize resource allocation, and reduce unnecessary expenses, including labor costs.

Improved liquidity and liability management are crucial for the long-term stability and profitability of any business. For companies such as Fonte, despite their robust profitability, elevated debt ratios and diminished liquidity ratios necessitate routine monitoring to fortify financial resilience.

Songcheng Entertainment, for instance, may continue to capitalize on its strengths in market expansion and cash management to increase investment in new projects and markets, thereby maintaining high growth momentum. For all Chinese theme parks, the creation of localized IP represents a crucial step in advancing the potential of domestic theme park development.

It is of the utmost importance to guarantee visitor satisfaction. In addition to the company's own financial situation, visitor satisfaction is of equal importance. The brand experience and the memory of it have a significant impact on tourists' satisfaction and their willingness to revisit. Theme parks should prioritize the provision of premium brand experiences to optimize visitor satisfaction and foster brand loyalty [13]. To illustrate, Shanghai Disney focused its marketing efforts on the primary target market of female groups. For example, the introduction of the new IP character LinaBell and the implementation of themed events on International Women's Day have proven to be effective strategies, resulting in an enhanced visitor experience [14].

In the future, China's theme park market currently occupies the second position in the global ranking and is expected to continue its expansion. Notwithstanding formidable competitive pressure from leading international operators such as Universal Studios and Disney, local operators such as Happy Valley and Fonte continue to demonstrate robust performance and are anticipated to sustain their market share. It is projected that local theme parks will continue to account for 70-75% of visitors by 2025 [12]. China's theme park industry has considerable potential for future growth.

5 Conclusion

This study examines the operational distinctions between various theme parks in China, with a particular emphasis on their financial performance and market dynamics. Furthermore, the study examines the potential for growth and development of Chinese theme parks, offering insights and recommendations for their future expansion.

The research demonstrates that while international brands such as Disney and Universal Studios maintain a robust presence in China, local theme parks such as Huaqiang Fangte and Happy Valley are experiencing a surge in popularity, exhibiting robust financial performance and pioneering approaches. Furthermore, the study underscores the significance of incorporating local cultural elements to enhance visitor engagement and satisfaction. The integration of technology, particularly augmented reality (AR) and virtual reality (VR), has been identified as a key factor in enhancing the visitor experience and facilitating social media sharing, thereby attracting a younger demographic.

In the future, the theme park industry in China is anticipated to experience substantial growth, with local operators poised to retain a considerable market share. The research indicates that to maintain success, theme parks must continue to innovate, prioritize cost-effective operations, enhance the visitor experience through technology, and develop robust local intellectual property. The findings emphasize the necessity of aligning strategic initiatives with the cultural preferences and technological expectations of an evolving Chinese consumer base. As the industry matures, an approach that combines global best practices with local realities is essential for theme parks to thrive in a highly competitive environment.

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