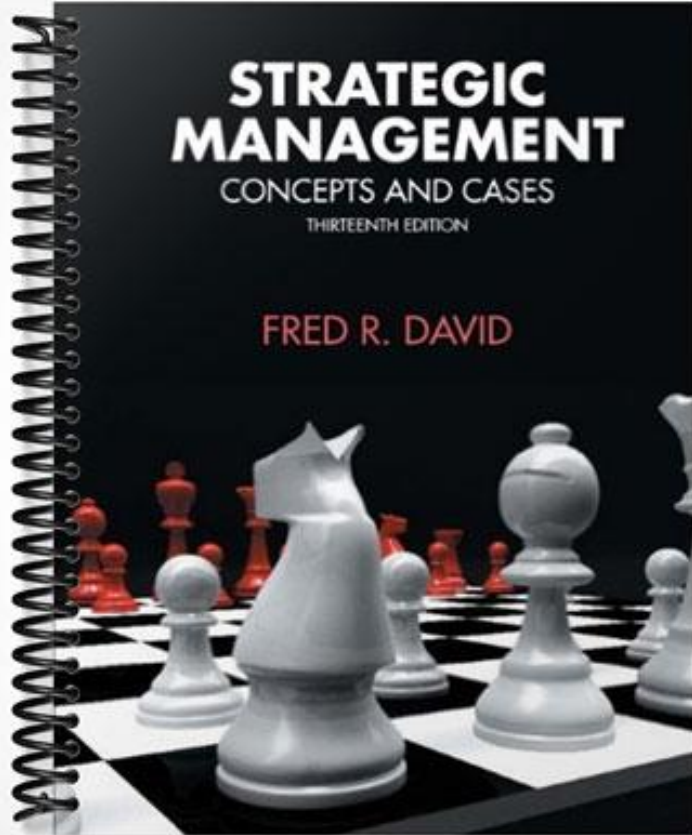


SOLUTIONS MANUAL

**STRATEGIC
MANAGEMENT**

CONCEPTS AND CASES
THIRTEENTH EDITION

FRED R. DAVID



Merryland Amusement Park - 2009
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A. Case Abstract

Merryland Amusement Park is a comprehensive business policy and strategic management case that includes the company's 2008 financial statements, competitor information and more. The case time setting is the year 2009. Sufficient internal and external data are provided to enable students to evaluate current strategies and recommend a three-year strategic plan for the company. Merryland Amusement Park is located in Kansas City.

B. Vision Statement (proposed)

Bring joy and happiness to our customers while visiting Merryland Amusement Park.

C. Mission Statement (Propose)

Bringing entertainment (2) to Kansas City and surrounding areas (3), we strive ourselves to deliver unique and quality attractions to our customers (1) through highly technologically advanced rides and features (4). We believe in continuous enrichment of our staff (9) and accordingly, providing friendly and fun environment for our customers (6), leading us to be a profitable company for our investors (5) and our community (7, 8).

1. Customer
2. Products or services
3. Markets
4. Technology
5. Concern for survival, profitability, growth
6. Philosophy
7. Self-concept
8. Concern for public image
9. Concern for employees

D. External Audit

Opportunities

1. Closest theme park was miles away, making it a great opportunity for residence to have a local park to go to
2. No direct competition except small amusement centers

3. Customer loyalty exists to have a local theme park
4. New theme park can offer state of the art rides, making it more attractive for locals to go
5. To form partnership with other hospitality businesses for reduced or promotional rates
6. Can struck deals with local high school or middle schools for special events such as prom nights or graduation ceremony / parties
7. Can offer promotional discounts such as corporate discount, senior citizens, or rewards / membership with AAA to local business or businesses in the surrounding areas

Threats

1. Willingness of patrons to drive long distance to visit other theme parks
2. Small niche amusement centers based in malls had begun to surface with highly attractive water parks, modern steel coasters, entertainers, and an endless array of promotions, discounts, and family fun “packages”
3. Weak economy has impacted disposable income of consumers for spending too much money on leisure travel and / or attending theme parks
4. Consumers have become more price conscious and are looking for more local deals and specials
5. Typical vacations are booked in advance so starting a new theme park may not see high volume of tourists till the second year or beyond
6. Theme parks require extensive amount of capital to start along with large amount of working capital for advertising and operational expenses

CPM – Competitive Profile Matrix

| Critical Success Factors | Weight | Merryland | | Theme Parks | | Amusement Parks | |
|--------------------------|-------------|-----------|----------------|-------------|----------------|-----------------|----------------|
| | | Rating | Weighted Score | Rating | Weighted Score | Rating | Weighted Score |
| Price competitiveness | 0.10 | 2 | 0.20 | 4 | 0.40 | 3 | 0.30 |
| Technology | 0.12 | 1 | 0.12 | 4 | 0.48 | 2 | 0.24 |
| Product Safety | 0.10 | 1 | 0.10 | 4 | 0.40 | 2 | 0.20 |
| Customer Loyalty | 0.13 | 2 | 0.26 | 4 | 0.52 | 1 | 0.13 |
| Market Share | 0.10 | 1 | 0.10 | 4 | 0.40 | 2 | 0.20 |
| Advertising | 0.15 | 1 | 0.15 | 4 | 0.60 | 2 | 0.30 |
| Product Quality | 0.12 | 1 | 0.12 | 3 | 0.36 | 2 | 0.24 |
| Product Image | 0.10 | 1 | 0.10 | 3 | 0.30 | 1 | 0.10 |
| Financial Position | 0.08 | 1 | 0.08 | 3 | 0.24 | 2 | 0.16 |
| Total | 1.00 | | 1.23 | | 3.70 | | 1.87 |

External Factor Evaluation (EFE) Matrix

| Key External Factors | Weight | Rating | Weighted Score |
|--|--------|--------|----------------|
| Opportunities | | | |
| 1. Closest theme park was miles away, making it a great opportunity for residence to have a local park to go to | 0.08 | 3 | 0.24 |
| 2. No direct competition except small amusement centers | 0.07 | 3 | 0.21 |
| 3. Customer loyalty exists to have a local theme park | 0.07 | 3 | 0.21 |
| 4. New theme park can offer state of the art rides, making it more attractive for locals to go | 0.07 | 3 | 0.21 |
| 5. To form partnership with other hospitality businesses for reduced or promotional rates | 0.06 | 3 | 0.18 |
| 6. Can struck deals with local high school or middle schools for special events such as prom nights or graduation ceremony / parties | 0.06 | 3 | 0.18 |
| 7. Can offer promotional discounts such as corporate discount, senior citizens, or rewards / membership with AAA o local business or businesses in the surrounding areas | 0.06 | 3 | 0.18 |
| Threats | | | |
| 1. Willingness of patrons to drive long distance to visit other theme parks | 0.07 | 2 | 0.14 |
| 2. Small niche amusement centers based in malls had begun to surface with highly attractive water parks, modern steel coasters, entertainers, and an endless array of promotions, discounts, and family fun "packages" | 0.09 | 1 | 0.09 |
| 3. Weak economy has impacted disposable income of consumers for spending too much money on leisure travel and / or attending theme parks | 0.1 | 2 | 0.2 |
| 4. Consumers have become more price conscious and are looking for more local deals and specials | 0.1 | 1 | 0.1 |

| | | | |
|---|-------------|---|------------|
| 5. Typical vacations are booked in advance so starting a new theme park may not see high volume of tourists till the second year or beyond | 0.08 | 1 | 0.08 |
| 6. Theme parks require extensive amount of capital to start along with large amount of working capital for advertising and operational expenses | 0.09 | 2 | 0.18 |
| Total | 1.00 | | 2.2 |

E. Internal Audit

Strengths

1. Gaining federal government influence toward a “historical site” designation, which would help to secure the property and its assets for potential investors for the purpose of site restoration
2. Growing grassroots level interest throughout Kansas in seeing Merryland restored to its previous days of carnival-like splendor
3. Ability to raise money through 3 different sources
4. Strong and established management skills
5. Good pool of local candidates to select from for staffing and supervisory positions
6. Locals have a very strong and loyal support for restoring the park
7. Brand recognition for the roller coaster and its nick name “scream machine”

Weaknesses

1. Negative reputation from current owners before it is taken over by new owners
2. General park maintenance was neglected during the unsuccessful sale attempt
3. Falling revenues were also attributed to the growing interest in nontraditional theme park attractions fueled by the cost of gasoline and increasingly tight economic conditions
4. Local real estate values, the lack of maintenance, and no new investment into the park resulted in steadily declining values from 2004 to 2008
5. Merryland’s lack of marketing and promotion in lieu of higher ticket prices further contributed to its own declining backyard patron interest
6. Lack of having an understanding of demographic changes and the need of the customers
7. Require extensive investment for buying and purchasing new machinery along with several new primary attraction park rides

8. Land parcel is not large enough to add both a water park and expand the park with new rides

Internal Factor Evaluation (IFE) Matrix

| Key Internal Factors | Weight | Rating | Weighted Score |
|--|--------|--------|----------------|
| Strengths | | | |
| 1. Gaining federal government influence toward a "historical site" designation, which would help to secure the property and its assets for potential investors for the purpose of site restoration | 0.07 | 3 | 0.21 |
| 2. Growing grassroots level interest throughout Kansas in seeing Merryland restored to its previous days of carnival-like splendor | 0.06 | 3 | 0.18 |
| 3. Ability to raise money through 3 different sources | 0.03 | 3 | 0.09 |
| 4. Strong and established management skills | 0.08 | 3 | 0.24 |
| 5. Good pool of local candidates to select from for staffing and supervisory positions | 0.07 | 3 | 0.21 |
| 6. Locals have a very strong and loyal support for restoring the park | 0.07 | 3 | 0.21 |
| 7. Brand recognition for the roller coaster and its nick name "scream machine" | 0.08 | 3 | 0.24 |
| Weaknesses | | | |
| 1. Reputation from current owners before it is taken over by new owners | 0.05 | 1 | 0.05 |
| 2. General park maintenance was neglected during the unsuccessful sale attempt | 0.06 | 1 | 0.06 |
| 3. Falling revenues were also attributed to the growing interest in nontraditional theme park attractions fueled by the cost of gasoline and increasingly tight economic conditions | 0.07 | 1 | 0.07 |
| 4. Local real estate values, the lack of maintenance, and no new investment into the park resulted in steadily declining values from 2004 to 2008 | 0.05 | 2 | 0.1 |
| 5. Merryland's lack of marketing and promotion in lieu of higher ticket prices further contributed to its own declining backyard patron interest | 0.06 | 1 | 0.06 |

| | | | |
|--|-------------|---|-------------|
| 6. Lack of having an understanding of demographic changes and the need of the customers | 0.07 | 1 | 0.07 |
| 7. Require extensive investment for buying and purchasing new machinery along with several new primary attraction park rides | 0.09 | 2 | 0.18 |
| 8. Land parcel is not large enough to add both a water park and expand the park with new rides | 0.09 | 2 | 0.18 |
| Total | 1.00 | | 2.15 |

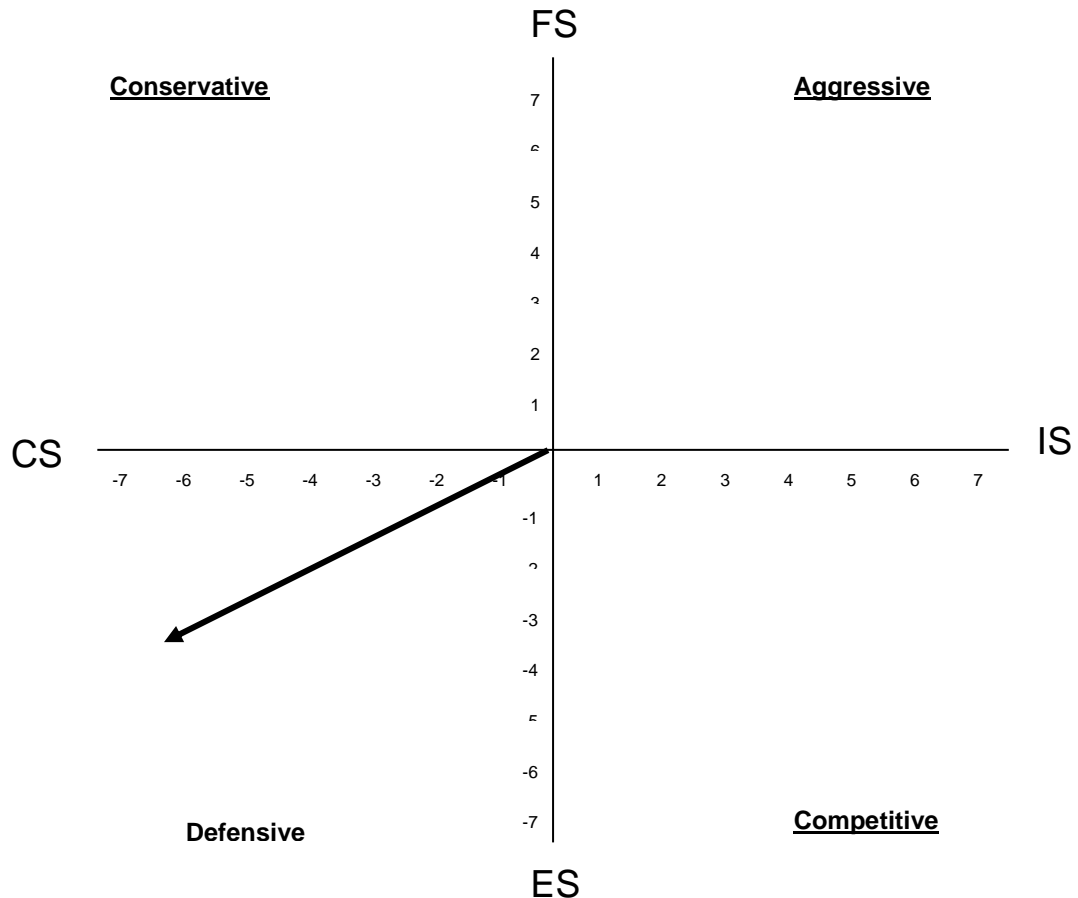
F. SWOT Strategies

| | Strengths | Weaknesses |
|--|--|--|
| | <ol style="list-style-type: none"> 1. Gaining federal government influence toward a “historical site” designation, which would help to secure the property and its assets for potential investors for the purpose of site restoration 2. Growing grassroots level interest throughout Kansas in seeing Merryland restored to its previous days of carnival-like splendor 3. Ability to raise money through 3 different sources 4. Strong and established management skills 5. Good pool of local candidates to select from for staffing and supervisory positions 6. Locals have a very strong and loyal support for restoring the park 7. Brand recognition for the roller coaster and its nick name “scream | <ol style="list-style-type: none"> 1. Negative reputation from current owners before it is taken over by new owners 2. General park maintenance was neglected during the unsuccessful sale attempt 3. Falling revenues were also attributed to the growing interest in nontraditional theme park attractions fueled by the cost of gasoline and increasingly tight economic conditions 4. Local real estate values, the lack of maintenance, and no new investment into the park resulted in steadily declining values from 2004 to 2008 5. Merryland’s lack of marketing and promotion in lieu of higher ticket prices further contributed to its own declining backyard patron interest |

| | | |
|--|---|---|
| | machine” | <ul style="list-style-type: none"> 6. Lack of having an understanding of demographic changes and the need of the customers 7. Require extensive investment for buying and purchasing new machinery along with several new primary attraction park rides 8. Land parcel is not large enough to add both a water park and expand the park with new rides |
| Opportunities | S-O Strategies | W-O Strategies |
| <ul style="list-style-type: none"> 1. Closest theme park was miles away, making it a great opportunity for residence to have a local park to go to 2. No direct competition except small amusement centers 3. Customer loyalty exists to have a local theme park 4. New theme park can offer state of the art rides, making it more attractive for locals to go 5. To form partnership with other hospitality businesses for reduced or promotional rates 6. Can struck deals with local high school or middle schools for special events such as prom nights or graduation ceremony / parties 7. Can offer promotional discounts such as | <ul style="list-style-type: none"> 1. Aggressively promote the amusement park by offering deep discounts to local and surrounding counties / cities (S2, S6, S7, O1, O2, O3) 2. Penetrate the market (non-locals) by offering discount / membership cards if purchased in advance (% off after so many visits), student or state or employee discounts, corporate / school event discounts, etc. (S6, S7, O1, O2, O5, O6, O7) | <ul style="list-style-type: none"> 1. Try buying new equipment and rides by long term financing or by establishing loyalty agreement for reserving more cash for working capital (W7, O2) |

| <p>corporate discount, senior citizens, or rewards / membership with AAA</p> | | |
|---|---|--|
| Threats | S-T Strategies | W-T Strategies |
| <ol style="list-style-type: none"> 1. Willingness of patrons to drive long distance to visit other theme parks 2. Small niche amusement centers based in malls had begun to surface with highly attractive water parks, modern steel coasters, entertainers, and an endless array of promotions, discounts, and family fun “packages” 3. Weak economy has impacted disposable income of consumers for spending too much money on leisure travel and / or attending theme parks 4. Consumers have become more price conscious and are looking for more local deals and specials 5. Typical vacations are booked in advance so starting a new theme park may not see high volume of tourists till the second year or beyond 6. Theme parks require extensive amount of capital to start along with large amount of working capital for advertising and operational expenses | <ol style="list-style-type: none"> 1. Struck a deal with the county or local government for getting additional funding for renovation of historic building and re-building the local area. This would attract more businesses to the area and will be a revenue enhancing venture for the city / county (S1, S2, S3, T1, T2, T6) 2. Form partnership with other related businesses (restaurant or hotel chain, car rental, etc.) for opening stores close by and share some of the mass advertising cost (S2, S7, T3, T4, T5) | <ol style="list-style-type: none"> 1. Rebrand the amusement park by being under new management and further promote local hiring and the benefits to the locals (W1, W5, T1, T2) |

G. SPACE Matrix



Financial Stability (FS)

| | |
|----------------------|---|
| Return on Investment | 1 |
| Leverage | 2 |
| Liquidity | 1 |
| Working Capital | 1 |
| Cash Flow | 1 |

Financial Stability (FS) Average 1.2

Environmental Stability (ES)

| | |
|----------------------------|----|
| Unemployment | -5 |
| Technological Changes | -5 |
| Price Elasticity of Demand | -4 |
| Competitive Pressure | -2 |
| Barriers to Entry | -1 |

Environmental Stability (ES) Average -3.4

Competitive Stability (CS)

| | |
|--------------|----|
| Market Share | -6 |
|--------------|----|

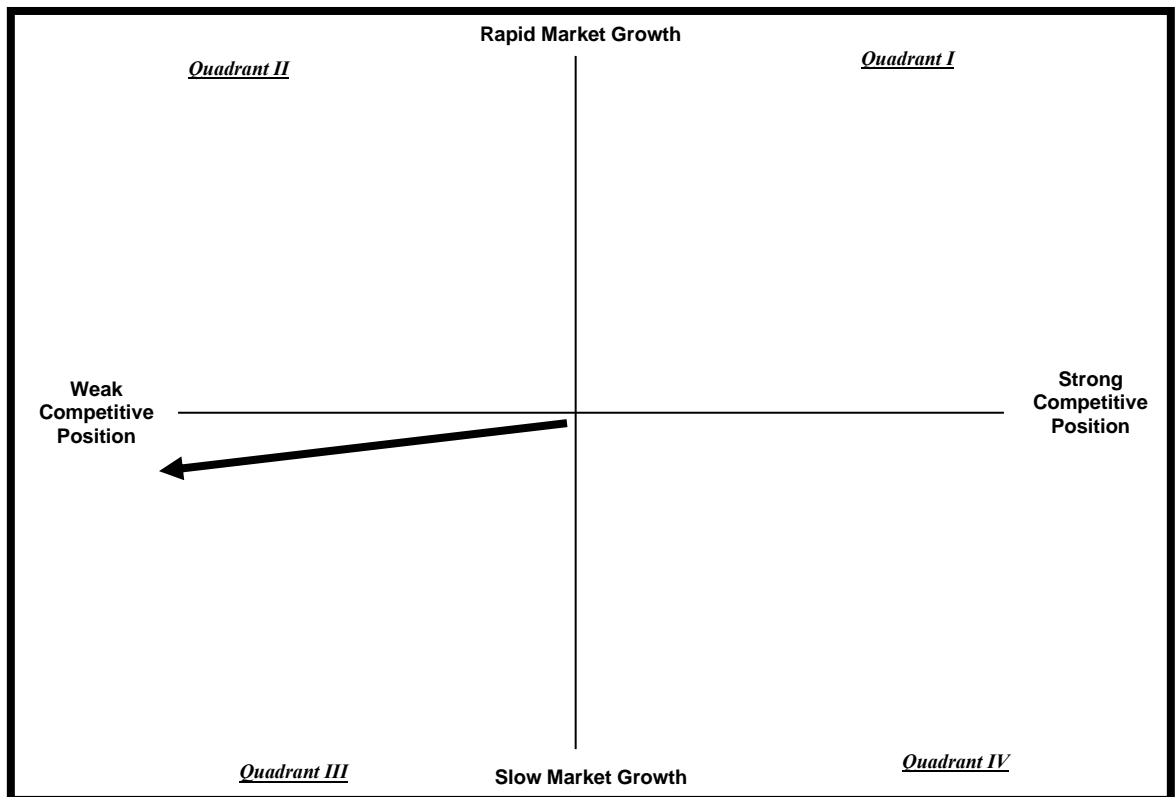
Industry Stability (IS)

| | |
|------------------|---|
| Growth Potential | 3 |
|------------------|---|

| | | | |
|---|-----------|--|------------|
| Product Quality | -6 | Financial Stability | 3 |
| Customer Loyalty | -4 | Ease of Market Entry | 5 |
| Competition's Capacity Utilization | -4 | Resource Utilization | 4 |
| Technological Know-How | -5 | Profit Potential | 3 |
| Competitive Stability (CS) Average | -5 | Industry Stability (IS) Average | 3.6 |

Y-axis: $FS + ES = 1.2 + (-3.4) = -2.2$
X-axis: $CS + IS = (-5.0) + (3.6) = -1.4$

H. Grand Strategy Matrix



1. Retrenchment
2. Related diversification
3. Unrelated diversification
4. Divestiture
5. Liquidation

I. The Internal-External (IE) Matrix

The IFE Total Weighted Score

| | | Strong 3.0 to 4.0 | Average 2.0 to 2.99 | Weak 1.0 to 1.99 |
|---|-----------------------|----------------------|---|---------------------|
| The EFE Total Weighted Score | High 3.0 to 3.99 | I | II | III |
| | Medium 2.0 to 2.99 | IV | IV Merryland Amusement Park | VI |
| | Low 1.0 to 1.99 | VII | VIII | IX |

J. QSPM

| | | |
|--|--|--|
| | <p>Aggressively promote the amusement park by offering deep discounts to local and surrounding counties / cities</p> | <p>Penetrate the market (non-locals) by offering discount / membership cards if purchased in advance (% off after so many visits), student or state or employee discounts,</p> |
|--|--|--|

| | | | | corporate / school event discounts, etc. | | |
|--|------|---------------|-----------|---|-----------|------------|
| Key Factors | | Weight | AS | TAS | AS | TAS |
| Opportunities | | | | | | |
| 1. Closest theme park was miles away, making it a great opportunity for residence to have a local park to go to | 0.08 | 4 | 0.32 | 3 | 0.24 | |
| 2. No direct competition except small amusement centers | 0.07 | --- | --- | --- | --- | |
| 3. Customer loyalty exists to have a local theme park | 0.07 | 4 | 0.28 | 3 | 0.21 | |
| 4. New theme park can offer state of the art rides, making it more attractive for locals to go | 0.07 | --- | --- | --- | --- | |
| 5. To form partnership with other hospitality businesses for reduced or promotional rates | 0.06 | 2 | 0.12 | 4 | 0.24 | |
| 6. Can struck deals with local high school or middle schools for special events such as prom nights or graduation ceremony / parties | 0.06 | 4 | 0.24 | 3 | 0.18 | |
| 7. Can offer promotional discounts such as corporate discount, senior citizens, or rewards / membership with AAA | 0.06 | 4 | 0.24 | 1 | 0.06 | |
| Threats | | | | | | |
| 1. Willingness of patrons to drive long distance to visit other theme parks | 0.07 | 1 | 0.07 | 3 | 0.21 | |
| 2. Small niche amusement centers based in malls had begun to surface with highly attractive water parks, modern steel coasters, entertainers, and an endless array of promotions, discounts, and family fun "packages" | 0.09 | 2 | 0.18 | 3 | 0.27 | |
| 3. Weak economy has impacted disposable income of consumers for spending too much money on leisure travel and / or attending theme parks | 0.1 | 1 | 0.10 | 3 | 0.3 | |
| 4. Consumers have become more price conscious and are looking for more local deals and specials | 0.1 | --- | --- | --- | --- | |
| 5. Typical vacations are booked in advance so starting a new theme park may not see high volume of tourists till the second year or beyond | 0.08 | 3 | 0.24 | 1 | 0.08 | |
| 6. Theme parks require extensive amount of capital to start along with large amount of working capital for advertising and | 0.09 | --- | --- | --- | --- | |

| | | | | | |
|--|-------------|-----|-------------|-----|-------------|
| operational expenses | | | | | |
| TOTAL | 1.00 | | 1.79 | | 1.79 |
| Strengths | | | | | |
| 1. Gaining federal government influence toward a "historical site" designation, which would help to secure the property and its assets for potential investors for the purpose of site restoration | 0.07 | --- | --- | --- | --- |
| 2. Growing grassroots level interest throughout Kansas in seeing Merryland restored to its previous days of carnival-like splendor | 0.06 | 3 | 0.18 | 1 | 0.06 |
| 3. Ability to raise money through 3 different sources | 0.03 | --- | --- | --- | --- |
| 4. Strong and established management skills | 0.08 | --- | --- | --- | --- |
| 5. Good pool of local candidates to select from for staffing and supervisory positions | 0.07 | --- | --- | --- | --- |
| 6. Locals have a very strong and loyal support for restoring the park | 0.07 | 3 | 0.21 | 1 | 0.07 |
| 7. Brand recognition for the roller coaster and its nick name "scream machine" | 0.08 | 2 | 0.16 | 3 | 0.24 |
| Weaknesses | | | | | |
| 1. Reputation from current owners before it is taken over by new owners | 0.05 | 1 | 0.05 | 3 | 0.15 |
| 2. During the unsuccessful sale attempt and subcontracted operation of Merryland, general park maintenance was neglected. | 0.06 | --- | --- | --- | --- |
| 3. Falling revenues were also attributed to the growing interest in nontraditional theme park attractions fueled by the cost of gasoline and increasingly tight economic conditions | 0.07 | 2 | 0.14 | 4 | 0.28 |
| 4. Local real estate values, the lack of maintenance, and no new investment into the park resulted in steadily declining values from 2004 to 2008 | 0.05 | --- | --- | --- | --- |
| 5. Merryland's lack of marketing and promotion in lieu of higher ticket prices further contributed to its own declining backyard patron interest | 0.06 | 1 | 0.06 | 3 | 0.18 |
| 6. Lack of having an understanding of demographic changes and the need of the customers | 0.07 | --- | --- | --- | --- |
| 7. Require extensive investment for buying and purchasing new machinery along with several new primary attraction park rides | 0.09 | 4 | 0.36 | 1 | 0.09 |
| 8. Land parcel is not large enough to add both a water park and expand the park with new rides | 0.09 | --- | --- | --- | --- |
| SUBTOTAL | 1.00 | | 1.16 | | 1.07 |

| | | |
|---------------------------------------|-------------|-------------|
| SUM TOTAL ATTRACTIVENESS SCORE | 2.95 | 2.86 |
|---------------------------------------|-------------|-------------|

K. Recommendations

Focus on spending advertising dollars to locals by promoting the historical value of the location, benefit of saving money by visiting the local attraction and amusement park, emphasizing on how using a local business is good to the community.

L. EPS/EBIT Analysis

Not applicable. The company is privately held.

M. Epilogue

Not available.