Strategic Analysis – Six Flags Entertainment Corporation

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Strategic Analysis – Six Flags Entertainment Corporation

Final Project

A Project Submitted in Partial Fulfillment
of the Requirements for the MBA Degree

MGMT 6800
Professor Boyd

Jamie Levitt

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External Analysis: The Amusement Park Industry

Introduction to the Amusement Park Industry

The amusement park industry represents leisure facilities that “operate mechanical rides, water rides, games, shows, themed exhibits, refreshment stands and other attractions” (Industry Overview, 2014). It encompasses 482 businesses in the United States (Industry at a Glance, 2014) and generated revenue of $15.4 billion dollars in 2013 (Industry at a Glance, 2014). The industry is currently growing, but faced a decline in attendance and revenue during the economic recession (2007-2008) (Industry at a Glance, 2014). Furthermore, it is heavily reliant on a declining demographic (children aged 10-19) (Industry Outlook, 2014). Considering these contrasting variables and outcomes, this outlook will clarify the health, outlook and potential opportunities for the amusement park industry. This analysis will be separated into 1) a Porter Five Forces Analysis, 2) PEST Analysis, 3) an overview of the external drivers in the amusement park industry (and their impact), 4) an analysis of key players/ rivals in the industry, 5) an analysis of actions to be likely taken by these rivals, 6) a presentation of key success factors for the amusement park industry, and 7) an industry outlook.

Porter Five Forces Analysis

Porter’s Five Forces analysis considers the key pressures which a firm will face in an industry (and where competitive advantages exist). Specifically the analysis considers: 1) bargaining power of suppliers, 2) threat of new entrants, 3) threat of substitutes, 4) bargaining power of buyers and 5) industry rivalry. These forces’ strengths can be considered as “low”, “medium” or “high” pressures on a firm’s bottom line. The combined power of these forces suggests the viability of a firm and its ability to survive in the amusement park industry.
Bargaining Power of Suppliers - High

Garrett, Holton, Rasso, and Yeary highlight a list of key amusement suppliers:

*Animated figures and robotics, animation, effects & show control, batting cages, climbing walls, games, coin-op machines, costumes and mascots, fireworks shows flags, and banners, fog machines and misters, food service, fountains, go-kart manufacturers, haunted house supplies, inflatable play, insurance and legal services, laser shows, laser tag suppliers, lighting and theatrical equipment, live show producers, lockers, management and consultants, mazes, miniature golf equipment, miscellaneous suppliers, park amenities, play structures, prizes and merchandise, ride manufacturers, simulators and film, themed attraction and park design, themed construction, scenery, and props, and ticketing and crowd control.*

(Industry Analysis, 2008)

Yet, the key supplier to amusement parks is roller coaster manufacturers. They develop they hallmark features for major amusement parks. The hallmark (large) roller coaster industry has historically been saturated by a set of nine companies (Arrow Dynamics, Bollinger & Mabillard, Giovanola, Intamin AG, Pinfari, Vekoma, Premier Rides, Togo, and Zamperli) (Industry Analysis, 2008). These companies have supplied 72% of roller coasters to parks in the United States. In recent years, Arrow Dynamics and Giovanola have ceased operations (How Entrepreneurs do What They Do). Thus, there has been consolidation of manufacturers and in turn less competition for parks’ business.

Threat of New Entrants – Low

Barriers to entry in the amusement park industry are high. Firstly, in the United States, 78% (Competitive Landscape, 2014) of large amusement parks are controlled by four companies (Disney, Universal, Cedar Fair and Six Flags). These companies are able to leverage established practices and economies of scale. Furthermore, the creation of new parks are capital intensive. This includes need for up to 300 acres of land, public facilities, and the creation of rides (ibid.). Overall, IbisWorld’s *Barriers to Entry Checklist*, suggests an environment which is universally
Threat of Substitutes - High

Consumers have limited leisure time and discretionary spending. As such there are other relaxing/ fun activities competing for consumers’ time. Key competitors include: “movie theaters, restaurants, sports events, and tourist attractions.” (Business Challenges, 2014) Many of these establishments are more accessible than amusement parks. For example, there are 42,814 (Theatrical Market Statistics, 2013) cinemas in the United States., compared with approximately 400 amusement parks (International Association of Amusement Parks and Attractions).

Video games have also been identified as a source of competition as consumers can participate in a leisure activity which has more of a fixed cost system (no admission fees). Furthermore, gaming consoles have become more realistic and participatory (Business Challenges, 2014).

Bargaining Power of Buyers - Medium

The amusement park industry, as a whole, demonstrated major losses in revenue during the recent economic downturn (2007-2010) (up to 7% decreases in revenue) (Industry at a Glance, 2014). With many consumers facing job insecurity, there was less willingness to spend at leisure sites. As such, amusement parks are pressured to offer. This is corroborated by IbisWorld who note: “In 2009, consumer spending declined 1.9%, and recreational activities like visiting amusement parks were some of the first expenditures to go.” (Industry Performance,
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2014). As such, parks have been obligated (during periods of economic hardships) to offer deals and discounts to bolster attendance. IbisWorld notes: “If economic conditions are poor, consumers can opt to travel shorter distances to cheaper amusement parks.”

A similar phenomenon also presents itself in conjunction with weather. Parks must act to attract guests when weather is too cold, too hard or inclement. According to First Research: “Bad weather, or the threat of bad weather, can have a serious impact on attendance at amusement parks. Most rides and attractions are outdoors and guests may not be willing to visit theme parks during cold or otherwise inclement weather…” (Business Challenges, 2014) More importantly, a lack of demand at certain times of the year (especially for water parks) leads them to seasonally close.

As the American population ages, amusement parks have also been obligated to incorporate attractions for middle-aged guests. This includes spas and health facilities (Industry Outlook, 2014). For example, Hershey Park famously has a “chocolate spa.”

The distribution of amusement parks has worked to amusement parks’ owners/operators advantage. Parks are relatively evenly distributed throughout the United States. The American southeast has the largest percentage of parks in the United States, but this still only represents (less than) thirty percent of total domestic parks. Thus, parks are not (normally) competing in the same market for the same customers. Furthermore, sites with multiple parks (notably, Orlando, FL) have often synergized on promotions. IbisWorld notes: “Orlando, FL, has seven of the largest amusement parks in the United States. Industry players have found that there are synergies and promotional and other advantages in having a number of major operators located in the same area. The ability to offer joint and single ticketing arrangements with discounts, such as a three-park pass, is a good example” (Products and Markets, 2014).
Thus, these parks are partnering with one-another, rather than being leveraged by customers.

**Industry Rivalry – High**

Forest Research describes the amusement park companies as “intensely competitive”. Parks are consistently developing new attractions and rides (often costing more than $10 million) to continue to compete with regional and national rivals. IbisWorld reiterates this notion by observing: “Patrons will travel thousands of miles to visit water parks that can offer new, thrilling and unique rides” (Competitive Landscape, 2014).

The act of developing new rides to attract customers has led to tit-for-tat development between Universal Studios and Walt Disney World in Orlando, Florida. Universal has announced a $265 million land devoted to Harry Potter, while Disney is developing a new $500 million section dedicated to Avatar (Barnes, 2012).

Overall, the amusement park industry must overcome a difficult climate for negotiating with suppliers, a great breadth of substitutes (which are often closer to come) and intense rivalry. Ultimately, firms can only take solace in the fact that the threat of new entrants is very low. Ultimately, to maintain success, amusement park industry players must carefully develop attractions which will meet or exceed the new offerings of competitors. Furthermore, it is essential to balance pricing for consumers between enticing visitors and generating profit.

**PEST Analysis**

The following PEST analysis provides a framework to better understand the macro-economic environment for firms in the amusement park industry. The term “PEST” is an
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acronym that represents the 1) political, 2) economic, 3) social and 4) technological external factors which will weigh-on or buoy an amusement park firm. For each industry, these macro-economic factors will have differing impacts. While each of these factors is important to the industry, the economic recession of the late 2000’s demonstrated that it is crucial for amusement park companies to act in mitigating the negative effects of a soft economy (Industry at a Glance, 2014).

Political:

Six Flags’ 10-K filing for 2013 suggests that government regulation acts as a potential negative influence on net profits: “Our operations and our ownership of property subject us to environmental, health and safety regulations, which create uncertainty regarding future environmental expenditures and liabilities” (10-K, 2013).

Amusement parks are producers of wastewater, storm water and air emissions (10-K, 2013). Thus they are required to comply with environmental health and safety laws under the auspices of the Environmental Protection Agency (EPA) (as well as by other local and state authorities) (ibid.). The key laws which require compliance are the Clean Water Act, and Clean Air Act (10-K, 2013).

Amusement Parks also store, handle and dispose of “hazardous” substances, which require strict compliance with the Conservation and Recovery act as well as Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) (10-K, 2013). CERCLA, in particular leaves a park legally vulnerable to any incident related to chemicals: “[parks are] strictly, jointly and severally liable for costs to remediate releases and threatened releases of
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hazardous substances” (10-K, 2013). It is noted that these liability costs have the potential to be “substantial” (10-K, 2013).

Lastly, amusement parks are vulnerable to new laws which may be enacted by federal or local governments and will be required to incur the costs of compliance. (ibid) For example, a park may be required to “incur costs to remediate potential environmental hazards, mitigate environmental risks in the future, or comply with other environmental requirements. “

From a different perspective, First Research notes that all rides are must be registered with state governments: “In most states, state regulatory agencies have jurisdiction over amusement ride safety requirements.” It is also noted that there are restrictions on ride operators: “Some states require a minimum age of 18 for ride operators.” Lastly, amusement companies must be aware of regional differences in compliance: “Little consistency exists among states as to regulation, standards, monitoring, and penalties. State programs typically license and inspect rides, and require owner-operators to carry liability insurance and pass risk management inspections” (Industry Overview, 2014).

Economic:

After facing revenue decline in 2009 due to the American economic recession, the amusement park industry has witnessed industry revenue growth of between 2.2 and 5.3 percent.

Several indicators in the economy suggest that the amusement park industry will continue to witness revenue and attendance growth:

Firstly, after witnessing declines between 2007 and 2009, the total number of domestic trips being conducted by Americans is rising. In fact, this figure is expected to grow significantly from less than 700 million total trips in 2014 to more than 800 million trips in 2019.
Similarly, consumer spending is expected to grow between two and three percent from 2014 to 2019 (Industry Performance, 2014). The projected increase in domestic travelers is directly connected to projections on economic recovery following the economic recession. IbisWorld notes: “This recovery will be driven by Americans regaining employment and disposable income levels, allowing them to pursue leisure activities including travel” (Domestic trips by US residents, 2014).

Social:

The most important age group for the amusement park industry is teenagers aged ten to nineteen. They are the “primary consumer market” for parks (Key External Drivers, 2014). Thus, demographic changes in this age group will lead to changes in the attendance at amusement parks.

In upcoming years, there is a likelihood that this age group will decline. This is due to falling birth rates in 2008-2010. Ultimately their makeup in the population is projected to drop from 13.1 to 12.5 percent. In terms of population, the current figure of 41.68 million is projected to drop to 41.29 million.

Thus, in order to increase or maintain attendance, parks will be obligated to either attracted a larger portion of the 10-19 population or other age groups.

Technology:

Amusement parks aim to utilize technology in three key areas: seasonal updates, cost cutting and overall experience of guests. (Operating Conditions, 2014)
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Seasonal updates: Many parks in the United States close during the cold winter months. To lure customers back for a new season, parks install new, technological, headliner rides. These are often new roller coasters. Of note for the 2013 season was: The "GateKeeper" at Cedar Point in Ohio, built at a cost of about $30 million, [that] features a 164-foot drop and reaches speeds of more than 65 miles-per-hour” (Business Trends, 2014).

Cost-cutting: In recent years, amusement parks have been investing in technologies to reduce energy consumption. Key technologies invested in include new water filtration systems, low-flow toilet systems, and high-efficiency ice machines (Operating Conditions, 2014).

Visitor experience: Parks have been aiming to install technologies into the “secondary” aspects of park experience. This includes ticket sales (which can now be accomplished online), line waits (which now include interactive displays to entertain waiters), and new vending options. Many larger parks have installed “fastpass” systems that allow patrons to skip lines. IbisWorld notes: “Most major parks allow visitors to purchase tickets online, reducing wait times at the entrance to the park. Similarly, many parks have developed ticketing technologies that enable visitors to purchase enhanced tickets; with these tickets, guests may pay more to skip long lines for popular attractions” (Operating Conditions, 2014).

External Drivers in the Amusement Park Industry and their Impact

Five key factors act as the key external drivers for the amusement park industry: Domestic trips by US residents, consumer spending, inbound trips by international guests, the population size of teenagers in the United States and the time spent of leisure and sports by Americans. Ultimately, it is these actions in the economy which are leading change and effecting growth in the amusement park industry.
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1) The number of domestic trips has “turned the corner” after declining during the economic recession (2008-2009 saw declines). Overall, domestic trips are expected to grow three percent between 2013 and 2014.

   Overall, this trend in growth is expected to continue as Americans find new employment (and in turn disposable income).

   There are two key concerns, though, to this driver: travel is heavily tied to the health of the economy. Thus, any shocks will likely lead to another decline in domestic travel. Furthermore, petroleum prices are projected to continue their rise. Thus, air travel may become prohibitively expensive for some (Industry Performance, 2014).

2) As noted above, the population is expected to maintain higher levels of disposable income. In turn, consumer spending is predicted to rise as consumers have resources to utilize outside of essential expenditures. As noted by IbisWorld: “When consumers have higher disposable incomes and are spending more money, they are more likely to spend money on visiting amusement parks.” Overall, consumer spending is predicted to rise by between two and four percent annually from 2014 to 2019 (Industry Performance, 2014).

3) As was the case with domestic travel, international visits to the United States have “turned a corner” since the economic downturn. Overall, international visits to the United States are projected to grow at a rate of 3.9 percent annually. This growth can be attributed to the growing weather of other countries (such as the BRICS nations), favorable exchange rates against the US Dollar (Industry Performance, 2014).

4) As previously noted, the population of teenagers is expected to drop slightly, which may offer a negative impact on amusement parks (Industry Performance, 2014).
5) It is predicted that as the economy recovers that more individuals will be employed. In turn, they will have obligations which take them away from leisure activities (including amusement parks). Overall, growth in leisure time is expected to decline by 0.2 percent between 2013 and 2018 (Industry Performance, 2014).
Positions of Industry Rivals

The following will highlight the financial status, power and influence of the main players (firms) in the amusement park industry:

Five companies dominate the market of amusement parks with Disney being the (by far) largest generator of revenue:

<table>
<thead>
<tr>
<th>Company</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disney</td>
<td>44.5%</td>
</tr>
<tr>
<td>Universal</td>
<td>15.0%</td>
</tr>
<tr>
<td>Sea World</td>
<td>10.6%</td>
</tr>
<tr>
<td>Six Flags</td>
<td>79.0%</td>
</tr>
<tr>
<td>Cedar Fair</td>
<td>77.0%</td>
</tr>
<tr>
<td>Other</td>
<td>14.3%</td>
</tr>
</tbody>
</table>

The following with highlight key financial data for these aforementioned companies (revenues, operating profits and operating profit margins) (all revenues and profits are to the order of millions):

<table>
<thead>
<tr>
<th>Company</th>
<th>2012 Revenue</th>
<th>2012 Operating Profit</th>
<th>Operating Income Percentage</th>
<th>2013 Revenue</th>
<th>2013 Operating Profit</th>
<th>Operating Income Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Disney</td>
<td>6201.6</td>
<td>912.9</td>
<td>14.72%</td>
<td>6533.8</td>
<td>1008</td>
<td>15.43%</td>
</tr>
<tr>
<td>Universal</td>
<td>2085</td>
<td>752</td>
<td>36.07%</td>
<td>2198</td>
<td>791</td>
<td>35.99%</td>
</tr>
<tr>
<td>Sea World</td>
<td>1423.7</td>
<td>393.8</td>
<td>27.66%</td>
<td>1562.3</td>
<td>429.2</td>
<td>27.47%</td>
</tr>
<tr>
<td>Six Flags</td>
<td>1070.3</td>
<td>352.6</td>
<td>32.94%</td>
<td>1165.2</td>
<td>370.5</td>
<td>31.80%</td>
</tr>
<tr>
<td>Cedar Fair</td>
<td>1068.4</td>
<td>232.6</td>
<td>21.77%</td>
<td>1125.4</td>
<td>246.4</td>
<td>21.89%</td>
</tr>
</tbody>
</table>

This table highlights that while Disney is the largest player in terms of revenues, it is Universal and Six Flags that have the highest margins of profit.

The following highlights the annual growth (between 2012 and 2013) (via revenue) of the five largest amusement park companies:
Levitt – Six Flags Entertainment and the Amusement Park Industry

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Disney</td>
<td>5662.6</td>
<td>6201.6</td>
<td>6533.8</td>
<td>539</td>
<td>8.69%</td>
<td>332.2</td>
<td>5.08%</td>
</tr>
<tr>
<td>Universal</td>
<td>1874</td>
<td>2085</td>
<td>2198</td>
<td>211</td>
<td>10.12%</td>
<td>113</td>
<td>5.14%</td>
</tr>
<tr>
<td>Sea World</td>
<td>1330.7</td>
<td>1423.7</td>
<td>1562.3</td>
<td>93</td>
<td>6.53%</td>
<td>138.6</td>
<td>8.87%</td>
</tr>
<tr>
<td>Six Flags</td>
<td>1013.2</td>
<td>1070.3</td>
<td>1165.2</td>
<td>57.1</td>
<td>5.33%</td>
<td>94.9</td>
<td>8.14%</td>
</tr>
<tr>
<td>Cedar Fair</td>
<td>1028.5</td>
<td>1068.4</td>
<td>1125.4</td>
<td>39.9</td>
<td>3.73%</td>
<td>57</td>
<td>5.06%</td>
</tr>
</tbody>
</table>

The above tables frame the position of the key rivals in the amusement park industry. It is clear from this table that each has witnessed profitability between 2011 and 2013 and each has witnessed revenue growth.

In analyzing the five key amusement park competitors, it is clear that they offer a foundation of similar services: they all offer full admission (as opposed to an a la carte admission system) to their park and each offers a variety of thrills, shows and attractions.

Yet, the parks can be broken down into two key categories: regional attractions and national attractions. Disney, Universal and Sea World attract visitors from throughout the United States to a limited set of destinations (California and Florida). On the other hand, Cedar Fair and Six Flags have parks positions throughout the United States for regional enjoyment. Disney, though, is by far the biggest draw (as seen with its market share figure). Disney is the biggest draw, and most innovative operator. As such they are also the most capital intensive. Their modernization of California Adventure in Anaheim cost more than a billion dollars. This may explain why they have the highest operating profit (as the biggest draw), but a lower profit margin (Major Companies, 2014).
**Actions to be Taken by Rivals**

Rivals in the amusement park industry are likely to act to a) consolidate, b) expand internationally and c) continue to be proactive in luring customers. Each of these actions will likely be taken due to the high market saturation which exists in the American market.

Firstly, consolidation amongst smaller rivals is likely. As noted above, the five largest amusement park companies control all but 14.3 percent of the market. The largest companies are simply more capable of leveraging economies of scale for ride development (for example Six Flags will place the same roller coaster a multiple parks), technology innovation, theming, management and personnel. By banding together, smaller competitors will be able to streamline costs and enhance profitability. This is a trend which is projected to continue for at least the next five years (Industry Outlook, 2014).

For the largest companies, there will be greater expansion outside of the United States in emerging markets. Disney, for example, already has parks in Paris, Tokyo, and Hong Kong. More importantly, they are constructing a new park in the emerging marking of China (Shanghai). Larger companies are also looking to bolster visitation to American parks by advertising overseas.

Lastly, as the market is mature, parks will need to enact programs to entice patrons to keep coming back. This will include offering discount packages, new technologies/ and new types of attractions to draw the aging portion of the population (for example the installation of day spas). It should be noted that currently there is an “arms race” occurring amongst the five largest amusement park companies to create new thrills to attract and maintain patrons (Industry Outlook, 2014).
Key Success Factors for the Amusement Park Industry

The following actions (The ability to hire a skilled workforce for seasonal jobs, proper positioning, the conduction of proper upkeep and maintenance, the clear analysis of competing parks, and the adoption of new technologies) represent the actions which must be taken by firms in the amusement park industry in order to achieve success in their strategy:

The ability to hire a skilled workforce for seasonal jobs: Many of the parks (especially for Cedar Fair and Six Flags) are seasonal. Thus it is key that parks be able to obtain a large enough seasonal workforce. Furthermore, many of these seasonal workers need to be trained in safety and interpersonal skills (Competitive Landscape, 2014).

Location: Simply put, amusement parks need to ensure that patrons have easy access to their parks. If it is difficult for visitors to get to the park, they are less likely to come/return.

Conduction of proper upkeep and maintenance: Amusement parks face heavy liability. Customers could potentially die if a thrill ride malfunctions. Thus, it is vital that rides be properly and professionally maintained. This is especially important in cold weather locations where rides will face seasonal damage and periods of down-time (Competitive Landscape, 2014).

Clear analysis of competing parks: Parks must be aware of the prices and promotions that rivals (especially local/ regional rivals) are offering. It is recommended by IbisWorld that parks enter into admission package partnerships to ensure the mutual benefits of shared increased attendance.
Adoption of new Technologies: As noted, there is currently an “arms race” occurring amongst the larger amusement park operators. Disney, for example, invested more than a billion dollars in updating California Adventure. Cedar Fair developed the new Gatekeeper. If parks do not continue to entice customers with unique rides and thrills, they will see declines in revenues and attendance. Furthermore, they are likely to lost customers to other more proactive parks.

(Competitive Landscape, 2014)

Industry Outlook

The following will highlight and attribute the estimated revenue income for the industry through 2020:

While the industry is considered mature and saturated, current projections expect revenue growth for the industry through at least 2020:

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projected Revenue (in Millions)</td>
<td>15,833.70</td>
<td>16,324.60</td>
<td>16,520.50</td>
<td>16,784.80</td>
<td>16,801.60</td>
<td>16,986.40</td>
</tr>
<tr>
<td>Percentage Increase</td>
<td>2.80%</td>
<td>3.10%</td>
<td>1.20%</td>
<td>1.60%</td>
<td>1.00%</td>
<td>1.10%</td>
</tr>
</tbody>
</table>

This can be attributed to aggressive marketing, unique promotions, and (most importantly) the creating of new rides and technologies to lure patrons back to parks. As mentioned above, there is currently an arms race to attract customers to parks. This revenue
growth will also occur in spite of declines in the teenage population (which is the key age-group targeted by amusement parks) (Industry Outlook, 2014).

It must be noted though that as a whole the amusement park industry’s fortunes are directly related to weather (except for a limited number of indoor parks) and the economy. Thus, any unexpected acts of nature or economic shocks can and will lead to declines in revenue and attendance for the amusement park industry.

**External Analysis Conclusions**

The amusement park industry is a mature industry in the United States. Parks have been placed throughout the country and penetration into the population is high. Furthermore, parks face completion from a plethora of other leisure activities. Yet, the industry is expecting to see revenue growth. This is due to an improving economy, increased domestic travel/leisure time and increased disposable income. It has also been helped by a parks arms race where players in the industry (especially the five largest companies) have aggressively sought to create new, unique and technological rides/attractors.

Overall, revenue is projected to increase at amusement parks in the United States. Yet, this can be derailed by economic or natural shocks, for which the amusement park industry is directly connected.
Internal Analysis: Six Flags Entertainment

Background

Six Flags Entertainment Corporation is an operator of major theme parks. They also operate safari parks and water parks. The company maintains sixteen major regional parks throughout the United States (California, Georgia, Illinois, Kentucky, Maryland, Massachusetts, Missouri, New Jersey, New York, and Texas) and one park in Mexico and Canada respectively. Six Flags parks are known to be a combination of unique/ state of the art thrill rides, children’s rides, choreographed shows, and concessions. The company has recently (Spring 2010) emerged from chapter eleven bankruptcy after declaring in the summer of 2009.

History Timeline

1959- Texas real estate developer Angus Wynne founded Six Flags in 1959 as the Great Southwest Corporation

1961- The company’s first park, Six Flags over Texas opened in 1961. The Six flags represented the six countries which have controlled the state of Texas. Those countries also represent the theming zones for the park.

1967- Six Flags opens their second park in Georgia. In doing so, they became the first-ever park-chain company.

1971- Six Flags opens Six Flags Mid-America (St. Louis) in 1971. This is the final “original” Six Flags Park built.
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1975- Starting in 1975 (with the purchase of Astroworld), Six Flags began a spate of acquisitions. Of note, they acquired Great Adventure (1977), Magic Mountain (1979), and Great America (1984).

1991- Time Warner purchases half of Six Flags, which gives the park access to Hollywood theming including the Looney Tunes and Batman. This represents the first of several times that the company will change hands.

1998- Six Flags is sold to Premier Parks. Several of Premier Parks’ parks are renamed as “Six Flags”.

2005- Washington Redskins owner Dan Snyder took operation control of Six Flags (although he only owned six percent of the company). In his first year of control Six Flags New Orleans is abandoned (after Hurricane Katrina) and Six Flags Astroworld is sold off.

(Six Flags Timeline)

2007- Six Flags buys Dick Clark Productions

2009- Due to the financial recession, which dropped attendance, and an inability to obtain credit, Six Flags declares bankruptcy. (de la Merced, 2009)

2010- Six Flags emerges from bankruptcy as a publicly traded company.

2014- Today, Six Flags operates 16 parks in the United States, one in Canada and one in Mexico.
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**Six Flags’ Mission**

A company’s mission statement suggests its reason for existence. For Six Flags Entertainment that mission is: our mission is: “To surround the best rides in the world with entertainment from the fields of music, theater, sports, film and television.” (Bloomberg News, 2006)

It is an amusement park operator focusing both on new, thrilling rides surrounded by shows, activities, and characters.

**Six Flags Strategy**

To forward its mission, Six Flags has focused its strategy into four areas: investment in innovation, lowering of expenses, transitioning to a regional brand and changes ticket pricing.

**Investment in innovation (Research and Development Strategy):**

Since emerging from bankruptcy in 2010, Six Flags has invested heavily in developing new rides and products. Specifically, sixty percent of its capital has been devoted to modernization. This represents approximately nine percent of its revenue and is roughly $100 million in hard values. Simply put, chairman, president and chief executive officer Jim Reid-Anderson has suggested that “Innovation is part of our DNA.”

These innovations have been broken down into “World Record-Breaking Rides, Innovative Show Technologies or Historic Theme Park Transformations” to its nineteen parks.”

In 2013, sixteen of these major innovations were added to the eighteen Six Flags Parks:
Historic Theme Park Transformations:

- Six Flags Great Adventure Theme and Safari Parks combined into one park, which makes them the largest park in the world. The safari has been incorporated as a ride entitled “Safari off Road Adventure” that connects guests with 1,200 different animals from every continent except Antarctica.
- The Six Flags Great Escape Lodge/ Water Park conducted a major expansion.

World Record-Breaking Rides:

- Great Adventure also introduced the Big Wave Racer water ride which is a large 1,800 foot toboggan.
- Six Flags Magic Mountain is released Full Throttle, which is the world's highest-speed and tallest looping-style roller coaster.
- Six Flags over Texas and Six Flags over Georgia have unveiled the SkyScreamer swing ride which is the highest swing ride in the world.
- Hurricane Harbor in Arlington, Texas developed Black Hole of Doom 4-D which is a water rite with holographs and sound effects.
- Iron Rattler debuted at Six Flags Fiesta Texas in San Antonio, which is one of only two hybrid roller coasters of its kind in the world.
- Both Six Flags New England and Six Flags America released Bonzai Pipelines water ride which has unique “capsule” launch systems.
- Six Flags White Water released Typhoon Twister, which is a water bowl water ride which will be the first of its kind in the state of Georgia.
Six Flags Great Escape introduced the Screamin Eagles which is a spinning ride that allows riders to steer their own car.

Six Flags St. Louis opened Boomerang which is a new looped roller coaster with a 125 foot drop.

Canadian park Six Flags La Ronde has opened Aqua Twist, which is a new interactive “water battle” ride.

Innovative Show Technologies:

- Six Flags Discovery Kingdom (which is a combined wildlife, thrill-ride park) introduced a new show in conjunction with the troupe Cirque Dreams entitled “Splashtastic.”
- The Fright Fest Halloween experience was expanded to all parks.
- Six Flags Great America developed igNIGHT which is the most “advanced” show in the history of the park.

(World Record-Breaking Rides, Innovative Show Technology And an Historic Theme Park Transformation Coming to Six Flags in 2013, 2012)

Lowering expenses in relation to revenue (Finance Strategy):

Since emerging from bankruptcy, expenses have dropped from 75% of sales to 61% of sales. More specifically, expenses dropped to $81,628,000 from $84,219,000 between March 31, 2013 and March 31, 2014 (http://biz.yahoo.com/e/140430/six10-q.html).
Six Flags has relatively set fixed expenses, but one of the key areas where Six Flags has saved on variable costs is in the cost of products sold. This represents products sold outside of tickets sales (including food, drink and souvenirs). Expenses for these products dropped $1.7 million between March 31, 2013 and March 31, 2014. This represented a 21% drop in this area.
Levitt – Six Flags Entertainment and the Amusement Park Industry

Transitioning from being a national brand to a regional brand (Marketing Strategy):

The majority of the guests who visit Six Flags parks originate from within 150 miles of each park. Thus, Six Flags has altered its marketing to target local guests to local parks. This is approach differs from their Mr. Six advertising campaign utilized prior to bankruptcy. Mr. Six was a system-wide mascot and advertisements featuring Mr. Six were homogenous system-wise.

The replacement marketing campaign is entitled “Go Big!” Under “Go Big”, local/ regional residents are invited to the park through local TV, radio, cinema, and digital media. Of note is Six Flags’ locally-focused social media campaign. Notably, many Six Flags parks have captured and posted first-person videos (POV) for respective park rides (with local logos and branding for each video). Parks have also developed local twitter and Facebook pages (Six Flags Great America has 700,000 fans on their Facebook page). Parks have also established new competitions and contests. Overall, this shift has coincided with the acquisition of local marketing and social media talent to promote the parks.

(Harrington, 2013)

Changes in ticketing pricing (Pricing Strategy):

Historically, Sic Flags has offered large discounts on their admission fees. Guest could bring coupons (often found on the sides of soda cans) directly to the park’s kiosks and receive major savings. Through their most recent investor report, Six Flags has highlight how local promotional coupons which offered “buy one get one free” tickets in 2010 have been diminished to twelve-dollar savings in 2014 (Investor Presentation, 2014). This has led admissions per capita to rise from $21.06 in 2010 to $23.15 in 2014.
Leadership also views increased season pass ownership as “the weapon for the future” as it helps ensure reoccurring traffic. Overall, Six Flags envisions that the pushing of season passes will “Generate more annual revenue and cash flow than single day visitors, build recurring revenue, utilize excess capacity, [increase visits] during off-peak periods, provide [a] weather hedge, [and] put a] downward pressure on per [capita expenditure].” Overall, the incentivization of season passes has led to an 18% increase in season pass proliferation (from 32% in 2010 to 48% in 2014 (Investor Presentation, 2014) (Chiu, 2013).

Values and Corporate Social Responsibility

Six Flags conductions its major social outreach via its charitable branch: Six Flags Friends. Six Flags Friends “is a series of programs throughout Six Flags parks that make a difference in… communities by encouraging local involvement, supporting the mission of various non-profit organizations, and bringing the thrill of Six Flags to children and families across North America.” (Community, 2014) This includes financial donations, logistical assistance and free park admissions. For example, at their Massachusetts location, Six Flags has offered financial assistance for the development of the YMCA in the town of Agawam. They have provided logistical support for charity runs. Lastly, they have offered free tickets to the Make-a-Wish foundation.

Six Flags also has very robust code of business conduct and ethics which holds all park managers and corporate employees to high levels of responsibility. Notably, all managers must “[Lead] by example, [Encourage] employees to raise questions and concerns and [lastly they must provide]
Levitt – Six Flags Entertainment and the Amusement Park Industry
counseling.” Six Flags also maintains a very robust, zero-tolerance discrimination policy in
which “all employment decisions are to be made without regard to race, color, age, gender,
sexual orientation, religion, marital status, pregnancy, national origin/ancestry, citizenship,
physical/mental disability, military status or any other basis prohibited by law.” (Reid-Anderson,
2011) This is a policy which is more robust than legal obligation.
Leadership

Board of Directors:

Six Flags maintains seven-person Board of Directors. Two individuals are employees at Six Flags (Reid-Anderson and Nabi) while the five remaining directors bring broad experience connected to investment consulting, entertainment, foodservice (Dunkin Donuts), casinos (Las Vegas Sands), private equity and the tobacco industry. Many of these fields (investment, foodservice, and even casinos) clearly connect to Six Flags’ core competencies.

<table>
<thead>
<tr>
<th>Name</th>
<th>Type of Board Member</th>
<th>Primary Company</th>
<th>Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>James Reid-Anderson</td>
<td>Chairman, Chief Executive Officer and President</td>
<td>Chief Executive Officer</td>
<td>54</td>
</tr>
<tr>
<td>Usman Nabi</td>
<td>Executive Director and Chairman of Nominating &amp; Corporate</td>
<td>Senior Key Executive</td>
<td>39</td>
</tr>
<tr>
<td>Kurt Cellar</td>
<td>Member of the Board of Directors</td>
<td>Horizon Lines, Inc.</td>
<td>44</td>
</tr>
<tr>
<td>Jon Luther</td>
<td>Member of the Board of Directors</td>
<td>Six Flags Entertainment Corporation</td>
<td>70</td>
</tr>
<tr>
<td>Charles Koppelman</td>
<td>Member of the Board of Directors</td>
<td>Six Flags Entertainment Corporation</td>
<td>73</td>
</tr>
<tr>
<td>Stephen Owens</td>
<td>Member of the Board of Directors</td>
<td>Staple Street Capital LLC</td>
<td>43</td>
</tr>
<tr>
<td>Richard Roedel</td>
<td>Member of the Board of Directors</td>
<td>Luna Innovations Incorporated</td>
<td>65</td>
</tr>
</tbody>
</table>

(Board of Directors, 2014)

Chief Executive Officer (CEO)

James Reid-Anderson has been the CEO of Six Flags entertainment since 2010 (several months after the company exited bankruptcy). Prior to joining Six Flags, Reid-Anderson’s experience was connected to medical equipment, not theme parks. Yet, in less than two years Reid-
Anderson brought rises in revenues, increases in overall attendance and rises in in-park sales (Six Flags CEO: Bankruptcy, Marketing, & Innovation, 2012). Reid-Anderson has also been instrumental in refocusing Six Flags. Firstly, he has altered Six Flags’ footprint to be a regional player with unique, local impact, rather than a global brand. Reid-Anderson has also facilitated the sale of Dick Clark productions (a television production company that produces many television “specials” including the Golden Globe Awards) as it was (very) incongruent with Six Flags’ core operations.

**Objectives**

**Short-Term Objectives**

The following represent (infrastructure expansion) goals to be accomplished within the next two years:

**Development of Sports Bars**

Six Flags has an ongoing initiative to renovate old restaurants (such as their set of Mooseburger Lodges) or enhancing existing restaurants. Of note, several of their JB BBQ’s will be enhanced to become sports bar facilities. The first JB Sports Bar was opened in Illinois and “is fully equipped with food, drinks and 22 flat screen TVs playing a variety of sports games from around the world.”

**Development of GoFresh Café**
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Six Flags is in the process of opening a set of cafes which contain healthier options. Fare includes “Flatbreads, Veggie and Turkey Burger.” (Lighter Fare | Six Flags Great America, 2014)

New Attractions at Every Park

As noted, Six Flags is currently participating in an arms race of attraction innovation. Last year, 16 major renovations, additions or expansions were added to the Six Flags portfolio. (Investor Report, 2014)

Long-Term Objectives

The following represents the goals to be accomplished in a time-frame greater than two years in length:

Licensing of the Six Flags Brand

Six Flags has recently (April 2014) reached a licensing deal with Emirates-based Meraas Leisure and Entertainment to create a park (opening in 2017) in Dubai which will carry the Six Flags name (Six Flags-Branded Theme Park to Open in Dubai, 2014). The park will be located in the Jebel Ali section of Dubai. Six Flags has also reached an agreement with real-estate developer Riverside Investment Group in which their trademark will be licensed to six parks in China. Those parks are slated to open “over the next decade.” (Six Flags Branded Theme Parks to Open in China, 2014)
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Quantitative Assessment of Strategy

Profitability

In analyzing Six Flags’ strategy, their net income will be analyzed a) year over year and b) compared with Cedar Fair who is Six Flags’ largest (and only) competitor in the regional (large-scale) theme park industry.

Net Income (in millions) from 2011 to 2013:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income Six Flags</td>
<td>118.552</td>
<td>354.009</td>
<td>-22.66</td>
</tr>
<tr>
<td>Net Income Cedar Fair</td>
<td>108.204</td>
<td>101.857</td>
<td>65.296</td>
</tr>
</tbody>
</table>

Percentage changes in net income between 2011 and 2013

<table>
<thead>
<tr>
<th></th>
<th>2012-2013</th>
<th>2011-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage Change in Net Income (Six Flags)</td>
<td>-66.51%</td>
<td>1662.26%</td>
</tr>
<tr>
<td>Percentage Change in Net Income (Cedar Fair)</td>
<td>6.23%</td>
<td>55.99%</td>
</tr>
</tbody>
</table>

(SIX FLAGS ENTERTAINMENT CORP, 2014)

2011 represented a small loss for Six Flags as they recovered from bankruptcy. Yet, in both 2012 and 2013, Six Flags has performed better than Cedar Fair. Cedar Fair, though has demonstrated steady growth between 2011 and 2013 and Six Flags has fluctuated between net growth and contraction. The decrease in earnings for Six Flags in 2013 can be attributed to two key factors: the sale of Dick Clark Productions in 2012 (for $67 million) and a reduction in tax credits between 2012 and 2013 ($192.6 million in 2012 versus $34.7 million in 2013). Thus, Six Flags’ figures can be considered skewed. As such, earnings before interest taxes depreciation and amortization (EBITDA) can be considered a clear overview of Six Flags’ financial performance.
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(Baker, 2014)

**EBITDA**

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA Six Flags</td>
<td>415.333</td>
<td>352.99</td>
<td>324.417</td>
</tr>
<tr>
<td>EBITDA Cedar Fair</td>
<td>418.044</td>
<td>387.872</td>
<td>375.849</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2012-2013</th>
<th>2011-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage Change in EBITDA (Six Flags)</td>
<td>17.66%</td>
<td>8.81%</td>
</tr>
<tr>
<td>Percentage Change in EBITDA (Cedar Fair)</td>
<td>7.78%</td>
<td>3.20%</td>
</tr>
</tbody>
</table>

(SIX FLAGS ENTERTAINMENT CORP, 2014)

Analyzing EBITDA, it becomes clear that Six Flags and Cedar Fair have similar earnings levels and are both growing their income. While Six Flags has demonstrated lower EBITDA between 2011 and 2013, they also demonstrated higher levels of growth over this time. Notably, in 2013, Six Flags EBITDA growth was almost ten percent greater than that of Cedar Fair.
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**Net Profit Margin (5 Year Average)**

The five year average of net profit margin represents the five year average percentage for net income from revenue (after tax, operating expenses, dividends and interest). It is a demonstration of a company’s ability to control costs.

Below are the five year averages (2010-2014) for both Six Flags and their closest rival Cedar Fair:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Six Flags</td>
<td>20.05849</td>
</tr>
<tr>
<td>Cedar Fair</td>
<td>5.44800</td>
</tr>
</tbody>
</table>

(SIX FLAGS ENTERTAINMENT CORP, 2014)

The figures demonstrate that Six Flags, since emerging from bankruptcy has maintained significantly higher margins on revenue. This suggests that Six Flags successfully cut costs and restructured during their bankruptcy.
Return on Investment

Return on investment represents a ratio of net income to total assets. Below are the 2014 return on investment figures for 2014. They are displayed for both Six Flags and Cedar Fair.

<table>
<thead>
<tr>
<th></th>
<th>Return on Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Six Flags</td>
<td>7.12817</td>
</tr>
<tr>
<td>Cedar Fair</td>
<td>5.79019</td>
</tr>
</tbody>
</table>

(Return on investment figures from Six Flags Entertainment Corporation, 2014)

Return on investment is of notable significance due to the “arms” race which is occurring in the theme park industry. As noted above, sixteen major innovations were added to Six Flags in 2013. In creating new rides, Six Flags is developing a set of fixed assets which will exist for many years. Cedar Fair has done much the same. For example, at their flagship park, Cedar Point, they have released “the number one steel coaster in the world (Millennium Force), and the first 400 foot tall coaster, Top Thrill Dragster.” (Cedar Fair’s CEO Discusses Q4 2013 Results, 2014)

The above figure demonstrates that Six Flags is currently winning this arms race. They are obtaining greater net profit from the total attractions in their parks (when compared to Cedar Fair).
Liquidity Quick Ratio

The quick ratio presented below represents a company’s ability to meet its short-term financial obligations. It is traditionally measured as: cash and equivalents, marketable securities, accounts receivable divided by the current liabilities. Essentially it is the number of dollars available for every dollar of liability.

<p>| | |</p>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Six Flags</td>
<td>20.05849</td>
</tr>
<tr>
<td>Cedar Fair</td>
<td>5.44800</td>
</tr>
</tbody>
</table>

(SIX FLAGS ENTERTAINMENT CORP, 2014)

As demonstrated above, Six Flags currently maintains a quick ratio of liquidity which is almost four times larger than that of Cedar Fair. This suggests that Six Flags is a) effectively obtaining and retaining cash and b) has limited their liabilities (including payments for new rides, costs for food and wage expenses). Or, more to the point, while Cedar Fair has approximately $5.44 on hand to pay for each dollar of liabilities, Six Flags currently maintains $20.05.

Growth Analysis

The following represents the projected growth in Six Flags Revue (compared with Cedar Fair). It is a compilation estimate based on an average of eight separate estimates.

(Six Flags Entertainment Corporation Analyst Estimates, 2014)

(Cedar Fair Analyst Estimates, 2014)
Revenue Projection

<table>
<thead>
<tr>
<th>Time Frame</th>
<th>Date</th>
<th>Six Flags Revenue</th>
<th>Cedar Fair Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Quarter</td>
<td>Jun-14</td>
<td>396.22</td>
<td>377.52</td>
</tr>
<tr>
<td>Next Quarter</td>
<td>Sep-14</td>
<td>532.47</td>
<td>613.64</td>
</tr>
<tr>
<td>Current Year</td>
<td>Dec-14</td>
<td>1160.00</td>
<td>1180</td>
</tr>
<tr>
<td>Next Year</td>
<td>Dec-15</td>
<td>1210.00</td>
<td>1220</td>
</tr>
</tbody>
</table>

Estimated Year over Year Sales Growth

<table>
<thead>
<tr>
<th>Time Frame</th>
<th>Date</th>
<th>Six Flags Percentage Growth</th>
<th>Cedar Fair Percentage Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Quarter</td>
<td>Jun-14</td>
<td>8.90%</td>
<td>4.40%</td>
</tr>
<tr>
<td>Next Quarter</td>
<td>Sep-14</td>
<td>5.50%</td>
<td>3.60%</td>
</tr>
<tr>
<td>Current Year</td>
<td>Dec-14</td>
<td>4.80%</td>
<td>3.70%</td>
</tr>
<tr>
<td>Next Year</td>
<td>Dec-15</td>
<td>4.20%</td>
<td>3.70%</td>
</tr>
</tbody>
</table>

Within each aforementioned time frame (with the exception of the current quarter), Cedar Fair is projected to have a greater revenue than Six Flags. Yet, Six flags, in each time frame is projected to have a significantly higher growth rate of sales. At a minimum, sales are projected to grow at 0.5% percent faster than Cedar Fair.

Summary of Financial Analysis

Six Flags has maintained a positive net income in the past two years. Yet Cedar Fair has been profitable in (at least) the past three years. On the other hand, many of Six Flags financial figures are a) strong and b) stronger than those of Cedar Fair:

EBITDA has been positive for Six Flags over the past three years and grew at rates notably higher than those of Cedar Fair. Margins for Six Flags were approximately four times better
than those of Cedar Fair. Liquidity figures were also approximately four times greater for Six Flags over Cedar Fair. Six Flags can also been viewed as winning the “arms race” as their return on investment is higher than those at Cedar Fair. Lastly revenue growth is projected to be at a greater rate for Six Flags compared to Cedar Fair.

**Attendance**

Figures are for all Six Flags parks (in millions of people):

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>Year to Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>24.3</td>
<td>24.3</td>
<td>25.7</td>
<td>26.1</td>
<td>8.2</td>
</tr>
</tbody>
</table>

(Investor Report, 2014)

Six Flags has seen inconsistent attendance growth. After remaining flat for 2010-2011, Six Flags’ attendance grew by 1.8 million guests between 2011 and 2013. Yet, current year to date figures are eight percent lower than those in 2013, which would suggest a total attendance of 24.01 million guests. The explanation for this lower guest figure was the: “lingering effects of the long, harsh winter that expanded school calendars and slowed early-season attendance” (Krantz, 2014)
Resources and Core Competencies

Six Flags’ core competency is connected to the ownership and operation of amusement parks. More specifically, it is their ability to operate parks with innovative thrill rides, water parks, and zoological parks.

Their competency can be broken down further into their implementation and operation of rides, theming acumen, concession sales and retail sales:

(Six Flags Entertainment Corp: Business Source, 2014)

Implementation and Operation of Rides

Six Flags operates multiple top rated rides. These include the tallest looping coaster, the tallest drop ride, the number-one steel coaster, the number-one wooden coaster, the tallest and fastest coaster and the tallest swing carousel (Investor Report, 2014).

Emerging from bankruptcy, Six Flags invested approximately, $90 million in new innovative rides. Furthermore, Six Flags has developed a system of installing a new ride per park per year. These new rides are estimated to lead to an increase of two to three percent in visitors. (Black, 2011)

Six Flags has also been able to leverage their innovation throughout their network. For example, Six Flags installed the first inverted roller coaster (Batman: The Ride) in 1993 at Six Flags Great America. The ride was so popular that Six Flags decided (and had the ability) to transfer this tried and true package into five more Six Flags parks (Reinhart, 2011).
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**Theming**

Six Flags clearly has placed a priority on theming their parks to become an immersive experience. A 1994 promotional video remarked: “Think of Six Flags as the ultimate 3D movie. Everything we do is scripted, staged and rehearsed for the enjoyment of our guests. The parks are the stage and the scenery, and you are the actor. Just like a movie. Six Flags is fantasy. And the best way for our guests to have a great time is to believe the fantasy with theme lands and your performance. They will believe!”

Six Flags has developed unique architecture (and matching costumes) for the respective “lands” in its parks. This includes (but is not limited to) Coney Island theming, patriotic American theming, Batman theming, as well as theming from other Warner Brothers characters.

Six Flags has also developed comprehensive guides and literature for the execution of its theming (Lukas, 2007).

**Concession Sales**

Unlike other parks, Six Flags has developed its own food brands and recipes. This gives the company unique experience in marketing, branding, developing and building eateries within amusement park facilities.

Brands developed include Six Below, Macho Nacho, and JB’s Smokehouse BBQ. This unique approach has allowed six flags to avoid franchising agreements and royalty payments. Savings,
Levitt – Six Flags Entertainment and the Amusement Park Industry

in turn, has been utilized for “toward brand creation, menu development, recipe testing, and capital improvements for Six Flags brands.” The avoidance of franchise agreements has also liberated Six Flags from sizing, placement and layout confines which can often accompany franchise agreements. For example, certain franchises require a specific footprint size (Helmer, 2014).

Web Site

Six Flags operates an extensive website which includes unique details, and information for every park. The website also allows for the purchase of tickets, passes, and tours to allow circumvention of park lines (Six Flags | Official Homepage, 2014).
SWOT/ TOWS Analysis

Beyond an analysis of Six Flags’ strengths, weaknesses, opportunities and threats, this TOWS analysis will answer:

- (SO) – How can strengths aid in seizing opportunities?
- (ST) – How can you strengths aid in avoidance of potential threats?
- (WO) – How can opportunities help overcome weaknesses?
- (WT) – How can weaknesses be minimized and threats avoided?

(The TOWS Matrix)
## TOWS Analysis

<table>
<thead>
<tr>
<th>Strength</th>
<th>Weakness</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Placement of Parks</td>
<td>• Reliance on Good Weather</td>
</tr>
<tr>
<td>• Unique, Innovative Rides</td>
<td>• Seasonality of Many Parks</td>
</tr>
<tr>
<td>• Theming/ Connection to Warner Brothers</td>
<td>• The Appearance of Price-Gouging</td>
</tr>
<tr>
<td>• Maintenance for High-Technology Rides</td>
<td>• Lack of Appeal to Older Generations</td>
</tr>
<tr>
<td></td>
<td>• The Hiring of New Employees Each Season</td>
</tr>
</tbody>
</table>

### SO

- **Opportunity**
  - Entrance Into New, Growing Markets (International)
  - Growth of the Internet and Mobile Media

- **Six Flags**
  - Six Flags is in the process of licensing their brand to parks in China and Dubai. They can and should utilize their strengths in these agreements as a means to lower costs, ensure reliability and ensure a Six Flags “atmosphere” to the parks. This could include the installation of already designed rides (as Six Flags has done with Batman: The Ride), theming or the use of Six Flags maintenance training systems.
  - Six Flags should also embrace the advent of social/mobile. This could include (but it not limited to) linking mobile media to ride experiences. For example, ride photos could be texted to visitors.

### WO

- In entering new markets, it would be advisable that Six Flags develops their parks to avoid their current weaknesses. This could include more indoor space to avoid weather-related concerns. They should also develop facilities to accommodate older generations. This could include ancillary facilities such as spas or golf courses.
**Key Recommendations**

**Weather Considerations**

In analyzing the above TOWS analysis, as well as Six Flags’ financial data, it is clear that Six Flags faces unique opportunities as it licenses its brand for expansion. Yet, as noted by Six Flags’ attendance data, they are beholden to the calendar and the weather. Six Flags New ST

<table>
<thead>
<tr>
<th>Threat</th>
<th>ST</th>
<th>WT</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The “Arms Race” Between Rival Operators&lt;br&gt;• Government Restrictions and Policies&lt;br&gt;• The Labor Market for Seasonal Employees</td>
<td>• Six Flags must continue to develop technological rides as to avoid being buried by the current rides “arms race.”&lt;br&gt;• A constant redoubling of maintenance skills, and added safety features on new rides will help ensure that Six Flags avoid legislative and legal repercussions from its operations.</td>
<td>• By placing new Six Flags parks in markets that have little or no competition, Six Flags can limit their exposure to the ride development “arms race.”&lt;br&gt;• Six Flags can open parks in locations with milder climates to enhance the length of operations.&lt;br&gt;• By opening tried and true rides at their new parks, Six Flags can avoid accidents and, in turn, avoid greater government regulation.&lt;br&gt;• A large portion of Six Flag’s park staff consists of international, seasonal, work-travel help. While many are not permitted to remain in the US. Six Flags should consider hiring these trained employees at their new, international parks.</td>
</tr>
</tbody>
</table>
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England is only open from Mid-April until Halloween (approximately 6.5 months) (Events Calendar, 2014). Thus, as the new parks are assembled, steps should be taken to ensure that rides can be enjoyed during inclement weather and year-round.

This consideration should also be made as new rides are installed in existing parks to ensure options in any conditions.

**Conclusion of Internal Analysis**

Six Flags, founded in 1959 (with their first park opening in 1961) is the largest operator of regional theme park in the world. Currently, they maintain sixteen parks in the United States and eighteen parks in North America. Their current mission is to “surround the best rides in the world with entertainment from the fields of music, theater, sports, film and television.” Since 2010 and emerging from bankruptcy this has meant that Six Flags has embraced a regional (versus national) strategy, installed new innovative rides, increased local social media marketing and enhanced season pass ticket sales.

On the financial side, Six Flags has witnessed growth. Since emerging from bankruptcy, Six Flags has witnessed higher rates of EBITDA growth in comparison with Cedar Fair- their closest rival. Six Flags also obtains greater returns on its investments. Their attendance though has fluctuated due to inclement weather.

Accompanying Six Flags growth is their physical expansion. They are adding new rides to parks on a yearly basis. Furthermore, they are licensing their brand to parks in Dubai and China.
Six Flags does face some external threats and internal weaknesses, though. This includes the fighting a heavy (external) “arms race” of ride investment, but also includes an inability to attract older markets and a difficulty to react to inclement weather.

Overall though, Six Flags has witnessed financial growth since emerging from bankruptcy, is projecting revenue growth for the future and is planning for ongoing physical expansion.
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