

INFLUENCE OF WATER PARKS ON EUROPEAN HOLIDAY RESORTS

TIJN ROOVERS 2023



Introduction

The following information brochure, presents the most relevant findings and recommendations from my research thesis about the influence of water parks on the business of European holiday resorts. The research thesis and this brochure are the end results of a graduation assignment commissioned by leisure consultant TDAC.

TDAC has indicated that there is an increasing amount of European holiday resorts that invest in the development of a water park. TDAC assumes that water parks can have a significant positive effect on the business of European holiday resorts. Nevertheless, there is only limited common industry knowledge about the role of water parks within the business model and strategy of European holiday resorts. As multiple involved stakeholders such as investors, operators, and suppliers can benefit from this specific knowledge, this brochure functions as information source to share within the leisure and tourism industry.





Investment opportunity for holiday resorts

Based on the main conclusion of the research it can be stated that the development of a water park is a great investment opportunity for European holiday resorts to create additional product value.

The investment in a water park directly increases the asset value and product value of a holiday resort. In the long-term this investment eventually results in a higher financial return.

A water park causes a variety of positive economic influences on the business model and strategy of holiday resorts such as positive effects on essential key performance indicators. These positive effects can result in a consolidation of the financial position of a holiday resort which strengthens the long-term feasibility.

In the end, it is recommended for European holiday resorts to invest in a water park to create additional product value which results in significant positive effects for their general strategy and business model.

Influence on Key performance factors

A water park investment has a significant positive influence on the following key performance indicators of holiday resorts.

Occupancy rate: water parks have a significant positive influence on the occupancy rates of holiday resorts, nevertheless, is this effect relatively bigger for indoor water parks than for outdoor parks.

Average length of stay: A water park increases the amount of entertainment value, resulting in a longer average length of stay. On top of this, a longer average length of stay also increases the catchment area of for the international tourism market.

Spending per capita: A longer average length of stay stimulates the strategy to spend as much time as possible at the property of the resort, resulting in a higher spending per capita.

Additional revenue streams: A water park also offers the possibility to generate additional revenue streams from day visitors who also have a higher spending per capita.

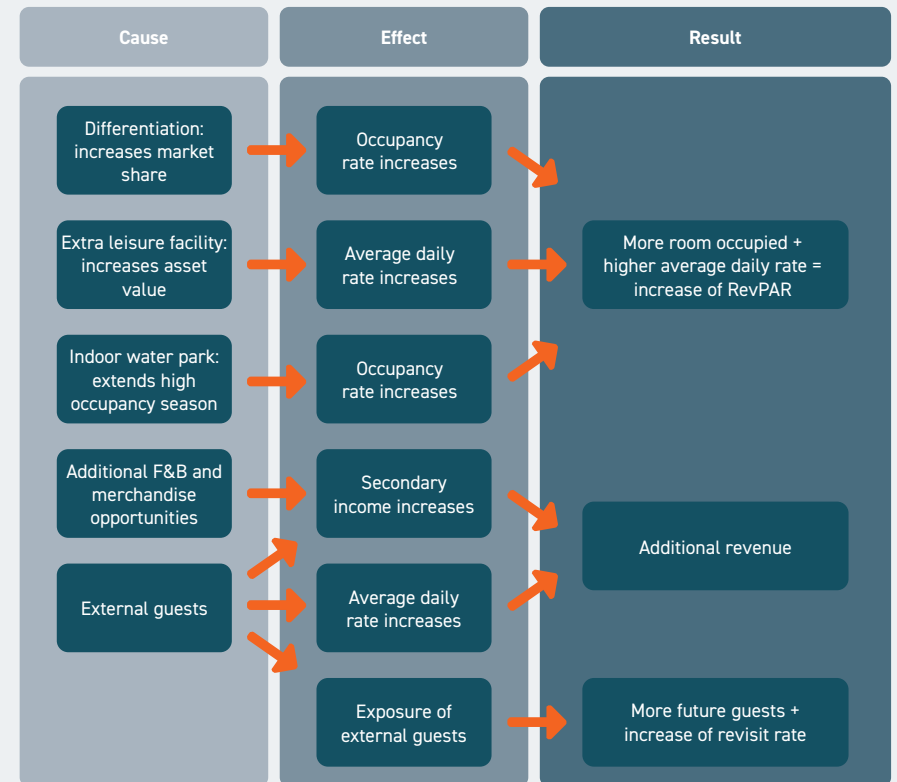
ADR & RevPAR

ADR & RevPAR: water parks a positive effect on the average daily rate of holiday resort. This higher average daily rate in combination with an increased occupancy rate results in a significant growth of the revenue per available room.

Revisit intention rate: Lastly, a water park significantly increases the revisit intention rate of a holiday resort which eventually leads to a higher occupancy rate in the future.

Causes, effects and results model

The following model visualizes the influences of a water park investment on the key performance indicators of a holiday resort.



(Laucirka, 2022)

Influence on strategy and business model

To indicate the general business model of European holiday resorts, there is defined a business model canvas that functions as a rough benchmark. The investment strategy behind this business model is focused on generating income from exploitation as well as increasing asset value. For owners, holiday resorts function as a long-term investment in real estate property to generate cash flow and increase capital growth.

Strategy

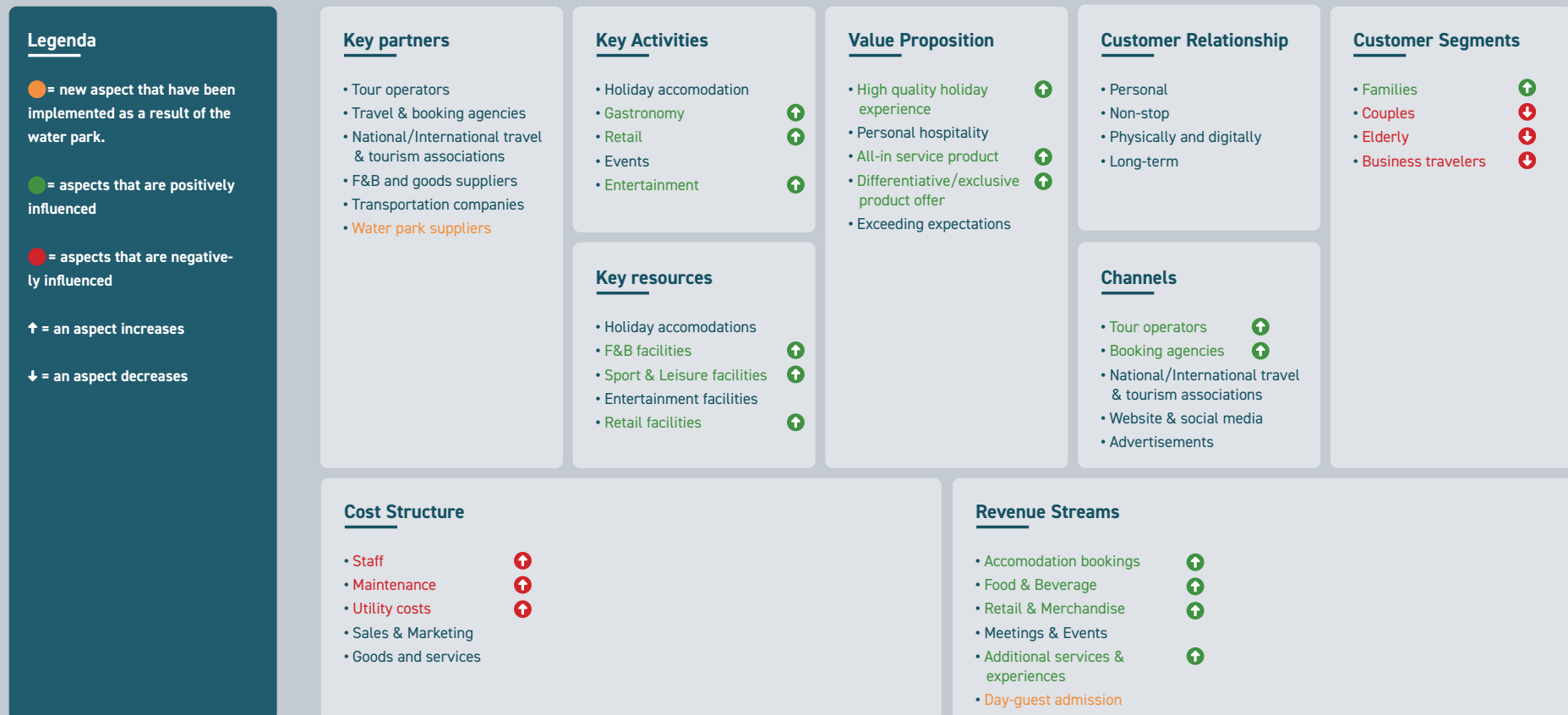
The business strategy of a water park investment is to achieve a positive financial return on its capital expenditure. Because it takes a relatively high capital expenditure to develop a water park, it takes a longer period to get a positive financial return. On the other hand results the capital expenditure in a direct increase of the asset value of the resort. Next to the capital expenditure, a water park also contains high operational expenses. Due to high operational costs regarding energy, safety, staffing, and maintenance, a water park is considered a high-cost attraction that significantly increases the operational expenditures of a holiday resort. Nonetheless a resort can spread its overhead costs enabling the OpEx to stay financially feasible for the business model. Despite a relatively high CapEx and OpEx, water parks are still considered on the long-term as a profitable investment.

Business model

The presented business model canvas visualizes the impact that a water park has on the general business model of European holiday resorts.

The investment in a water park significantly influences the general business model of a holiday resort on a variety of aspects. Firstly the business model is expanded with a new key partner and an extra revenue stream. Furthermore are the key activities, key resources, channels, revenue streams and the value proposition of holiday resorts positively influenced while the cost structure and multiple customer segments are negatively influenced by a water park.

Business Model Canvas European Holiday Resorts with water park



Develop a compatible product mix

The product mix of a water park is one of the most crucial factors that influence the level of success. Therefore it is recommended to European holiday resorts to develop a water park product mix that meets the following aspects:



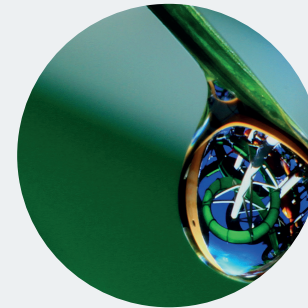
Design day: The product mix of a water park needs to be based on a good design day to create the perfect balance between necessary capacity and expected demand.



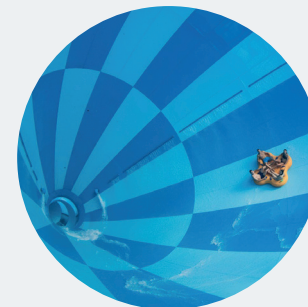
Target audience: The product mix needs to be aligned with the target audience to attract the right target group.



Guest experience: It is essential to align the product mix with the overall guest experience of a holiday resort to meet the specific wishes and demands of resort guests.



Sustainability: It is important to invest in high-quality and sustainable products to guarantee a high product value for the long term.



Differentiation: It is relevant to create a differentiative product mix that stands out from competitive product offer to gain market share.

Maintain an effective exploitation

Since the extra revenue of a water park investment in the short term does not outweigh the extra operational costs, the most challenging part of a water park development is to effectively exploit it to achieve a positive financial return. Most water parks only achieve successful profitability after a long term of effective exploitation. To maintain an effective exploitation it is recommended to execute the following points



Cost reduction: It is essential to reduce operational costs and spread the overhead costs over the exploitation of the whole resort.



Efficient operations: To save costs and maintain an effective exploitation it is necessary to have efficient operations.



Regular developments and investments: it is important for an effective exploitation to keep developing the operations and invest regularly in maintenance to control the quality of the exploitation.





Credits

Source

Roovers, T. (2023). Justification report: Influence of water parks on European holiday resorts. TDAC. Breda University

Involved experts

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Pictures

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- Landal, retrieved from: <https://newsroom.landal.com/hof-van-saksen-opent-grootste-indoor-waterglijbaan-ter-wereld/>
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- Yas Waterworld, retrieved from: <https://www.thrillophilia.com/tours/dubai-yas-island-water-park>
- WhiteWater West, retrieved from: https://www.whitewaterwest.com/wp-content/uploads/2021/10/Water-Parks-Maintenance_Guide_Digital-1.pdf

The background features a series of overlapping chevron shapes pointing downwards. The top-most shape is a light teal color. Below it is a darker teal shape. The third shape is a white chevron, which is the most prominent. Below the white chevron is another dark teal shape, and the bottom-most shape is a light teal color, matching the top one. The overall effect is a layered, geometric pattern.

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