

Geauga Lake Amusement Park Case

History

Bruce Walborn received a degree in sales and marketing in 1952 from the business school at the University of Michigan. In 1956, he and a partner bought and operated a printing company in Ohio. In 1960, lacking the capital they felt was required to run a successful printing business, they changed the company's focus to advertising, and named it Mills, Hall, and Walborn. The advertising agency focused on consumer advertising, and specialized in promoting theme parks

Geauga Lake is an amusement park located near Cleveland, Ohio. It opened in 1888 as a picnic and swimming area near the railroad. At this time in the late nineteenth century, railroads were expanding westward, and railroad companies had parks like Geauga Lake built to encourage people to use the railroad. Throughout most of its history, Geauga Lake was family owned and operated.

In the late 1960's, with several years of experience advertising and promoting theme parks, Bruce Walborn and some other investors formed a company, Funtime Parks, to own and operate theme parks. In 1969, Funtime Parks bought Geauga Lake from the owner-family. The advertising agency, Mills, Hall, and Walborn, continued to do the advertising for Geauga Lake. Shortly thereafter, they took Funtime Parks public through an initial public offering. In 1987, Bruce and a small group of investors took Funtime Parks private through a leveraged buyout.

Geauga Lake enjoyed record attendance in 1988, its 100th anniversary year. In 1988, it ranked 40th in annual attendance among the top 40 amusement attractions in the United States [see Exhibit 1]. Geauga Lake faced intense competition from regional amusement parks, including Sea World, Cedar Point, and Kings Island [see Exhibit 2].

Situation

At the end of the 1988 season, Bruce and the other executives of Geauga Lake began to plan their strategy for the 1989 season. 1988 was a record year for Geauga Lake in terms of both attendance and revenues [see Exhibit 3]. Bruce and his partners were eager to continue the momentum of the 1988 season attendance increase.

Experience had shown that the introduction of new attractions, if properly promoted, resulted in incremental attendance at the park. Bruce knew that Geauga Lake's main competitor, Cedar Point, was spending around \$8.0 million on a new steel roller coaster for the upcoming 1989 season. Geauga Lake only had \$1.7 million available for capital investments in

1989Cmuch less than regional competitors. They also had a limited advertising and promotion budget of \$2.0 million for 1989 [see Exhibit 4]. Bruce faced a big challengeCusing a limited capital budget and advertising budget to differentiate Geauga Lake from its regional competitors and to increase attendance and revenues.

Analysis

Competitors. To decide what capital improvements to make and how to best advertise and promote Geauga Lake for the 1989 season, Bruce began an analysis of his competitors. He knew that Cedar Point drew visitors from further away than Geauga Lake. Geauga Lake drew people mainly from the surrounding counties, and only a few from out-of-state [see Exhibit 5].

Cedar Point was very popular throughout the Midwest and even attracted people from across the nation. He also knew that Cedar Point had a reputation for its Athrill@ rides, including several large rollercoasters, which attracted teenagers and young adults.

Sea World was also well-known in the region, especially because of its affiliation with the other Sea World parks around the United States. Sea World attracted families that enjoyed marine animal shows and entertainment.

King=s Island, north of Cincinnati, was a newer park, and attracted visitors from a larger area than Geauga Lake. It was also different from other theme parks because of its AMidway Stores,@ which were open year-round.

Attendance Factors. Attendance at amusement parks is effected in general by the local and national economy, the weather, and local and national competition. Park-specific factors that influence attendance are the park=s attractions, the public=s price/value perception, and advertising and promotion. Record attendance in 1988 at Geauga Lake was attributed to the success of a new attraction, Raging Wolf Bobs (a new wooden roller coaster) and to special promotions, especially the 100th year anniversary celebration.

Survey Results. Bruce also examined the results of an in-park survey of 2,270 Geauga Lake visitors during three months in 1988. The survey revealed that approximately 18% of the Geauga Lake visitors are children under the age of 12 [see Exhibit 6]. Approximately 2/3 of all Geauga Lake visitors plan their visits less than three weeks in advance [see Exhibit 6]. When asked what they liked the most about Geauga Lake, more individuals mentioned the water rides than anything else [see Exhibit 7].

Capital Budget Decision

Bruce was considering four alternatives for the \$1.7 million budgeted for capital expenditures for 1989. The first option was to build a new roller coaster. Bruce could not get enough bank financing for a roller coaster as impressive as Cedar Point=s \$8 million new roller coaster, but he thought he might be able to get enough financing to build a less grandiose, \$3 million roller

coaster. Because this project exceeded the \$1.7 million budget, he would have to get special approval from the board of directors.

The second option was building a new, unusual ride that no other park in the area had. There were several new attractions he was considering in the \$1 million - \$1.5 million range.

The third option was building a new water attraction for children. Geauga Lake already had a wave pool and a few other water rides, but none specifically designed for children. A water attraction for children would cost approximately \$1.2 million.

The fourth option was a new campground and RV facility on the grounds of the park. Such a campground would cost at least \$8, but would allow families an alternative to staying in hotels, further away, and would hopefully encourage visitors to stay longer. This option would also require additional financing and special board approval.

Advertising Budget Decision

Bruce also needed to recommend how the \$2 million advertising budget should be divided between the four main advertising media—television, radio, print, and outdoor advertising—for each city. Each medium was useful for reaching different audiences at different times.

The media. Television advertising is the most versatile of the media, because it allows the use of both audio and video. Also, because television allows the advertiser to target specific market segments by airing commercials on different stations at specific times, it is the most expensive advertising medium [see Exhibit 8 for an example of advertising costs for several Cleveland television stations]. Geauga Lake used television advertising primarily to build the public's excitement about Geauga Lake. The number of television watchers declines in the summer, so the early season TV spots were the most effective. For a television advertising campaign to be effective, Bruce would have to purchase several television spots on different stations to reach the target audience.

Radio advertising was relatively inexpensive, and could be used all season long to reach a variety of audiences (through the use of different radio stations) [see Exhibit 8 for a listing of advertising rates for several Cleveland area radio stations]. Like television, in order for a radio advertising to be effective, several spots per week would need to be purchased on several different stations. Bruce also knew that radio advertising is especially important in reaching the teenage segment, because it is the only of the four media that teenagers really pay attention to.

Newspaper and print advertising was used primarily for informational purposes—to announce the beginning and ending of the season, to show prices, and to announce special promotions. Full-page newspaper insertion advertisements could be purchased for a variety of local

newspapers [see Exhibit 9] for a wide range in price, depending heavily on the newspaper's circulation.

The outdoor advertisements Geauga Lake used were billboards along the major highways and intersections in the area. The peculiarity of billboard advertising was that only few words could be used C people driving by did not have time to read long advertising messages. Billboards were used mainly as a reminder of television, radio, and print advertising. A painted bulletin for 3 months cost, on average \$6,000, which was the lowest cost per thousand exposures of the four media.

Advertising regions. Bruce divided the cities where he wanted to advertise Geauga Lake into four main areas. The AA@ market was the area within a 50 mile radius of the park, and included Cleveland, Akron, Canton, and Youngstown. These areas were closest to Geauga Lake, and visitors were most likely to come from these areas [see Exhibit 5].

The AB@ market was the area within a 100 mile radius of the park. The main city in the B market was Pittsburgh, which is further away from Geauga Lake, but it has a larger population. In the past few years, they had developed this market by increasing their advertising effort there, and Bruce wanted to continue the attendance growth from Pittsburgh.

The AC@ market was the area within a 150 mile radius of the park, and included Wheeling and Steubenville in Ohio, and Erie, Pennsylvania. These markets had brought several visitors in the past, so Bruce felt that advertising in these cities would remind past visitors to make another trip to Geauga Lake in the 1989 season, as well as stimulate interest in the park from new visitors.

The final market, the AD@ market was Toledo, Ohio. This was a relatively new market for Geagua Lake, but Bruce wanted to experiment with an advertising campaign there to see what response it would generate.

Conclusion

Bruce wanted to differentiate Geauga Lake from the local competition. Sea World was best known for marine animals and entertainment, Cedar Point for exciting rollercoasters, and Kings Island for its year-round shopping. He wanted to give consumers a clear and consistent conception of Geauga Lake. Bruce decided that the best way to spend the capital improvement budget was to build a new attraction to focus on a specific market segment. Each of the attractions he was considering would focus on a specific segment of theme park visitors. He knew that if they built the right attraction and marketed it to the correct segment, Geauga Lake could have another record season in 1989.

Bruce took one last look at the survey data and thought about Geauga Lake and its competitors. What niche should Geauga Lake target in this very competitive region? What new attraction

should Geauga Lake build with its capital improvement budget? How much of the advertising budget should he spend in each of the markets, and on each of the media?

Exhibit 1

<u>Rank</u>	<u>Park</u>	<u>1988 Attendance</u>	<u>1988 Price</u>
1	Walt Disney World/Epcot	25,100,000	\$28.00
2	Disneyland	13,000,000	21.50
3	Pier 39	10,465,000	NA
4	Sea World of Florida	4,584,000	23.95
5	Universal Studios Tour	4,240,000	17.95
6	Knott's Berry Farm	4,000,000	17.95
7	Busch Gardens--The Dark Continent	3,720,000	17.95
8	Sea World of California	3,350,000	19.95
9	Six Flags Magic Mountain	3,100,000	20.00
10	Kings Island	2,988,294	17.95
11	Cedar Point	2,916,500	16.95
12	Santa Cruz Beach Boardwalk	2,850,000	11.95
13	Six Flags Great America	2,600,000	16.95
14	Six Flags Over Texas	2,500,000	17.95
15	Sea World of Texas	2,500,000	19.95
16	Six Flags Over Georgia	2,354,920	17.95
17	Great America	2,307,000	16.95
18	Ontario Place	2,300,000	NA
19	Opryland	2,276,350	17.95
20	Canada's Wonderland	2,243,000	15.00
21	Kings Dominion	2,195,000	16.95
22	AstroWorld	2,100,000	17.95
23	Busch Gardens The Old Country	2,094,059	17.95
24	Six Flags Great Adventure	2,000,000	19.95
25	Hersheypark	1,779,688	16.75
26	Dorney Park	1,700,000	12.95
27	Six Flags Over Mid America	1,500,000	16.00
28	Dollywood	1,500,000	15.90
29	Marine World-Africa USA	1,425,000	16.95
30	Boardwalk & Baseball	1,300,000	17.95
31	Cypress Gardens	1,300,000	16.95
32	Darien Lake	1,300,000	13.95
33	Carowinds	1,293,968	15.95
34	Playland Amusement Park	1,280,006	NA
35	Worlds of Fun	1,197,421	16.95
36	Kennywood	1,150,000	12.00
37	La Ronde	1,130,000	13.00
38	Valleyfair	1,050,000	13.75
39	Elitch Gardens	1,040,000	10.50
40	Geauga Lake	1,000,000	11.95

Source: 1988 survey by Amusement Business

Exhibit 2

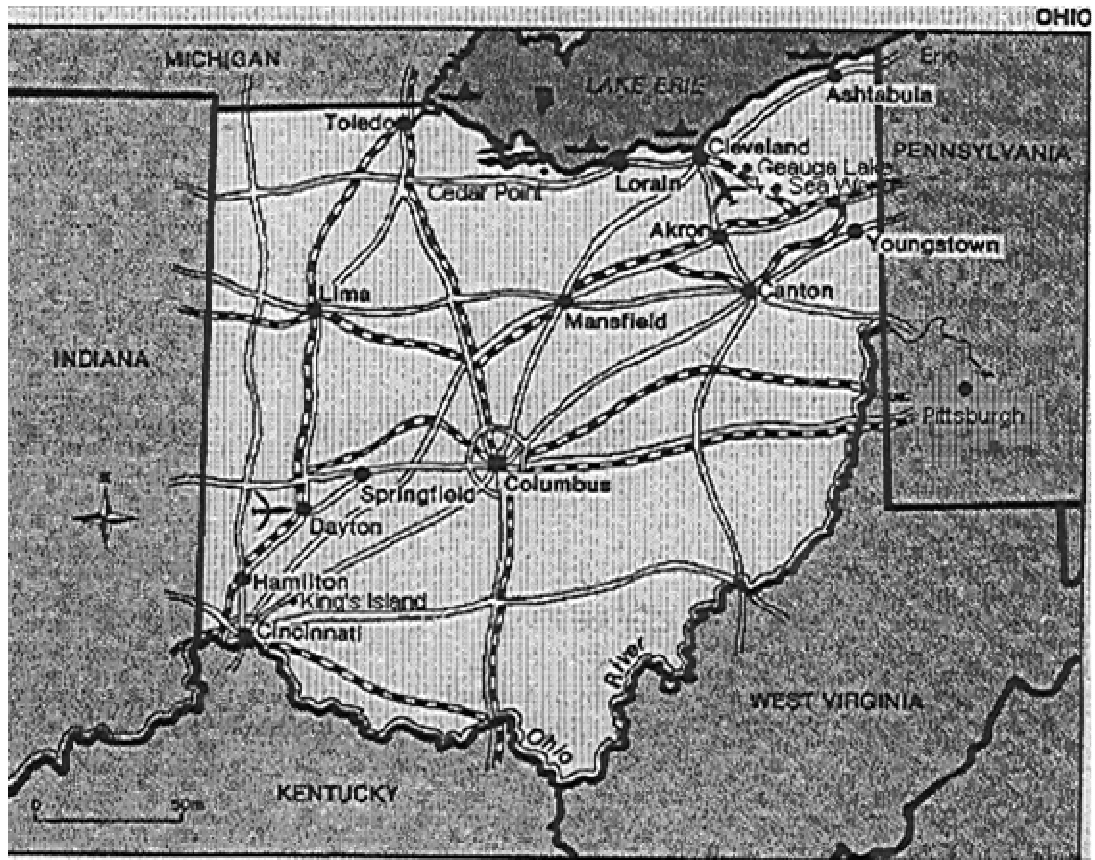
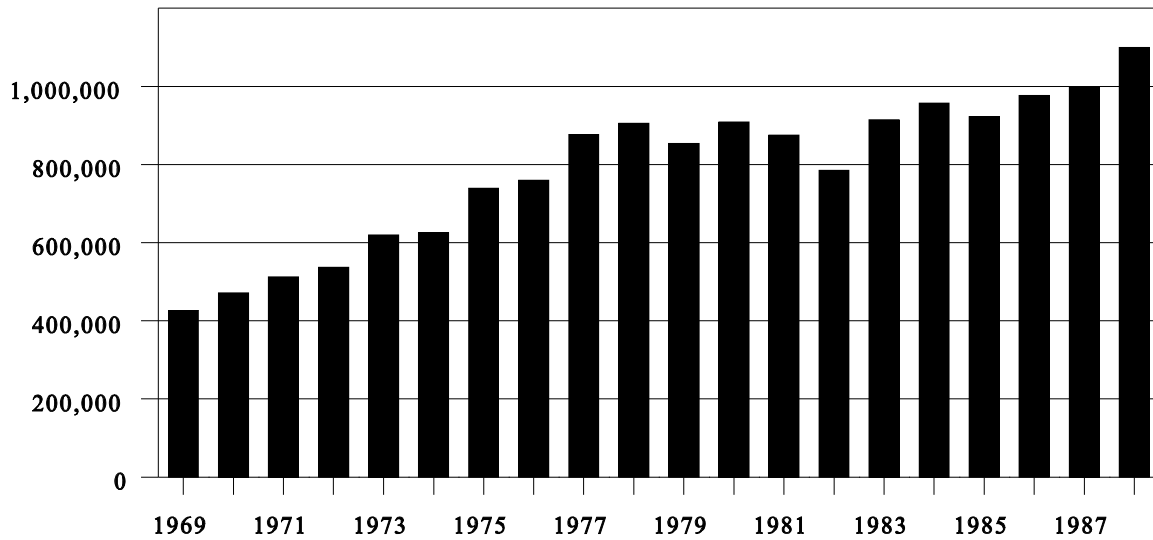


Exhibit 3

Geauga Lake Attendance



<u>Year</u>	<u>Attendance</u>	<u>Increase</u>	<u>% Increase</u>
1969	426,393		
1970	471,534	45,141	10.6%
1971	512,667	41,133	8.7%
1972	537,383	24,716	4.8%
1973	620,064	82,681	15.4%
1974	625,243	5,179	0.8%
1975	739,281	114,038	18.2%
1976	760,000	20,719	2.8%
1977	877,183	117,183	15.4%
1978	906,000	28,817	3.3%
1979	853,600	(52,400)	-5.8%
1980	908,758	55,158	6.5%
1981	875,591	(33,167)	-3.6%
1982	785,052	(90,539)	-10.3%
1983	915,124	130,072	16.6%
1984	956,960	41,836	4.6%
1985	922,489	(34,471)	-3.6%
1986	976,713	54,224	5.9%
1987	998,090	21,377	2.2%
1988	1,099,533	101,443	10.2%

Exhibit 4

<u>Geauga Lake 1989 Operating Budget</u>	
Revenue	
Admissions	\$8,485,810
Food	5,407,185
Games & Gifts	4,153,345
Other Operations	2,518,875
Misc. Income	<u>234,785</u>
Total Revenue	20,800,000
Cost of Sales	2,547,142
Concessionaire payback	<u>742,788</u>
Total	3,289,930
Gross Margin	17,510,070
Operating Expenses	
Operating Labor	4,284,084
Payroll Taxes & Emp Benefits	548,000
Supplies & Services	639,560
Utilities	507,450
Maintenance	708,964
Marketing & Sales	2,342,000
Licenses, Taxes & Rent	460,775
Prof. Services	119,200
Insurance	655,000
Misc.	<u>191,967</u>
Total Expenses	10,457,000
Operating Profit	\$7,053,070
Interest Expense	2,600,000
Depreciation	<u>1,625,000</u>
Net Profit before Taxes	\$2,828,070

<u>Geauga Lake 1989 Capital Budget</u>	
New Attraction	\$1,200,000
Improvements on Facilities	<u>500,000</u>
Total	\$1,700,000

Exhibit 5

Question 6: Where are you from?

<u>Location</u>	<u>Number</u>	<u>%</u>
Cleveland-Akron-Canton	1417	62.42%
Pittsburgh	236	10.40%
Youngstown	205	9.03%
Wheeling-Steubenville	39	1.72%
Toledo	34	1.50%
Erie	30	1.32%
Columbus	29	1.28%
Johnstown-Altoona	24	1.06%
Detroit	23	1.01%
Charleston-Huntington	10	0.44%
Buffalo	8	0.35%
Wils Barre-Scranton	7	0.31%
Dayton	6	0.26%
Clarksburg-Weston	5	0.22%
Cincinnati	3	0.13%
Lima	3	0.13%
Parkersburg	3	0.13%
Binghamton	1	0.04%
Rochester	1	0.04%
Syracuse-Elmira	1	0.04%
<u>Other</u>	<u>185</u>	<u>8.15%</u>
Total	2270	100.00%

Source: In-park survey of 2,270 visitors in the summer of 1988

Exhibit 6

Question 5: How many are in your party, and what are the ages of everyone (family members and friends only)?

<u>Ages</u>	<u>Number</u>	<u>%</u>
Up to 4	450	3.9%
5 to 11	1589	13.9%
12 to 17	1735	15.2%
18 to 24	1311	11.5%
25 to 34	1537	13.4%
35 to 49	1831	16.0%
50 to 64	430	3.8%
65 or older	125	1.1%
<u>Did not know</u>	<u>2432</u>	<u>21.3%</u>
Total	11440	100.0%
# of People Surveyed	2270	
Average #/Party	5.0	

Source: In-park survey of 2,270 visitors in the summer of 1988

Question 9: When did you make the decision to come to Geauga Lake?

<u>Response</u>	<u>Number</u>	<u>%</u>
Today	234	10.3%
Yesterday	321	14.1%
3 to 7 days ago	486	21.4%
8 to 14 days ago	242	10.7%
Over 2 weeks ago	259	11.4%
<u>Over 3 weeks ago</u>	<u>728</u>	<u>32.1%</u>
Total	2270	100.0%

Source: In-park survey of 2,270 visitors in the summer of 1988

Exhibit 7

Question 22: What did you like most about Geauga Lake?

<u>Response</u>	<u>Number</u>	<u>%</u>
Water Rides	487	21.5%
Rides	201	8.9%
Raging Wolf Bobs	174	7.7%
Roller Coaster	193	8.5%
Rainbow Island	89	3.9%
Big Dipper	81	3.6%
Convenience	92	4.1%
Whole Park	167	7.4%
Double Loop	36	1.6%
Variety of Rides	66	2.9%
Food	41	1.8%
Not Crowded	72	3.2%
Employees	75	3.3%
Shows	84	3.7%
<u>Other</u>	<u>412</u>	<u>18.1%</u>
Total	2270	100.0%

Source: In-park survey of 2,270 visitors in the summer of 1988

Exhibit 8

Cleveland Area Television Stations: Advertising Costs

<u>Station</u>	<u>TRP¹</u>	<u>Spots</u>	<u>Total Cost</u>
WEWS	180	40	\$20,000
WJW	800	140	\$80,500
WKYC	550	175	\$61,250
WOIO	650	110	\$79,750
WUAB	508	185	\$55,500

¹ Measurement (in 1,000's) of the number of adults, aged 25 to 49, that the advertisement will reach.

Source: MHW survey of local stations' advertising rates.

Cleveland Area Radio Stations: Advertising Costs

<u>Station</u>	<u>TRP²</u>	<u>Spots</u>	<u>Total Cost</u>
FM-WZAK	255	180	\$36,000
FM-WQAL	160	350	\$31,500
FM-WNCX	145	300	\$30,000
FM-WMMS	200	350	\$43,750
AM-WKNR	85	100	\$3,500
FM-WGAR	200	150	\$18,000
FM-WENZ	135	450	\$22,500

² Measurement (in 1,000's) of the number of adults, aged 25 to 49, that the advertisement will reach

Source: MHW survey of local stations' advertising rates and case-writer estimates.

Exhibit 9

Cleveland Area Newspapers Insertion Advertisement Costs

Newspaper	Approximate Circulation	Cost
Cleveland Plain Dealer	310,000	\$3,250
Lorain Journal	46,000	\$550
Elyria Chronicle	24,000	\$425
Kent-Ravenna Record Courier	27,000	\$375
Aurora Advocate	3,700	\$250
Scene Magazine	20,000	\$1,000
Chagrin Valley Times	2,200	\$600
Bainbridge Bantor	650	\$300

Source: MHW survey of local newspapers' advertising rates.