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## *Cases*

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### Case 1

## Watercrest Park

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Jim Owens was under considerable strain as he worked on a marketing plan for his new employer, Watercrest, Inc. He completed a consumer survey and a rough draft of the plan but was still unsure of the details of the rest of the document. Time was a factor in his concern since the deadline was one week away.

The designers of Watercrest originally envisioned the park as an outdoor water-related recreational facility. It was to include a wave pool, water slides, swimming pools, jogging trails, and several water rides. In addition, the plan included dressing rooms, a snack bar, a souvenir shop, a large space for sunbathing, and space for special events such as outdoor concerts. The idea seemed sound after a consulting group conducted a feasibility study that confirmed the original ideas on the need and potential profitability of the concept. The next step was to create enough interest in potential investors to raise the \$4 million needed to launch the project.

However, Sid James, originator of the Watercrest project, wanted to supply potential investors with a copy of the feasibility study as well as a complete marketing plan to help convince them of the proj-

ect's viability. Mr. James hired Jim Owens, a recent marketing graduate, to prepare the plan and help manage the facility when it opened.

Jim's early work was relatively easy because the consulting team collected much of the environmental and competitive data for the feasibility study. The parts of the plan Jim completed are shown in the following analysis, including a summary of the study revealing consumers' reactions to the proposed project.

### **Situation Analysis**

#### *Environmental Trends*

Although the Watercrest concept is new and therefore does not have a history, recreation in general and water-related recreation specifically, has a long and interesting history. The following trends and forecasts for recreation were taken from recent industry literature:

- Americans have a growing preoccupation with outdoor recreation.
- Based on past trends, a doubling of recreational expenditures can be expected in the next eight to ten years.
- Expenditures for leisure activities are increasing faster than consumer spending as a whole.
- More and more people are moving to the Sun Belt; the South and Southwest are expected to be major growth areas, and people tend to be more recreationally active there.
- Leisure spending does not appear to be as heavily influenced by adverse economic conditions as other expenditures.
- Total leisure spending is expected to reach \$250 billion by next year and \$350 billion in five years.
- Admissions revenues for sporting events grew from \$3.6 billion to \$15 billion over the past five years.
- The most popular sport in the United States is swimming—some 103 million people regularly swim.
- Water-related activities account for five of the top twenty-five outdoor recreational activities.
- Experts say that participation in summer outdoor recreational activities is four times greater than forty years ago.
- Many theme parks are currently in trouble financially because of saturation, competition, and inflation.
- Experienced theme park operators have learned how to keep guests for several hours and offer many alternative ways to spend money.
- A major cost problem for theme parks is the attempt to add a newer, more thrilling ride every two years—at continuing inflated costs.
- Big Surf outdoor water recreation project is successful. It appeals mainly to youths, ages eight to twenty-three; very few families participate.

Although large theme parks have recently had financial trouble, there is an overall favorable climate for outdoor recreation ventures, and water-related activities in the Sun Belt historically have enjoyed a high probability of success.

### **Consumer Analysis**

Table C1.1 lists potential market segments for Watercrest. Two major characteristics of the market segments influenced planned marketing activities. One was the size of the parties involved. Research from this project confirms that the primary markets for this project are youths and single adults. Also, many consumers indicate they would probably go with a group to this type of attraction. Although the plan will not ignore families, the size of the family segment, compared to the other two, warrants less marketing effort.

Another market-segment variable that the plan must consider is "resident versus tourist." Again, the plan will not ignore the tourist segment but primary emphasis will focus on the resident segment because of the size and accessibility of this group. Research reveals that the major motives for going to this type of park are:

1. *Fun*: a key word used by many consumers.
2. *Peers*: people like to be with others of their own age.
3. *Physical attraction of combination of sun and water*: people like to be near water in hot weather.
4. *Boredom*: people want other activities than staying home, watching television, and so on.

Consumers appear willing to spend five to eight dollars per person for this type of activity, and most youths report spending fifteen to twenty dollars a month on outdoor recreational activities during the summer.

There also appears to be a high degree of consumer acceptance of water-related activities such as water slides. Most youths have been to a water

TABLE C1.1. Market Segments

Type of party	Size of party		
	Individuals/couples	Families	Groups
Area residents	Youths ages 8-18, single adults ages 19 and over, young couples	Young/no children, older/young children, older/older children	Church, college groups
Tourists	Single adults, young couples	Young/no children, older/young children, older/older children	Church, school groups

slide and most adults with children are aware and approve of water slides. This translates to a favorable consumer mind-set for Watercrest.

The demographics of the market are favorable in terms of the major segments of Watercrest customers. Table C1.2 shows the size of the market by age. Population projections show a near doubling of the area population in the next twenty years.

Income statistics for the proposed location also reveal a very strong market. Table C1.3 shows a recent estimate of household buying income and the comparative local-state-nation percentage. Income in the area is not much different from the state. Overall, the area provides a stable economic base with future population growth and income levels that support additional recreational facilities.

### **Competitive Analysis**

Although there are many competing recreational activities in the area, none offers a facility comparable to Watercrest. In fact, at current prices for water slides in the area, Watercrest should draw most consumers because of the cumulative attraction of other Watercrest activities and the positive Watercrest value. Each alternate recreational facility is a competitor for Watercrest; but given the nature of the project, there is no major daytime or nighttime competitor to Watercrest. Competitive data are shown in Tables C1.4 and C1.5.

TABLE C1.2. Population Distribution by Age Groups

<b>Age group</b>	<b>Total number</b>
6-17	70,758
18-34	150,134
35-64	92,700

TABLE C1.3. Household Income (Last Census)

<b>Income (\$)</b>	<b>Proposed location (%)</b>	<b>State (%)</b>	<b>United States (%)</b>
Up to 15,000	26.4	27.3	25.4
15,001-25,000	7.3	6.9	6.6
25,001-35,000	17.5	17.6	18.0
35,001-45,000	26.9	28.7	30.8
45,001 and over	21.9	19.5	19.2

TABLE C1.4. Indoor Recreational Daytime Competitors

<b>Types</b>	<b>Number</b>	<b>Average price</b>
Theaters	23	\$4.50/12 years and over
Skating rinks	4	\$1.50/person
Bowling alleys	5	\$1.70/person
Racquetball courts (public)	2	\$5.50/person
Arcades	10	\$0.25/game
Pistol ranges	3	\$2.00/person

TABLE C1.5. Outdoor Recreational Daytime Competitors

<b>Types</b>	<b>Number</b>	<b>Average price</b>
Water slides	2	\$2.00/1/2 hour
		\$3.50/1 hour
		\$6.00/all day
Race cars	1	\$1.25/lap
		Usually \$10/person
Skateboard parks	1	\$2.50/3 hours
Swimming pools (public)	6	\$1.60/person
Miniature golf	3	\$2.00/person
Tennis courts (public)	6	\$2.00/person
Amusement parks	2	3-4 tickets per ride (\$1.00)

Although Jim had laid the groundwork for the rest of the marketing plan, he was still unsure about which overall positioning strategy to use and how to effectively promote the park to generate enough sales to make the venture profitable. If the profitability of this venture followed other theme parks, high volumes of sales could be expected during the first two to three years. This would be followed by declines as competition increased and the novelty of the park made it less attractive to customers. His attendance projections are shown in Table C1.6.

TABLE C1.6. Attendance Projections

Facts/assumptions	Attendance		
	Alternative first-year forecasts		
	Low	Most likely	High
<i>Attendance/penetration</i>			
Local market—target population			
Target market (ages 10-25)	112,000	112,000	112,000
Penetration	.65	.70	.85
Attendance	72,800	78,400	95,200
<i>Local market—general population</i>			
Population	103,087	103,087	103,087
Penetration	.03	.05	.07
Attendance	3,100	5,100	7,200
<i>Regional market</i>			
Population	90,000	90,000	90,000
Penetration	.10	.15	.20
Attendance	9,000	13,500	18,000
<i>Tourist market</i>			
Population	225,000	225,000	225,000
Penetration	.03	.05	.07
Attendance	6,750	11,250	15,750
<i>Group sales market</i>			
Attendance	18,275	20,350	25,700
Repeat business			
attendance	72,800	78,400	95,200
Total attendance (sum of above)	182,725	207,000	257,050

Low forecast: \$1,827,250 ( $182,725 \times \$10$ ); most likely: \$2,070,000 ( $207,000 \times \$10$ ); high forecast: \$2,570,500 ( $257,050 \times \$10$ ).

Sid James had indicated that the investors would be expecting at least a 15 percent return on investment for the \$2 million dollar costs associated with fixed and operating capital needed for the park. Since there would be high fixed costs, the key to profitability was generating a high level of sales for the park.

## CASE APPENDIX

### *The Consumer Study*

This section of the report discusses the methods for collecting consumer information and presents the results of the consumer study. Assessment of consumer attitudes on this new concept began with a series of focus-group interviews. Each focus group included twelve teenagers between the ages of twelve and eighteen. There was an even mix of males and females, and most of the participants would be considered opinion leaders to some extent.

The interviews proceeded from a general discussion of recreation to outdoor activities to water-related activities. The moderator asked participants to comment on the Watercrest concept as well as many questions about participation, price, repeat trips, and so on. The consumer survey confirmed the findings of the focus group interviews and revealed a consistent pattern of responses from both data collection techniques. The method and findings of the consumer survey follow.

### *Introduction*

*Purpose.* The purpose of this study was to provide data for market analysis and planning for the Watercrest project. The study provided data and a wide range of topics related to outdoor recreational activities and market participation.

*Research objectives.* This study sought to accomplish several research objectives:

- Identify the type of recreational activities residents participate in and the extent of participation by family unit.
- Determine the price levels anticipated by consumers for an outdoor recreational activity such as Watercrest.
- Determine exactly which consumer segment was most likely to be attracted to the project.
- Identify reasons for anticipated participation or lack of participation in the proposed project.
- Identify socioeconomic characteristics of the anticipated target markets.

### *Methodology*

*Sampling.* Researchers selected respondents for this study through a cluster-sampling procedure of area residents listed in the current telephone book. The original clusters consisted of 1,500 residential listings. This rather large number was necessary to produce a sample of 300 respondents—225 adults and 75 young people. The researchers anticipated problems such as (1) disconnected numbers, (2) respondents who would not cooperate, and (3) potential respondents who could not be reached. Therefore the sample needed to begin with a large number of residents to ensure the desired sample size.

### *Survey Instrument and Data Collection*

The researchers developed a telephone questionnaire and pre-tested it for validity. The following topics were covered in the survey:

- Participation in outdoor recreational activities
- Types of outdoor activities participated in
- Vacationing recreational activities
- Total family expenditures anticipated for an outdoor activity
- Familiarity with and reaction to water slides
- Motivation for participation in water-related recreational activities

### *Socioeconomic Classification Data*

The study used a separate questionnaire for young people to ensure collection of data from consumers most likely to use a recreational facility such as Watercrest. Researchers collected data during the second week of February using interviewers selected and trained by the consultants. Although the interviewers encountered little difficulty in obtaining cooperation or administering the questionnaires, many interviews were aborted completely because respondents were not participants in outdoor activities or were unfamiliar with water-related activities. The average adult interview took ten minutes for completion while the youths' interviews took approximately five minutes.



## *Data Tabulation and Analysis*

The data were tabulated by computer and organized by topical area. The researchers calculated descriptive statistics to represent the basic response modes of consumers and permit further analysis of the data.

## *Findings*

*Outdoor recreational participation.* Most of the respondents interviewed in the study (71 percent) participated in outdoor recreational activities with the most popular activities being swimming, jogging, and tennis. These data are consistent with earlier findings from the focus group interviews. Outdoor activity was clearly seen as an activity for youths by both adults and young people interviewed.

The majority of adults with children indicated a preference for staying and watching their children participate in an activity if the facility offered a comfortable place. Adults also seemed extremely concerned with safety for their children in this type of activity. Eighty-five percent of the respondents identified safety as their major concern.

## *Expenditure Data*

Respondents were asked how much they would spend per person to participate in an outdoor recreational activity if they could stay for eight to ten hours as a family. The median response was \$8.00 per person. When asked how much they would be willing to spend for one of their children to participate, the average response was \$10.50. Youths' average response was \$10.00 when asked the same question.

The current price for an all-day pass at a water slide in the area is \$6.00. Youths reported spending an average of \$26.00 per month for recreational activities during the summer.

## *Socioeconomic Characteristics of Respondents*

A typical adult respondent in this study can be profiled as follows:

1. Median income of a little over \$25,000
2. About thirty years old

3. Male
4. Caucasian
5. Works in a professional or technical occupation
6. Median level of education was some college work completed

The majority of youths interviewed were between the ages of twelve and seventeen.

### *Summary and Conclusions*

Based on the findings outlined in this study, the following conclusions and summary statements emerged:

- The majority of adults and youths view water-related activities such as a water slide as being for young people—not for families or older adults.
- A price of ten to twelve dollars or more for the Watercrest complex is entirely in line with what adults and youths would expect to pay.
- The major reason for participation in water activity is summed up in one word—fun. Also, hot weather and water activities appear to be part of the consumer mind-set.
- The major concern of adults for this type of activity is safety in use.
- Most youths appear to be interested in participating in this type of activity with a group of friends.

Findings of this study parallel the earlier focus group interviews—a consistent pattern of responses in viewing outdoor recreational activities.

Many families are involved in outdoor recreational activities when at home and while on vacation. However, the variety of activities is much more limited when on vacation.