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| **Xanadu Request for New Revenue Ideas**  Dear Professor Baldwin,  I need to come up with an overview to be documented and shared with Mr. Becker, as he has asked me to fill in for him on this meeting.   I am thevice president of operations at Xanadu Entertainment, an entertainment company that owns and operates 19 seasonal and year-round amusement parks (Happy Place) located throughout the U.S. I am responsible for providing overall direction and guidance with regard to the operational activities of the organization.   My current dilemma is that **t**he company's amusement parks have always been popular, but recently they haven't been very profitable. Our operating costs have been rising, and every dollar of extra revenue has been hard won. At the company's annual management offsite meeting held this morning at Happy Place (Seattle), Alex Harrington, a business strategy consultant from Bone and Hearse LLP, unveiled "Operation Upmarket," a business strategy proposal aimed at addressing the issue of profitability for Happy Place.  Their plan proposes that Happy Place offer its customers the option of a "preferred guest" card. Cardholders would pay more, but they would get first crack at the rides and would get seated immediately at any of the park's restaurants. According to Alex, the plan would help Happy Place finances, because it would target the "wealthy consumers who are time pressed, but might visit the park more often and spend more time while there, were it not for long lines at the rides”.   Although I respect Alex's plan, but I am concerned about the initiatives I have implemented to tap into that same segment? I have, in fact, already had some successes. Roughly 20% of Happy Place’s souvenir shops have been upgraded to gift boutiques with more appealing displays and higher-priced merchandise, and some snack concessions has been converted to seated dining! The most upscale of the restaurants are already earning almost *double the profit* per square foot of the other food-service facilities.   Alex has done an impressive amount of work developing the idea, commissioning surveys and focus groups, and getting finance to run the numbers. Her presentation has been persuasive, I can admit. Her tactic has been to get people arguing the details: should the pass cost $20 more than general admission or $30 more? She seems to be ignoring the question of whether it was a good idea at all. At first, her approach seemed to convince me, but it just doesn't seem like the company reputation we want to instill. The founder of Happy Place wanted to create a place where families could come together for a day to forget about their cares. I know that our history is great, but if things don't turn around fast, we *are going to be history*. The company has to make changes quickly to avoid cash-crunch-driven bankruptcy or a hostile takeover.   It was no secret to anyone in the meeting that theme parks have only three ways to bring in more revenue: (1) increase visits per customer, (2) increase average spending per visit, or (3) attract new customers. Alex has argued that the guest card would address the last two items by attracting a different type of customer. Those who are time-starved, high-income professionals who want to enjoy a day out but avoid the whole experience of *waiting.* Adam Goodwin, who is the VP of marketing said, "It strikes me as a very shortsighted strategy. I mean, sure we could make a lot of money on those cards in the first couple of seasons, but just think about what it does to the overall customer experience. The average Joe with his wife and three kids is not going to shell out for five upgrades. So they are going to be sweating through even longer lines and just steaming when they see some yuppie waltz ahead of them. I don't even think it's a great experience for the preferred guests. Who wants to feel all the anger directed at them? The key to this business is that the customers feel good while they are here. A couple of ugly glances, a nasty remark, and the day is spoiled for everybody and neither parties coming back.  This is quoted from Alex at the meeting:   "I should have explained," she said. We would definitely separate the lines so the preferred cardholders wouldn't be in people's faces and we'd limit the percentage of special tickets issued on any given day, but I don't think you are giving your customers enough credit. Patrons have a lot more awareness and appreciation of the fact that time is money. This program lets them choose which they want to save."   **\*\*This is where I need some input from you and some proactive ideas to resolve this dilemma.**  **What am I going to do?**    I was charged by CEO Len Becker to summarize the merits of the option presented at the meeting in his absence. I need to create/craft the body of a document for Mr. Becker.   I also need to develop a response that includes examples and evidence to support my ideas and which clearly communicates the required message to Mr. Becker and audience.  Best regards,  BA or bust… |  |
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