

# Attractions management

VOL 12 Q2 2007

## NICK VARNEY

Merlin's chief executive  
talks about the acquisition  
of The Tussauds Group

## WAXING LYRICAL

Kylie stars at Madame  
Tussaud's and the V&A

THEME PARKS

SCIENCE CENTRES

ZOOS & AQUARIUMS

MUSEUMS & HERITAGE

TECHNOLOGY

DESTINATIONS

EXPOS

WATERPARKS

VISITOR ATTRACTIONS

GALLERIES

ENTERTAINMENT





The acquisition of The Tussauds Group by Merlin Entertainments has catapulted it to the number two visitor attraction company, second only to Disney. Chief executive Nick Varney takes Kathleen Whyman back to Merlin's roots and describes how it plans to become even bigger

# NICK VARNEY

“I may have something rather exciting to tell you,” Nick Varney informs me when we arrange our interview. He’s not exaggerating. That something turns out to be Merlin Entertainments Group’s acquisition of The Tussauds Group, making Merlin the second largest visitor attraction company in the world, topped only by Disney.

“How are you feeling,” I ask when we next speak, four days after the news has been announced. “Extremely excited,” he replies, his enthusiasm bubbling over.

“From the very first day I started [in the attractions industry], all those years ago, at Alton Towers, I felt like a kid who’d been let loose in a toy shop. I’m now in the unbelievable position of having a very large toy shop.” Varney’s toy shop, of which he is chief executive, boasts a formidable mix of the London Eye, four Legoland parks, six (soon to be eight) Madame Tussaud’s, Alton Towers, Thorpe Park, Chessington World of Adventures, Italian theme park Gardaland, 23 Sea Life centres, five Dungeons and the visitor attraction Earth Explorer.

“Forgive me for being a bit tired,” he continues. “Monday was a very hard day; Peter [Phillipson, Tussauds’ chief executive, now non-executive chairman of Merlin] and I did well over 20 press interviews. It’s great though – it’s not every day the opportunity arises to bring two outstanding companies together. Merlin Entertainments, as it is going forward, is up there now in the top three – number two for visitor numbers – rubbing shoulders with Universal and Disney with a portfolio of brands to kill for.”

## WINNING COMBINATION

To Varney, the amalgamation is common sense. “I can’t conceive of two businesses worldwide that could have fitted together better than Merlin and Tussauds,” he says. Merlin’s stable of mid-way indoor attractions are a similar model to the Madame Tussaud’s brand, and both companies have been developing in the same way. In the last five years Merlin opened 16 new attractions in five countries across three brands – Sea Life, Dungeons and Earth Explorer. To that

## CAREER HISTORY

**1991** Marketing director of Tussauds-owned Alton Towers for three years. Promoted to the group marketing role in the Tussauds Group. Involved in the launch of Port Aventura Spain and set new strategies for the Madame Tussaud’s business in London and Amsterdam.

**1995** Joined Vardon Attractions as managing director



Nick Varney (pictured at Legoland) believes having a £2bn visitor attractions company means the theme park industry will, at last, be taken seriously



they'll be adding the Legoland Discovery Centre – the indoor version of Legoland that will be opening in Berlin. Tussauds has also been busy rolling out Madame Tussaud's on three continents with two more opening in Washington later this year and Hollywood in 2008 (see P22).

On the theme parks side, both companies have been working towards destination resort theme parks – Alton Towers has two hotels, Gardaland has one. Varney plans to put Merlin attractions into the parks and add more hotels to build them up into short-break destinations.

## ROLLER COASTER RIDE

Considering Merlin didn't even exist until 1999, its meteoric rise is enough to make your head spin. The company had doubled in size by 2004 by rolling out

Sea Life and Dungeons and developing new brands across continental Europe. When Blackstone bought Merlin in 2005 to develop it as a major international brand, Varney gave its senior managing director, Joe Baratta, a list of companies or brands that Merlin could be combined with. At the top of the list were Legoland and Madame Tussaud's. Merlin bought Legoland later that year, and acquired Italian theme park Gardaland in 2006. These acquisitions brought Merlin to the same size as Tussauds, prompting discussions on where to go next.

So, is Varney's own head spinning? "It's been a pretty intensive period," he admits. "Some people would say it's been a hell of a roller coaster ride, but it's been a roller coaster ride in one direction. Touch wood it stays that way." Varney

credits its success to the fact they offer something for everyone. "We now have 50 attractions in 12 countries over three continents. We have brands that appeal to families with young children, brands that appeal to teenagers, brands that are indoors and brands that are outdoors. There's going to be a very robust growth profit coming out of this company. We'll be opening four to five visitor attractions every year – nobody else is doing that. We'll also develop the destination resort positioning of our theme parks, and look into opening a fifth Legoland Park.

"That's why I say, and I know I'm biased," he continues, "that I can't think of any company that has a more exciting and more deliverable development plan."

## TEAM WORK

With so much development going on, I ask if Varney feels he's stretching himself too thinly. "I'm not doing it all myself," he laughs, as he describes how delighted he is that Peter Phillipson is staying on as non-executive chairman. "We need a chairman for Merlin. It's a £2bn (\$3.9bn, €2.9bn) company now – I can't be chief executive and chairman. With Phillipson's experience, combined with the very talented and significant management teams in both companies, I know we can deliver this. Yes there's a lot going on,"

**1997** Joined the Vardon Plc Board. Led the development of the Sea Life and Dungeon brands and its move into the German market

**1999** Completed the successful buyout of Vardon Attractions to form Merlin Entertainments Group Ltd

**2004** The Company's EBITDA doubles as a result of having rapidly expanded its business across Europe

**2005** Merlin Entertainments was acquired by Blackstone, one of the biggest private equity companies in the world. This led to the successful acquisition of the Legoland themepark chain in August 2005

**2006** Merlin Entertainments acquired Italy's Gardaland

**2007** Merlin acquires The Tussauds Group and forms a £2bn company

he acknowledges, “but the pooled expertise will make the whole bigger than the sum of the parts.”

## TAKING STOCK

The acquisitions of Legoland, Gardaland, and now Tussauds, wouldn't have been possible without Blackstone's investment. Merlin has been through three private equity owners (Apax in 1999 and Hermes in 2004), and Tussauds has had two (Charterhouse Development Capital in 1998 and Dubai International Capital in 2005), so both are experienced with ownership, and have had positive dealings.

Blackstone will be with Merlin for another two or three years and then plans to float Merlin on the stock market. Varney is hopeful it will go on the FTSE 100, which will be a huge boost for the European attractions industry. “It's extremely important for the European attractions industry that there's a European player up there with the likes of Disney and Universal,” he says.



Merlin Entertainments now has 23 Sea Life centres, 10 of which are in Germany

**“THE 1990S WERE A LOW POINT FOR THE INDUSTRY. ALL THE SALES ESSENTIALLY SAID THAT CORPORATE BRITAIN DIDN'T TAKE THEME PARKS AND ATTRACTIONS VERY SERIOUSLY”**

Varney sees the late 1990s as a low point for the industry – Tussauds was sold by Pearson, Vardon was sold by Vardon PLC to become Merlin, Granada sold its theme parks (and doesn't exist any more) and several other attraction-related divisions of PLCs were sold off. “It essentially said that corporate Britain didn't take theme parks and attractions seriously,” Varney recalls. “Now Merlin's a £2bn company, this industry will be recognised by corporate Britain and the investment fund,” enthuses Varney. “We should also see bright, young people wanting to make careers in our industry.”

## PASSION FOR PEOPLE

Training and developing employees is hugely important to Varney and he's heavily involved in People 1st – the Sector Skills Council for Hospitality.

Varney's aim is that instead of banking, accountancy and retail being the first port of call for graduates, they choose to build a career in “the most exciting industry on the face of the planet”. He sees the role of companies like Merlin as training grounds for the management of the future. “Those managers will hopefully largely stay with Merlin, but some won't and they'll build careers and bring the whole business forward,” he predicts. “I don't want to sound too evangelical, but I honestly believe that having an industry champion means we'll be taken more seriously by everybody, including people coming into the industry.”

Another area Varney supports passionately is BALPPA and the work done by its chief executive Colin Dawson. “Colin has transformed BALPPA (The British Association of Leisure Parks, Piers and Attractions Ltd) from a trade association that was a good information gatherer and distributor into an actual proper lobbying force for our industry,” Varney says enthusiastically. “That's happened in the last 18 months with the engagement of full time political lobbyists and the adoption of a clear agenda against things I've been banging on about for years: the unfair grant funding regime in this country; VAT on tickets and the compensation culture. These are the big issues that affect our industry.”

## INDUSTRY SUPPORT

Varney's been touched by the warmth of people's responses to the acquisition. “I've been taken aback by how many people are positive and congratulating,” he says. “Many people in the industry know and love these brands and see the value of Merlin becoming a British-managed European champion on a global stage.”

Varney's first role in the attractions industry was in 1991 as marketing director of Tussauds owned Alton Towers. After three years at the park he was promoted to the group marketing role in the Tussauds Group where he stayed for a year and a half before being approached by Vardon Attractions to become managing director. Vardon PLC went on to

## ABOUT NICK VARNEY

**Favourite food** I have to have a curry every Saturday night

**Favourite book** I'm a bit of a *Lord of The Rings* freak – sorry!

**What drives you?** Enthusiasm

**How would you describe yourself?** I hope I'm open and honest. That has a flip side in that I call a spade a spade. I hope people know where they stand with me. I'm enthusiastic and pretty demanding. But the person I'm most demanding on is myself; I'm my own worst critic

**How would others describe you?** They'd probably start with the demanding! I'd like to believe most people would describe me as being fair. I guess they'd probably say I'm driven.

I'm extremely lucky to be doing what I'm doing. Even if it ended tomorrow I'd still feel extremely lucky to have been able to work at the level I have in such a fantastic industry. That's absolutely from the heart. One of the great things is that so many other people in the industry feel the same

**Highs and lows** It sounds clichéd, but the nights I lie awake in bed upset, is usually to do with something that hasn't gone right, whether it's the experience a visitor's had or some other initiative. The days I feel euphoric are when something's gone really well, something's opened successfully and you can see that the visitors are loving it



Varney plans to add Sea Life and Dungeons to its parks, such as Gardaland (left). This may now also apply to Madame Tussaud's (right)

become Merlin, and the rest is history. I ask Varney how it feels to be back on familiar turf, having left Tussauds 12 years ago. "It's like welcoming back old friends," he says warmly. "But, because the group's expanded itself significantly, there are a lot of other new businesses I'm really looking forward to getting to know." It was with a heavy heart Varney left Tussauds to join Vardon in 1995. He didn't enjoy being based in central London and, although he had the satisfaction of launching Port Aventura and getting involved with Madame Tussaud's, he missed working with a team.

"When offered the role at Vardon Attractions, which was, in my view, a nice, potentially exciting company based in a part of the world where I originally came from, it was an opportunity I took," he explains. "It was a very difficult decision, but I never regretted it."

## GROWING FAST

Something that's easy to miss, in among all the big headline deals about acquiring Legoland, Gardaland and Tussauds, is that underneath it all Merlin's been growing at phenomenal rates in its own right. Between 2000 and 2004 Merlin's EBITDA grew by 104 per cent. In 2006, disregarding the Gardaland acquisition, the Merlin Group that comprised Sea Life, Dungeons and Legoland grew 18 per cent in EBITDA, and in 2005, taking like-for-like comparisons for how the business performed in 2004, it was up 16 per cent. "I'm very proud of what the

team's delivered," Varney says. "And I know Peter would say the same about Tussauds – its performance in growing its sites organically has been outstanding. Put two companies that have got that sort of track record together and you end up with an extremely exciting prospect."

Despite the pressures and responsibility of leading the second largest visitor attraction company in the world, Varney's adamant his management style won't change. "I'm a serious believer in management by walking about," he explains. "Even with 37 attractions I do my level best to get round all of them because I think that's the best way to manage a business."

With the number of attractions going up to 50, Varney's going to be busy visiting them all, and will rely heavily on his staff. Together Merlin and Tussauds employ 13,000 people and may well be employing more in the future. "The whole of this deal is predicated on growth – you're not going to do that by shrinking the work force," he advises. "The career opportunities for anyone working within any part of the Merlin Group are huge now. They can literally aspire to be anything and go anywhere."

I ask if, in addition to running a £2bn company, being a spokesperson for People 1st and supporting BALPPA, he has time for anything else. "Well, I don't play golf," he laughs. The precious time he gets off is spent with his wife and their four children, aged 15, 13, seven and six. "The youngest is a huge Lego fan, so

loves the perks, and the teenagers are looking forward to Alton Towers and Chessington. They really don't have any choice about whether or not they're theme park fans," he confesses.

"Although it has its advantages – one of them found a news story detailing the acquisition on the internet at school and immediately became a little bit more popular among his classmates!"

## MIGHTY MOUSE

Varney's own passion for the industry began when he visited Disney at the age of 12 and thought it was the most amazing thing he'd ever experienced in his life. Being a fan of Disney, I ask if it's only a matter of time before we see promotional pictures of Varney sporting Mickey Mouse ears. He shakes his head. "I think not. We're pretty pleased with where we are now. The Merlin Group is in an unparalleled position within the industry in terms of the breadth and quality of its brand and people. I'm never going to say never, we're backed by Blackstone after all, and if opportunistic acquisition projects came across our desks we'll look at them, but right now we're focusing on the company we've got."

And Varney will be focusing on leading that company. "It's a fantastic privilege and something I have to pinch myself about a little bit," he admits. "I absolutely love this industry and have never been able to believe my luck in being able to build a career in it. I just don't think there's anything else that comes close." ●