

Company overview of ferrari world theme park



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The grand theme park, Ferrari World is an immediate tourist attraction of Abu Dhabi. This is the first of its kind measure from the iconic world renowned carmaker Ferrari. Abu Dhabi attempts to lure millions of vacationers from across the globe, a year after hosting its first ever Formula One racing championship. The humongous efforts taken to build this spectacle of for all the speed loving multitudes can be gauged by the fact that its world's largest indoor theme park in existence to date. Ferrari world stands next to the another marvel Yan Marina circuit, which credits itself with holding the inaugural Grand Prix of Abu Dhabi in November 2009.

Cost of buildign the Ferrari World

Ferrari world was opened for public use on 4th November, 2010. The fantastic Ferrari world is put up under a huge triangular red roof build on the 40 billion Yan Marina Island Development properties. The Ferrari world is expected to draw large multitudes, especially from the neighbouring countries which have a population which is interested in racing. (The theme park, 2010)

Finanical sources

Ferrari world is being seen as an interest stimulator among the tourists around the globe and is viewed as an ultimate destination for people passionate about racing. This could promote the tourisms in Abu Dhabi. As said by Grant Salter, the general manager of Grant Thornton, " Ferrari World is a good thing for Abu Dhabi's tourism offering in because as there is not much at all". A year later from conducting its first formula one racing, this can be seen as another attempt to increase tourism in Abu Dhabi. These endeavours can viewed as attempt to attract the speed loving masses that

are passionate about racing from round the globe, especially those from neighbouring nations. About 10, 000 people were expected to descend down what Ferrari says as the only officially declared theme park of the region. Ferrari world at any given day can accommodate an estimate of 20, 000 people, stating on the basis of the availability of the space in the theme park as mentioned by Claus Frimand, the Ferrari World's General Manager. But such great number is not expected to be seen on the normal day to day basis, except may be on summer holidays and festivals seasons like Eid, etc. hence we can see that government and the tourism is expected to experience an increase in profitability and economic improvements. Although it may be speculated that considering the recession period hitting world economy, it might not be a good time to start the theme park. But administration of Ferrari is confident in its success saying its beneficial time for opening of theme park as world economy is recovering. (Ghale Group, 2010)

Investors

Towards the end of the year 2005, Ferrari and Aldar Properties were reported to have signed an agreement in order to build the first official Ferrari theme park in Middle East, situated at Abu Dhabi. According to initial planning and designing of Ferrari theme park was suppose to open on 28th October, 2008, but due to unavoidable circumstances and delays, it finally opened on 4th November, 2010 . Its construction work started in November 2008 and its construction was completed in time duration of less than two years. In the middle of the year 2010, announcement was made that Ferrari World would be made open to public on October 28, 2010. The opening of Ferrari world

was further delayed by a week due to the demise of Ras al-Khaimah a day prior to the opening. Ferrari World, the world's biggest theme park, was officially made open to the public on 4th of November, 2010. Ferrari world greatly encourages the improvement of tourism and economic for Emirates, hence it had support from the Government. It also leads to flourishing several other industries and provides more employment to the people. These industries include hotels and hotel management, retails, restaurants, transports, etc. Hence it can be seen that Ferrari world was a welcomed venture by all. (Arabian business, 2010)

Use of public Money

Ferrari World theme park is a venture between Ferrari and Aldar Properties which causes beneficiary results to Government and people of Emirates. Yet it is a project between Ferrari and Alder properties. The Ferrari World, being branded by iconic carmaker, is a 200, 000 square metre magnet for tourists across the globe. As of date it stands as the largest theme park of the world and it contains about twenty rides, which includes the world's fastest roller-coasters, the first duelling roller coaster of the region and a sensational 4-D sensational phenomenon called ' Speed of Magic'. These all point towards the unique experience this place provides resulting in mutual benefits for all those who are involved with it. (Mankiw, 2006)

Impact of Global Financial/Economic Crisis on the construction of Ferrari World

Owing to the bad time, the world economy faced and is still making its way through it; construction of such a huge theme park was being speculated. Recognizing the fact that some global established theme parks suffered lose

and had hard times due to world financial crisis, Claus Frimand made a statement saying that he was positive about the fact that the Ferrari World is being opened at a beneficial times as the world economy is now slowly recovering. (Mankiw, 2006)

Government incentives and its cost to economy

Abu Dhabi has a population of about 1 million people and 8 percent of the world's oil reserves making it one of the largest wealth funds. Still it is putting money into the field of developing the Ferrari theme park so as to develop tourist attractions and manufacturing so as to break away from its sole dependence on crude oil exports for earning. Hence, Ferrari World is one of many spots of tourism attractions lined up by Abu Dhabi, so as to entice tourists with entertainment, culture and art. (Arabian business, 2010)

It is being estimated that by year 2015, Abu Dhabi's non-oil businesses will be contributing up to 50 percent in its gross domestic product giving an additional about \$167 billion a year, as projected in its 2030 plan. It involves spending \$500 billion on infrastructure and development.

It is the capital and largest member of the United Arab Emirates. It is aiming to build as many as 60 new hotels by 2015 and targeting tourist strength of around 3 million tourists a year. Considering this attempt and aim, Abu Dhabi Airports Co. opened the 1 billion-dirham (\$272 million) Terminal 3 last year, in order to boost the airport's capacity to accommodate more than 12 million passengers a year. (Arabian business, 2010)

Impact on employment and GDP

Ferrari World theme park is expected to boost real estate prices for the region in Abu Dhabi's Yas Island, by an estimated amount of 25 percent, as told to Arabian Business by the real estate agents and land and property analysts. (Arabian business, 2010)

According to Loshini Lawrence, manager of operations in the real estate agency known as the Better Homes in Abu Dhabi, Ferrari World would be certainly having an on impact on the Abu Dhabi's real estate and property market in that the region surrounding Yas Island including places like Al Raha Beach and many others will appeal more to visitors enable these new communities for gaining greater attention, as told to Arabian Business.

According to him, property and value of land in these neighbourhood locations will definitely appreciate in time, especially after the communities are fully-developed. He believes that, the impact on the properties' prices closer to the Ferrari World theme park could be anywhere, ranging from 20 to 25 percent more than similar properties but lacking these services.

(Mankiw, 2006)

However, Jesse Downs, the director at Landmark Advisory, was a bit conservative concerning the short-term impact the park can have but firmly affirms that the unique attraction would have beneficial charm in the average to long term. Based on their analysis, the establishment of Ferrari World might not have expected short term affect on selling prices and lease bulks and sales masses or leases. If development plans go forward as expected, they expect to see benefits and earnings in the long to medium term. (Ghale Group, 2010)

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Dr Cedwyn Fernandes, an Associate Professor at Middlesex University Dubai, told Gulf news that, Ferrari World would enjoy a large number of visitors in the time to come, considering the fact that Ferrari is a globally recognized iconic brand worldwide. He added that due to this, there would be tourists throughout the year and not during racing events or for entertainment shows, hence, flourishing the hotels and other connected businesses in the region. Hence we can see that there is a definite profit for the Government leading to an increase in GDP. (Mankiw, 2006)

Source of material used for construction

Ferrari world is built under a huge triangle red roof on the 40-billion-dollar land belonging to Yas Island development.

According to Claus Frimand, it can be viewed as an indoor matter with an outdoor experience. Visitors will not even realize that they inside a building as the roof top is as high as between 35 to 50 metres (115 and 165 feet) above them and it also doesn't have support structures. Centre of the building has an area with daylight, coming out of a big funnel; visitors can feel the G force tower. (Ghale Group, 2010)

It covers an area over 86, 000 square metres (925, 696 square feet). The red roof displaying the world's largest logo of Ferrari with its prancing horse spreads over two hundred thousand square meters.

It has about 20 attractions. These include two roller coasters based on the F1-themed Formula Rossa which is about to become the fastest ever of its kind, with a high speed of 240 kilometers / hour.

The second set of the roller coasters are stretching beyond the its perimeter, featuring two tracks consisting of two Ferrari-shaped trains, side by side to each other, taking into account the weight of the passenger, either of them will cross the finish line first. The whole experience provides the G-force which the drivers feel during the race.

Another ride is made like a Ferrari California Spyder convertible which takes the guests through Bell'Italia which can be seen as a replica of the Italian countryside consisting of model villages and other tourism highlights.

Elsewhere a huge reproduction of the Maranello factory displays the entire manufacturing sequence starting from the design stage and going up to the finished product.

Motoring enthusiasts can experience the thrill in a Ferrari V12 engine in one of the rides.

Jack Rouse Associates, made most of the park's 20 rides. He is a Cincinnati based design firm. All the opening day events and attraction were made on July 20, 2010 by Ferrari World.

Present senario: Number of people visiting the park, ticket price and taxes

About 10, 000 people were expected to descend down what Ferrari says as the only officially declared theme park of the region. Ferrari world at any given day can accommodate an estimate of 20, 000 people, stating on the basis of the availability of the space in the theme park as mentioned by Claus Frimand. According to Dr. Cedwyn Fernades, the number of visitors of

Ferrari is expected to peak up to 3.6 millions in a year. (The theme park, 2010)

Tickets can be purchased online or at the park. Ticket prices are basis of height.

General Admission Tickets: For guests who are taller than 1.5m.

General Admission Junior Tickets: For guests who are under 1.5m.

General Admission: The ticket is valid for guests who are 1.5m and over.

AED 225

General Admission Junior: The ticket is valid for guests who are less than 1.

4m and for AED 165

Premium Admission: Additional access to the exclusive VIP Lounge. The one is for guests who are 1.5m and over . AED 375

Premium Admission Junior: Additional access to the exclusive VIP Lounge.

The ticket is valid for guests who are less than 1.5m. AED 270

Abu Dhabi is venturing into the field of tourism so that the revenues obtained can be an additional earning and crude oil exports are not the only source of income.

Impact on tourism

It is being estimated that by year 2015, Abu Dhabi's non-oil businesses will be contributing up to 50 percent in its gross domestic product giving an additional about \$167 billion a year, as projected in its 2030 plan. It involves

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Tourism and other industries

It leads to flourishing several other industries and provides more employment to the people. These industries include hotels and hotel management, retails, restaurants, transports, etc. It is also expected to boost the real estate business. Construction and maintaining Ferrari world would be providing a lot of employment to people. (Mankiw, 2006)

A growth in tourism has lead to increase in profit for motels already in existence in the region. As a result hotels are benefitting from higher occupancy all year round. New hotel entrants are being with larger capacities and facilities. As the guests to Ferrari World are estimated to reach up to 3. 6 million a year, an estimate of 500, 000 more room demands is being speculated.

Effect on Environment

As such nothing is being said regarding any severe environmental damage being caused by the Ferrari world. So far we can assume that no heavy environmental cost is being suffered due to the Ferrari World.

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Porter's Diamond theory

The porter's diamond model is as shown below. The below is a discussion on Ferrari world based on the model provided.

Factor Condition: factor condition comprise of availability of human resource, capital and infrastructure. As mentioned in the report, the government is the key source of finance for the project. The country has huge labor force available and thus there are no concerns related to HR availability for the project.

Demand Condition: Entertainment is always an essential element in the society and with the pace UAE is emerging as a tourist destination, the demand of the product is quite high.

Related and supporting industries: As mentioned in previous heading that UAE is emerging as a new tourist hub in the world. The tourist industry is booming handsomely. Other projects like palm islands, Burj Dubai will attract customers for Ferrari world too.

Firm's strategy, structure and rivalry: The company/project understands the needs of the tourist related to entertainment and thus is based on a high tech amusement park. The firm is first of its kind, tough there would be competition from many entertainment projects in Dubai like skiing place and similar.

Government:

Government's support is completely there for the project as government is the key investor in the project.

Chance:

With the growth of tourist industry in UAE and need to entertainment, the project is very likely to get successful.

Conclusion:

From the above discussion, it is clear that construction of this project has cost the government a great amount. The huge sum of money involved in the construction of the project contributed in the stagnant liquidity in the country at time of recession. The probable advantages brought are high growth in tourism industry which also facilitated the growth of other sectors of the industry. The project will also contribute handsomely in GDP of the country.

Linkage of the report with chapters in book:

The book by N. Gregory Mankiw teaches few very basics of economics. The concerned chapter's talks about unemployment and nation's GDP.

Throughout the report we considered the sources of finance for the project, the revenue from various aspects of the project and the probable contribution in the GDP. These all are closely associated with the learning from the book. The report also mentioned the probable advantages that Ferrari World Park will bring like entertainment in life and related stuff which is associated with quality of life and GDP related discussion from the book.

The heading concerning sources of finance is related to book's monetary system chapters. In those chapters we studied that various sources of finance, interest rate mechanism and related topic. In the report, the investors in the project, their contribution, money employed, role of

government etc is clearly stated which again brings the report close to the book.

In the end, the use of Porter's Diamond theory also covers many economical principles covered in book.

Map of material:

The source of material is mainly internet. The Ferrari World project is a big project and thus the data regarding it is easily available on internet. The main websites considered are

Arabian business

Gulf news

The theme park insider

Ghale group

Along with this, the course book is also considered namely Principles of Economics. Throughout the report, we related the data available at these resources with the concepts provided in the book.