

OXFORD CAMBRIDGE AND RSA EXAMINATIONS

Advanced Subsidiary GCE

LEISURE STUDIES

G182/CS

UNIT 3: Leisure Industry Practice

CASE STUDY

Pre-release case studies for examination June 2006

OPEN ON RECEIPT

INSTRUCTIONS TO TEACHERS

- This case study **must** be opened and given to candidates upon receipt.

INFORMATION FOR CANDIDATES

- You **must** make yourself familiar with the case study before you take the question paper.
- You **must not** take notes into the examination.
- A clean copy of the case study will be issued with the question paper.

These pre-release case studies consist of 4 printed pages.

Planet Earth Theme Park (Planet Earth)

Planet Earth Theme Park (Planet Earth) was originally opened in the 1960s as a small zoo and gardens to attract additional visitors to a large private house and estate which had run into financial difficulties as a result of inheritance taxes. The entire property was sold in 1986 to a private company which wished to develop the extensive grounds as a theme park with rides, restaurants and other related facilities. The concept of Planet Earth was initially based on the different natural features of the earth and on the different cultures of the world. This seemed to be a very positive concept in the late 1980s with the increases in travel opportunities which were developing at that time – certainly people were travelling more and becoming more aware of other cultures. 5

A large initial capital investment in 1986–87 meant that it took more than 10 years for Planet Earth to become profitable. Further investment was, however, held back until late 2001 which means that some aspects of Planet Earth are now a little dated. Over the last four years, however, there has been some major investment in new rides including a number of white knuckle rides, as well as refurbishing the eating areas. This investment has largely been funded by borrowing from banks and other financial institutions. Although relatively high values for the fixed assets of Planet Earth are stated on its balance sheet, these are assets which it would be difficult to re-sell as individual attractions. A summary of the Profit and Loss Account for Planet Earth for the year ended 31 December 2005 is provided in Fig. 1. 10 15

Planet Earth is located in Leicestershire and although reasonably close to the motorway network there are access problems. Planet Earth is situated at the end of a relatively minor road, close to a small village and very heavy traffic jams always occur at the height of the summer season. During the summer season, Planet Earth is open long hours each day and the resultant noise pollution also has a significant impact on the locality. 20

The personal details of all the employees at Planet Earth are now maintained on a computer based system. This has recently replaced a paper based system. 25

Although some staff employed at Planet Earth are on permanent full time contracts, the vast majority of the staff are only employed over the summer season. Such temporary full time and part time employment normally commences some two weeks before Planet Earth re-opens to the public.

Every worker receives a classroom based induction programme which focuses on customer service, first aid and health and safety. All employees are issued with booklets as part of this training, which they are required to retain. This year a new and updated booklet has been published which includes all the European Union (EU) and UK health and safety requirements which have particular relevance to the operation and activities of Planet Earth. 30

Last year, the Directors of Planet Earth appointed a new Managing Director who had previously updated a similar theme park in Florida. The new Managing Director's efforts in Florida had focussed on the successful implementation of a quality standard programme which in practice exceeded customer expectations and which led to a better than anticipated financial performance. The work of the new Managing Director will be subject to an annual review and she has been given some very tight operational and financial targets to achieve. 35 40

The seasonality of Planet Earth's cash-flow (see Fig. 2) often makes it difficult to predict its future financial requirements. In order to improve cash-flow in the winter months, Planet Earth has now started to offer its facilities as a conference venue.

One current proposal which the Board of Directors is considering relates to the introduction of a system of charging which would encourage off-peak use. The customer base of Planet Earth is 45

predominantly characterised as family groups and the Directors hope to broaden the appeal of Planet Earth to include a wider range of customer groups. The possible introduction of a new range of pricing strategies is also being considered.

A previous major problem for Planet Earth, that too many customers had to queue for the rides, has been resolved through the introduction of an advance ticketing system. Priority tickets can now be obtained either in advance through Planet Earth's website or on arrival at Planet Earth. Customers have also been encouraged to purchase their admission tickets for Planet Earth over the Internet through the provision of advance booking discounts. 50

The booking system also feeds into Planet Earth's overall administration and operational systems. These systems also include: purchasing and stock control, maintenance, personnel and finance (including payroll). Changes which have recently been made to the administration and operational systems, despite the additional resource and training costs, have contributed greatly to the more efficient operation of Planet Earth. 55

It is hoped that the further development of these administration and operational systems will enable additional improvements to be made to the marketing of Planet Earth; as well as providing improved information for both customer service and management planning. 60

Planet Earth has a large marketing budget (see Fig. 2) which is primarily used to fund a major television advertising campaign at the beginning of the summer season. A significant part of the remaining marketing budget is used to try to counteract some of the negative publicity which is generated in the local area and to try to improve and develop closer relations with the local community. Planet Earth, for example, invites all those living within a five mile radius to an open day each spring. 65

The new Managing Director of Planet Earth has also introduced a master budget which covers all of the activities of Planet Earth. She feels that such a budget benefits both the financial and management planning of the business. 70

It is hoped that the more efficient management of the marketing budget will enable the levels of expenditure on both television advertising and on public relations to be reviewed.

Fig. 1

Extract from Profit and Loss Account of Planet Earth Theme Park for the year ended 31 December 2005	
	£
Turnover	30,213,678
Less Cost of Sales	993,448
Gross Profit	29,230,230
Less Administration Expenses	(21,143,674)
Operating Profit	8,086,556
Less Interest Payable	(4,224,312)

Fig. 2

Extract from projected Cash Flow Forecast for Planet Earth Theme Park – 2006						
	Jan–Feb	Mar–Apr	May–Jun	Jul–Aug	Sep–Oct	Nov–Dec
Income						
Sales	0	750 000	4 575 000	4 650 000	22 875 000	0
Other Income	24 000	290 000	800 000	850 000	680 000	18 000
Total Income	24 000	1 040 000	5 375 000	5 500 000	23 555 000	18 000
Expenditure						
Wages	290 000	400 000	800 000	800 000	500 000	280 000
Vehicles	47 000	48 000	79 000	80 000	70 000	45 000
Stock	80 000	90 000	300 000	300 000	250 000	16 000
Marketing	1 400 000	4 900 000	2 800 000	350 000	300 000	180 000
Other Running Costs	2 000 000	2 000 000	2 000 000	2 000 000	2 000 000	2 000 000
Total Expenditure	3 817 000	7 438 000	5 979 000	3 530 000	3 120 000	2 521 000
Net Cash Flow						
Opening Cash Balance						
Closing Cash Balance						

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