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MIP: Case Study Analysis

Laura Farrell

Events Management

1703815



Executive Summary

This report analyses the United Kingdom's environmental state and audits Merlin's performance management specifically focusing on their Alton Towers subsidiary. The chosen key themes of the environmental analysis assess how Brexit and the Smiler crash has affected Alton Towers' business and social performance with references to inbound and international tourism. Financial ratios and focus on human resource management is used to audit performance management including topics such as; Key performance indicators, SMART objectives, recruitment and selection, and equality and diversity.



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1. Introduction

Opening in 1980 (AltonTowers, 2019) Alton Towers has now become one of the UK's biggest theme parks. With over 50 rides and 500 acres of land (AltonTowers, 2019) the park has flourished from the fairground attraction it once was (TowersTimes, 2019). The first recognisable developments began in the 1990s when The Tussauds Group owned the park. By 2007 the park had gained high attendance and media attraction which encouraged Merlin Entertainment to purchase Tussauds and merge all of their assets (Teather, 2007). Although the park was later sold to Nick Leslau (Reid, 2007), Alton Towers remains a rented property of Merlin and a clear example of their ability to provide thrill and excitement to its customers. Alton Towers now has an estimated 2,000 employees working in over 15 different departments throughout the park (AltonTowers, 2013).

Throughout its wavering economic stability, the United Kingdom has faced many issues related to Brexit and the leisure and tourism sectors. An estimated '£127 billion' (Rossiter, pp. 7, 2018) can be credited to the British tourism industry, and a decrease in inbound tourism will see some area's economy being greatly damaged (McCárthaigh, 2018). However, Barclays has deemed the Merlin Entertainment enterprise as a 'surprisingly resilient business' (City A.M News, pp.19, 2019) and will be a proxy for sustaining domestic tourism.

Due to the unpredictable circumstance of the United Kingdom's future, it has never been more crucial for businesses to have a clear and detailed business plan. An analysis of the economic influence, human resource and financial sectors of Merlins Alton Towers subsidiary can provide a clear understanding of the business's strength, flaws and allowed for recommendations for improvements to be made.

2. Environmental Analysis

Understanding the local economy is vital for maintaining business success. Following consumer trends (Maklan, S. et al., 2008), updated laws and world news can ensure a business is prepared for any changes that may affect their industry.

Probably the most uncertain developments within the UK is its decision to leave the EU. One of the few positives of this decision is the lack of Britons wanting to leave the UK. One study showed that 56% (Coffey, 2019) of usually outbound tourists have reconsidered their international holidays. These participants highlighted the unclear exchange rates, roaming charges and the loss of the EHIC as reasons to stay. The positive effect of this was displayed in 2016. Just over 5 million British residents decided to holiday within the UK causing a 22% increase in inbound expenditure (Butler, 2016).

The decrease in GBP value has also caused a rise in international tourists to the UK. Even though the exchange rates are regularly fluctuating, 2017 showed the highest monthly tourist spend to date. Spending £2.8 billion, this increase was greatly accountable to the 6% increase of international tourists (Butler, 2017). Both of these factors not only benefits Britain's financial state but may lead to a positive increase in visitors to attractions like Alton Towers. However, some articles have predicted an upcoming reduction in international visitors when Brexit deals have been finalised. Many of these deterrents are related to air travel with the primary issue being the wait time. If British and European passports are separated, there is a high chance that the 'fast track' queue into the UK will become for British residents only and the mass of other European travellers will be sent to queue with the remainder of the world's tourists (AmericanExpress, 2019). This will create a considerable amount of travellers waiting to pass security simultaneously urging tourists to travel elsewhere.

Due to the current hostile atmosphere of Britain, there is also a possibility of Alton Towers losing employees. One acclaimed ex-student has publicly confirmed his



decision to emigrate due to the Briton's response to Brexit (Iqbal, 2018). Suggesting a mild correlation between the history of Germany and the upcoming 'British Empire' (Iqbal, 2018), the now author has deemed Britain a place where a belief in European unity is a taboo subject. It is possible that these beliefs are becoming a strong social perception of the country and others may follow by example. Proof of this concept began to emerge in 2018 when the number of EU workers within the UK fell by 6% after the referendum (ONS, 2018). With the UK receiving a record 76.1% employment rate, if the park began the loose members of staff, it would be significantly harder to recruit new employees than ever before (GOV.UK, 2019).

Loss of assets may also soon be witnessed. With the UK currently in trade deficit, importing products is a sole reliance for many British businesses (ONS, 2018). However, with trade and currency being majorly impacted by Brexit, issues are beginning to arise. One article claims that Dutch exportation into the UK has almost ceased since 2016 (Geijer & Luman, 2019). Due to the fall in GBP worth, it has become too expensive for British companies to purchase their regular products from overseas. Even though this may be beneficial for local traders, if the materials made for building or fixing the rides at Alton Towers is from an overseas distributor, complications may begin to occur in purchasing these essential products. Without these products or equipment, the park will encounter potentially severe financial issues if the rides begin failing and their primary source of income is unsafe to use.

Although Merlin attractions such as Alton Towers have previously been considered vulnerable to the effects of Brexit, brokers at Barclays have awarded the organisation with an 'overweight' (Stern, pp 82, 2018) rating and maintains their confidence in the business.

2018 saw a 15% decrease in international visitor spend compared to the previous year (ONS, 2018). Although this could be due to Brexit, it is possible that events such as the London and Manchester Attacks have had a negative effect on Britain's portrayal as a tourist destination (Walker, 2019). The threat of terrorism is



greatly considered by all inbound and outbound tourists; however, due to the nature of Alton Towers, this threat could have an even more damaging effect. Even though Alton Towers is suitable for people of all ages, there is a known popularity for those with children or groups of young teenagers during the holidays. This can be witnessed by the children themed hotels and general childlike atmosphere in the park's design (AltonTowers, 2019). When the care of children or young people is involved in holiday decisions, events like terror attacks can cause many parents to cancel visits or refuse their children to go. In an interview with the Independent (2017), Merlin expressed its understanding of the effects of terror attacks and confirmed their reliance on international tourists.

Although business performance is a crucial factor in success, it's social perception also had a strong impact (Szwarc, 2005).

One internationally publicised event which affected Alton Towers' business and social performance is the Smiler crash of 2015 (Dean, 2015). Due to a lack of training and safety control, a 16 person carriage collided with a stationary tester kart. This resulted in 16 passengers with mild to severe injuries with two teenagers requiring leg amputation with their partners experiencing shattered bones and a punctured lung (Palmer, 2016). After a period of closure, the park received a significantly lower amount of visitors during the summer period due to fear and lack of trust. As this season accounts for a large portion of the park's profits, Merlin predicted a 50% decrease in profits for that financial year (Campbell, 2015). As a consequence, the park had to fire 190 members of staff (Hellier, 2015). This was a great set back for the company and further advertised the business's struggle to the public. However, after a long attempt to rebuilt its customer trust, 2017 saw Alton Towers nearly back to its former success, advertising a 19.4% (Johnson, 2017) revenue increase from the previous year.

Although the nature of the park has resulted in catastrophic malfunctions, some minor incidents have led to a positive spike in the company's social portrayal. In February 2019 a woman visiting Alton Towers became stuck in the theme parks



Galactica Ride (Baker, 2019). After this experience, it urged a dramatic loss of weight and change in lifestyle. Although this was something Alton Towers could not have predicted happening, it has brought their name into the media in a positive way. In previous years it could have been suggested that although primarily for safety reasons, the weight limit on certain rides may have portrayed a negative outlook on physical appearance. However, this incident and another similar scene in 2018 (Wyatt, 2018) may have caused a new portrayal of these restrictions as one of a motivator for healthy living.

3. Performance Management Audit

3.1 Financial Ratios

Due to the changing economic environment and various internal and external factors which may affect Merlin's finances, it is necessary to assess the business over a two year period (Fridson, & Alvarez, 2011). Analysing only one year may not give an accurate view of the companies financial state and limits the knowledge gained. A two-year assessment allows for management to make specific comparisons and determine precisely what is changing in the business both positively and negatively. For this report, the financial years of 2015 and 2016 will be analysed.

3.1.1 Analysis and Key Performance Indicators

A business's ability to generate revenue can be assessed through a specific set of key performance indicators. These ratios produce concise percentages that display a company's profitability (Rutkowska-Ziarko, 2015). One key incident that happened during the 2015, 2016 financial years of Alton Towers, was the crash of the Smiler (Dean, 2015). As previously discussed, this had a substantial impact on the business both internally and externally, and the effects of this are further illustrated in their profitability ratios.



Gross profit margins communicate what percentage of sales result in profit (Seitz, 2017). A decrease in gross profit can indicate a drop in sales figures, increased overall expenditure or rise in trade cost. Although Alton Towers received a 25.1% (Statista, 2017) decrease in visitor attendance in 2015, Merlin's profit was barely decreased and remained similar to the gross profit for 2016. As this was the year of the Smiler incident (Dean, 2015), and Merlin originally predicted it would result in a loss in profit (Campbell, 2015), this higher figure indicates that Merlin's finances for that year were primarily led by one of its other subsidiaries. It could be suggested that Merlin decided to raise its cost or influence higher visitor attendance at its other attractions to increase their profits and minimise the effects of Alton Towers' loss.

Another profitability ratio is the net profit margin. This measures the overall effectiveness of a business's management (Santoso, 2015). A high net profit illustrates a successful company whose income outweighs its expenditure, whereas a low net profit could indicate an over-investment on things such as stocks or salary. The net profit for Merlin increased to 14.4% in 2016. The 2015 crash resulted in a £5m fine due to the apparent breach in the Health and Safety Act, 1974 (HSE. gov, 2019). Even though this was finalised in 2016, Merlin pled guilty many months before and had prior knowledge of the fine's cost (McClean, 2016). This could suggest that it is likely Merlin had isolated the £5m fine from its accounts ready to pay before the 2016 financial year began.

Along with this Alton Towers also released a new children's ride, 'Octonauts', in the development of its CBeebies Land. Although this is one of the smaller rides, it was the first thrill ride developed for children and includes many of the expensive equipment used on the larger rides (Anon, 2015). The £5m payment and the costs spent on fixing and updating the Smiler along with the Octonauts development could be one of the reasons for the 2015 lower net profit.

Regardless of the events in 2015, Merlin's ROCE value of both years is respectively low. Return on capital indicates whether the money invested in a business is being efficiently spent (Hannesson, 2017). The expected ROCE for a business is 20%



with some investors stating that they would refrain from investment in a company if it were less than 15% (Evans, 2014). Alton Towers received significantly less than this showing 6.6% in 2015 and 6.9% in 2016. However, there was an increase in the two years which suggests that Merlin's financial management spotted this and changes were made. As Merlin owns the majority of UK's attractions it is hard to make any competitor comparisons; however, with its merger with China Media Capital, there could have been an influx in profit which was invested back into the organisation in 2016 (Swift, 2015) — thus resulting in a higher ROCE.

Asset turnover ratios are three specific ratios that allow a business to determine how efficiently their assets are being used (Hart, 2018). A decrease in total asset turnover could indicate a change in the economy or a rise in competition, and a reduction in fixed asset turnover could indicate and overinvestment in fixed assets that are not being used (Christiansen, 2018). Although Merlin saw a slight decrease in total and fixed asset turnover between 2015 and 2016, its working capital turnover increased by 242%. This could suggest that although Merlins assets are not being used as efficiently as they could be, the rate of visitors which attended the attractions in 2016 and their primary and secondary spend was high enough to allow a smooth flow of money in and out of the company

How quickly a business can produce the necessary funds to repay debt or current liabilities can be determined through liquidity ratios (Saeed & Hassan, 2018). Some of these expenses could be bank loans, landlords or stock suppliers. The difference between current and quick asset ratios is the inclusion of stock. (Bragg, 2017). Merlin's current ratio increased by 2% by 2016 and its quick ratio remained the same. This suggests that Merlin's stock is a primary factor in its ability to generate fast cash. As a lot of Merlin's subsidiaries gain large intakes of money from cash generated secondary spend (game stalls), Merlin's 'cash in hand' increased by £1,000,000. It could be suggested that this usage of stock in secondary spend and the resulting increase of 'cash in hand' allowed Merlin to generate cash quicker. However, this is just one of the variety of reasons these ratios can be affected. Due to this, a business

should focus on evaluating trends that occur to determine how their business could increase their ability to obtain money quickly.

Debtor and Creditor days assess exactly how many days it takes for a business to repay debts and debtors to repay them (Blum, 2002). On average a company should pay a creditor or be paid by a debtor within 30 days (Rampton, 2017). Merlin's creditor and debtor days are quicker than this generally acceptable time frame but have begun to increase from 2015 to 2016. When repaying a creditor a business is allowed to negotiate a longer repayment date or offer an extension to debtors if they deem it acceptable. This may happen when the two firms have been in contact for many years, and a relationship has formed. However, if extended times have not been agreed, a higher creditor days ratio can indicate that Merlin is struggling to repay their debts.

An increase in debtor days could suggest a variety of issues. For example, a business could be forgetting about their payments, not receiving invoices or have agreed to a repayment they can not afford (Rampton, 2017). It could be suggested that this increase in repayment time has had an effect on Merlin's ability to repay their own debts. However, as Merlin's gearing ratio shows no change in the number of loans they take out per year, it is likely the business has a strict budget for the amount of money they borrow and possibly a contingency plan if their debtor days did begin to rise.

3.1.2 SMART objectives

- Using discounts, increased advertising and interrelationships, increase visitor attendance by 10% before the summer period to increase gross profit.
- Analyse the usage of all of Alton Towers rides and food outlets before the development of the next new ride and measure each of their success. Then consider minimising the costs spent on those facilities and transferring that spend to other projects to increase ROCE and fixed assets turnover.
- Implement early repayment discounts, automatic invoice reminders and an easy access online invoice system before the next financial year to decrease the debtor days ratio and increase quick cash access.



3.2 Human Resources management & systems

3.2.1 Recruitment & Selection

Poor recruitment and selection procedures can result in a very negative effect on a business's efficiency and productivity. Newell (2005) suggests that hiring staff due to a personal relationship, or failing to assess the employees criminal or work history could cause a business a loss of up to 30% of the employees first-year earnings. This is why it is crucial for recruiters to test the skill set of each potential employee and set a clear definition of what is needed of them.

The recruitment process of Alton Tower is primarily through an online application. This method of recruitment allows a business to receive a multitude of applications in a structured and easy to access format. Companies can also set a filtration system to bring forward those who best fulfil specific criteria (Petersen, 2019). However, this method does discriminate against those without computers or are technologically unskilled. If successful, potential employees are then invited to an interview (JobApplications, 2019). Interviews can be individual or in a group depending on the job role.

As an attempt to make their recruitment and selection process as equal as possible, Alton Towers and other Merlin subsidiaries implement a 50/50 gender shortlist policy (MerlinEntertainments, 2015). This results in a fairer selection process and equal representation of staff from both genders.

Alton Towers has also been known for hiring staff with specific and unusual traits. Recently staff advertisement for a new attraction, 'The Dungeons', has been released (Elliott, 2019). The application specifically states that employees should project an unusually hostile environment for the guests. Contrary to usual selection procedures the resort wants detailed evidence showing times of misbehaviour at work or general scenes of inappropriate actions. (Brooks, 2019) Although this may initially be viewed as strange behaviour from the Alton Towers' HR team, it does prove that they are capable



of editing their recruitment and selection process to select the most suitable employees. As the role itself is odd and unordinary, the necessary method of application and what is deemed acceptable evidence must reflect this also.

Another example of specific selection is the specially trained staff at the CBeebies hotel. Due to the nature of the accommodation being suitable for children with special needs (AltonTowers, 2019), the staff members interacting with these guests need to be adequately skilled. Many of the staff members are Makaton trained (Welsh, 2017). This language program uses hand gestures and movement to interact with those who struggle communicating through speech (Makaton.org, 2019). The employees of this hotel also have personal connections with a child with special needs or previous experience working with them (Welsh, 2017). This means the application process must have been adapted to locate potential employees with these specific traits.

3.2.2 Equality & Diversity

In 2010, the Equality Act was enacted to ensure the abolishment discrimination in the workplace (ACAS.org, 2017). When applying for any role at Merlin Entertainments you see a statement which suggests that Merlin are aware of not only the diversity of guests they attract but that their staff should reflect this diversity as well (MerlinEntertainments, 2019).

One of Merlin's primary focuses is gender diversity (MerlinEntertainments, 2015). Merlin has implemented a variety of programmes to encourage female employment, and events to support the progression of women in management. This has had a direct correlation to the 37% increase of women in senior leadership roles and resulted in Merlin being awarded 'Best Large Company' at the women's first Shine awards 2014 (Scullin, 2015).

Other policies implemented by Merlin to ensure diversity is the availability of recruitment in different local languages, and mandatory 'Unconscious Bias' seminars to make management employees aware of what they may not realise is anti-diversity (MerlinEntertainments, 2015).



The LGIM (Burton, 2018) have also recognised the positives of Alton Towers and its relationship with women in the workplace and highly rated the company in their gender diversity fund scheme. However, the gender pay gap within the tourism industry is still an ongoing issue. Walt Disney has recently received scrutiny in the media for still endorsing a 22% increase in male salary compared to a woman's, with some female managers reporting a \$34,000 difference between herself and male managers at her level (Levin, 2019).

Research into staff reviews also indicates inequality at Alton Towers. Some employees stated that there was a clear imbalance of respect dependant on age and that young workers were being manipulated by others (Indeed, 2018). Another states that management work on an 'if your face fits basis' (Indeed, 2016) and that how you look is more important than work ethic and attitude. In this case, an ex-employee describes an unfair working environment that allows the attractive employees to loiter during work hours and complete minimal tasks yet receive praise, while others worked hard and received none. It has also been reported that when an employee has contacted HR management about these issues, they were told that a manager could treat you as they so wish (Indeed, 2016). This response shows severe neglect to its employees from the HR department and could be a critical issue if more staff members begin publicising that they are being treated this way.

On the other hand, Merlin's dedication to ensuring full accessibility to the park for it's guests show a good example of equality (MerlinEntertainments, 2015). To promote this ideology, Alton Towers opened a Cbeebies themed hotel which primarily focuses on accommodating children with Special Needs (Welsh, 2017). Many of the rooms are designed with bright colours and sensory elements to make the children's experience as disability friendly and exciting as possible (AltonTowers, 2019). As aforementioned in section 3.1.1, many of the staff at this accommodation are also thoroughly trained and have had previous experience with children with different needs. This exaggerates the lengths Alton Towers goes to in ensuring guests of all requirements can communicate

with staff members and allows parents to take their children to a theme park where they feel their child will be safe and cared for equally.

The theme park also uses a variety of offers and adjustments to their day to accommodate those with disabilities. The resort offers many disability parking spaces, one free and one half-price ticket to careers, and hearing loops at nearly all kiosks to ensure communication (AltonTowers, 2019). The park also provides wristbands for disability accesses to rides for not only the affected but their entire party as well. Some reviews complain that they were denied access to one or two of the rides (Tripadvisor, 2015). However, this may have been necessary due to its physical or emotional effects. Alton Towers has also issued a full Resort Access Guide on their website to inform their guests of all disability information for nearly all the possible variations of needs (AltonTowers, 2019).

3.2.3 Performance Management

Performance management refers to the systems put in place to measure the efficiency of employees (Jha, S. & Jha, S. K, 2018). To ensure an efficient workforce, Murton et al. (2010) suggests that there should be a fundamental connection between the goals of every staff member regardless of position. These lead from individual goals through to the organisation's values and beliefs. Having an overall similarity of objectives to work towards and rewarding employees may create an atmosphere of respect and team effort between management and staff, which could result in a happy and productive business.

Receiving a 3.9/5 rating on Indeed, Alton Towers does have a positive response from its employees. The company has received positive reviews for a variety of different aspect of the job. Some refer to motivation (Bartel, 2004), like flexible hours and rewards (Indeed, 2018), others to the positive culture of the business (Indeed, 2018).

However, the primary cause of negative reviews is the management team itself. Some report a complete lack of care for the employees (Indeed, 2017), and others described the management style as a dictatorship (Indeed, 2019). This research shows an apparent lack of unity between staff and management with no real sense of equality



in the reward or recognition systems in place. Even though there is a more significant positive response from employees, with negative views being primarily focused on management, there is a high likelihood that there is an ongoing managerial issue.

4. Conclusion

In conclusion, Alton Towers is a very profitable business who will probably see success for many years to come. The way the park recovered after the Smiler incident shows a clear popularity for the attraction and could indicate that Alton Towers will prevail through any other issues it encounters. Being a part of the ever-expanding Merlin Group, it is likely Alton Towers is heavily prepared for the effects of Brexit and Merlin has already begun putting contingency plans into place. However, the overconfidence of Nick Varney in 2016 may have been premature (Davey, 2016).

Merlin's financial statements show a growing business who clearly has a significant amount of money in their accounts. Even though this may generally be a positive thing, it remains just as crucial for Merlin to act smartly and purchase as efficiently as possible to ensure their continued success. If managers let these vast figures overwhelm them and instil too much confidence, the business has the potential to over purchase and their asset turnover will continue to decrease.

The HR analysis of Alton Towers shows the most cause for concern. Although many reviews are positive, the reaction of HR when contacted by an upset employee could be deemed unacceptable practice. To allow for a fully productive workforce the equality within a business should be the forefront of its culture. Merlin shows a positive core belief for accepting diversity within its guests and have acted undoubtedly well in ensuring equal access. However, this is not reflected in the care for its employees.

5. Recommendations

- More emphasis needs to be made on ensuring staff equality and the overall wellbeing of every individual staff member.

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- This could be through regular team meetings to allow issues to be discussed openly or a comments service for management to take into consideration.
 - Stricter rules on how floor management treat employees and how higher management control this.
 - Abide by the SMART objectives to ensure positive changes to the businesses finances.

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7. Appendices

7.1: PEST/SWOT Analysis

7.1.1: PESTLE

<u>Topic</u>	<u>Example</u>
Political	Brexit: Passport changes, Airport Chaos, Atmospheric change in the UK. High employment rates, Trade deficit, Loss of EHIC.
Economic	Fall in GBP, Constantly changing exchange rates, Country Debt.
Social	Fear of Terrorism, Fear since the crash, Increasing want for experience, Catering for all abilities, Equality schemes.
Technological	Virtual Reality, Lasers, Projectors, Stronger lights, Powerful sound systems, Controlled fires, Balls of static electricity, Faster motors, Stronger materials, 4D cinemas.
Environmental	Noise pollution, Traffic congestion, Waste products, Preservation of the 'Earls of Shrewsbury' historical towers and gardens.
Legal	Trade laws, Noise pollution laws, General safety laws, Amusement ride safety regulation and standards law.

7.1.2: SWOT

<u>Strengths</u>	<u>Weaknesses</u>
<u>Economic</u> • More inbound tourism: Exchange rate, too expensive to leave. • More international tourism: GBP fall, cheaper to holiday to UK. • Boost tourism economy <u>Social</u> • Still a profitable business: people like the product.	<u>Political</u> • Trade Deficit: Issues with relied upon imports, too expensive for UK businesses. • Harder to find staff: High employment rate. • Brexit: Too complicated for Europeans to travel in UK (loss of EHIC), loss of workers due to immigration changes and hostile environment.

• Awards in Women Equality. • Caters for all physical needs: Very important for many people. • Cbeebies Hotel: Caters for children with special needs, people want theme parks with this quality, gains customer loyalty. <u>Technology</u> • Utilization of technology to provide a fully immersive experience • Uses technology in different and unique ways (VR roller coaster) • Uses technology as a means to make the biggest and most imaginative become possible. <u>Environmental</u> • Opening and closing times with in noise pollution hours • Provides buses and train discounts to try and minimise congestion • Many different parking fields in different locations: Separate traffic • Normal and recycling bins in and around park: Litter pickers. • Made the towers and gardens into a focal feature to the park: Unique, preserved, well maintained.	<u>Economic</u> • Lower UK GDP. • Country debt means a lack of funding for new infrastructures, higher taxes, product inflation. <u>Social</u> • People may not want to bring children to such a highly populated park incase of a terrorist attack. • People still don't trust rollercoasters and the control of them since the Smiler 2015. <u>Technology</u> • Very reliant and technology • Technology can fail and mean ride closures (Occurs often). • Very complicated systems so need specialised employees to fix and maintain. <u>Legal</u> • Little leeway in open and closing hours • May restrict new builds or extravagant rides.
<u>Opportunities</u> <u>Social</u> • Develop new schemes for equality. - Focus on race or religion. • Completely equal out gender pay gap. • Highly advertise a terror attack security system and an alarm to set off a strain of actions to minimise harm. <u>Technology</u> • Endless opportunities.	<u>Threats</u> <u>Political</u> • Lower economy. • Loss of perception as a good tourism country. • Forced to only hire people born in the UK. <u>Economic</u> • More money spend on taxes and not infrastructure and development means a business will not able to keep up with trends and want from its customers.

- VR mazes • Wristband technology to find children • Fully contactless payments: - Wristbands to purchase food, drinks and merchandise	<u>Social</u> • May not survive another disastrous crash. <u>Technology</u> • Constant need from guests to keep up with technology • Date technology may lead to competitors overtaking <u>Legal</u> • Huge impact if caught or accused to be breaking these laws, - Very different social reaction when regarding person safety compared to things like tax evasion. <u>Environmental</u> • May limit expansions
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7.2: Financial Figures

Assignment Finances
- Merlin Entertainments

Profitability Ratios
Gross Profit Margin

2015
$$1,085,000,000 \div \left(\frac{1,278,000,000}{1,278,000,000 + 76,000,000} \right) \times 100 = 84.8\%$$

2016
$$1,230,000,000 \div \left(\frac{1,457,000,000}{1,457,000,000 + 86,000,000} \right) \times 100 = 84.4\%$$

Net Profit Margin

2015
$$170,000,000 \div 1,278,000,000 \times 100 = 13.3\%$$

2016
$$211,000,000 \div 1,457,000,000 \times 100 = 14.4\%$$

ROCE

2015
$$\left(\frac{170,000,000}{4,600,000} \right) \div \frac{2,478,000,000}{168,400,000} \times 100 = 6.6\%$$

2016
$$\left(\frac{211,000,000}{4,600,000} \right) \div \frac{2,959,000,000}{206,400,000} \times 100 = 6.9\%$$

Assets Turnover Ratios - 2015 and 2016

Total assets turnover

$$1,278,000,000 \div 2,478,000,000 = 0.5 \text{ times}$$

$$1,457,000,000 \div 2,959,000,000 = 0.4 \text{ times}$$

Fixed Assets Turnover

$$1,278,000,000 \div 2,475,000,000 = 0.5 \text{ times}$$

$$1,457,000,000 \div 2,958,000,000 = 0.4 \text{ times}$$

Working Capital Turnover

$$1,278,000,000 \div 3,000,000 = 426 \text{ times}$$

$$1,457,000,000 \div 1,000,000 = 1,457 \text{ times}$$

Liquidity

Current Ratio

$$260,000,000 \div 257,000,000 = 0.8$$

$$340,000,000 \div 339,000,000 = 1.0$$

Quick Ratio

$$\frac{(260,000,000 - 30,000,000)}{(230,000,000)} \div 257,000,000 = 0.8$$

$$\frac{(340,000,000 - 36,000,000)}{(304,000,000)} \div 339,000,000 = 0.8$$

Debtor Days - 2015 and 2016

Debt x 365

$$76,000,000 \times 365 \div 1,457,000,000 = 190 \text{ Days}$$

$$86,000,000 \times 365 \div 1,457,000,000 = 21 \text{ Days}$$

Creditor Days - 2015 and 2016

Creditor days = Creditors x 365

$$41,000,000 \times 365 \div 921,000,000 = 16 \text{ Days}$$

$$63,000,000 \times 365 \div 1,022,000,000 = 22 \text{ Days}$$

Gearing - 2015 and 2016

Debt Ratio

$$\frac{(257,000,000 + 1,158,000,000)}{(1,415,000,000)} \div \frac{(260,000,000 + 2,475,000,000)}{(2,691,000,000)} = 0.5$$

$$\frac{(339,000,000 + 1,441,000,000)}{(1,780,000,000)} \div \frac{(340,000,000 + 2,958,000,000)}{(3,298,000,000)} = 0.5$$