

# On merlin assignment



Assignment: Question one, essay on Merlin Word count: 1, 406 The purpose of this essay is to investigate future pricing policy for Merlin for the tower. A brief review of Merlin's management of the Blackpool Tower will be highlighted, and then using economic tools of analysis, it will clarify the concept of pricing discrimination and how companies use prices to attract certain kinds of customer. Followed by, the use of price and attendance data from other attractions, such as Camelot and Alton Towers to support the argument. Finally the essay will come to a conclusion. Merlin Entertainment in 2010 took over the management of Blackpool Tower, one of the U. K. 's more iconic tourist attractions. The Tower was built in 1894, and contains a circus, an aquarium, a world famous ballroom, Jungle Jim's, The Tower Top and Jurassic Walk. The new owners are adding a Tower Dungeon and a new tower top 4D cinema experience (News Release, 2010). Earlier, entrance to the tower cost ? 17 for adults, ? 14 for seniors and children payable at the door, with a ? 3 discount for those booking online. For this, customers gained access to all facilities, as well as admission to the circus show.

Merlin has commissioned to advise them on their future pricing policy for the tower. Price discrimination is the practice of setting different pricing methods in different virtual markets, while still preserving the same product throughout. The prices are based upon the price elasticity of demand in each given market and practice of marginal analysis (Armstrong, 2006). It is ideal to capture consumer surplus and to recognise degrees of discrimination. There are three degree of price discrimination, such as First degree, second degree and third degree.

In first degree price discrimination, it is recommended that one charges a customer the maximum amount they are willing to pay. In second degree price discrimination, tactics such as “ block pricing” and “ commodity bundling” are common. (Tribe. J, 2004). Third degree price discrimination deals with unraveling customers into discrete groups based upon their differences in elasticity of demand. Based upon this elasticity, they then charge a higher price to the group whose demand is less elastic. Marginal revenue is the change in the total revenue that is the result of a small change in the sales of the good in question.

Therefore, price must also have to change slightly (Sinclair, M. and Stabler, M 2002), Price discrimination is simply lucrative if and when the given target groups price elasticity of demand varies to the point where the separate prices yield to profit maximisation for each given group in question, where marginal revenue equals marginal cost (Samuelson ; Marks (2003). Groups that are more sensitive to prices, such as students and senior citizens for example, have a lower price elasticity of demand and are the ones, which are often charged the lower prices for the identical goods or services.

The key to price discrimination and using it to fully tribute other economic practices, ultimately achieving the total profit maximisation, is the ability to effectively and efficiently collect, analyze, and act upon data gathered about the different groups (Laffont JJ, Rey P, 1998). The Blackpool Tower is now the center of a ? 40 million tourism development, which the local authority hopes will give a complete makeover to the seaside resort (News Release, 2010) Mr. Trevor Hemmings, the leisure entrepreneur, sold the aged, rusting tower, along with the Winter Gardens conference venue, to the Blackpool council, <https://assignbuster.com/on-merlin-assignment/>

which has secured £ 0 million in European Union (EU) for the redevelopment. Top of Form Bottom of Form During the past 15 years, annual visitor numbers to the resort in Lancashire have declined from 17 million to less than ten million as travelers chose cheap sun packages on the Continent. (See Figure 2. Appendix 1) However, Blackpool government officials estimated the £ 40 million transformation project would attract an extra 800,000 visitors a year to the tower, approximately double the present cumulative number of about 458,000. This should also bring supplementary visitor spending of £ 6 million and create up to new 1,000 jobs (The Times of London, 2010). Placing these figures in a demand curve will show a dramatic change (See Figure 3, Appendix 1) It is recommended a bit of both first and third pricing discrimination for Merlin. It is recommended that prices be raised, overall, as the service offering is improved. Recommending discounts for family groups, senior citizens, the disabled, and college students. Under prior management, entrance to the tower was priced at £ 17 for adults, £ 14 for seniors and children payable at the door, with a £ discount for those booking online. For this, customers gained access to all facilities, as well as admission to the circus show. Merlin has the monopoly of the market therefore having market share in the entertainment sector put Merlin in advantage. By recommending, as averred above, a very aggressive price discrimination strategy for Merlin's as part of its pricing strategy for this project, and as a means to differentiate the theme park's offerings from those of rivals, Camelot and Alton Towers. But this will be accompanied by other marketing changes.

Rival Camelot currently charges ? 24 for adults' entry to its theme park, the same price for children over a meter tall, and ? 15 for senior citizens. Alton Towers charges ? 31. 68 for an adult ticket, ? 24. 48 for a child, and does not offer a senior citizen discount per se (Alton Towers, 2011). Rather, it engages in price discrimination by giving different sized family groups different prices with a substantial savings over the individual ticket price for a family of six, for example (U. K. Theme Park Ticket Pricing, 2011). See Figure 1 in Appendix 1) By doubling the price of the adult admission ticket for the tower to ? 34 from ? 17, pricing it above that which is charged by rival Alton Towers will involve charging visitors the maximum price that they are willing to pay and there will be no consumer surplus. Adapting from Alton Towers' family pricing strategy and charging a reduced rate for a family of three to six - say 10 percent off the ? 34. The increased pricing position gives Blackpool Tower the advantage due to its new features and has been completely renovated, which puts them in a better place than Alton Towers.

However in order for Merlin to practice this third pricing in the market, it needs to have the ability to set prices, which is having some of the market power, the ability to be able to segment the variety of visitors and also the capability to stop reselling the service or product (Economics, 2011). The other strategy to consider for Merlin would be discounts for families and students to attract larger groups and make more money per individual attraction.

By offering students discounts this would be an advantage to Merlin as none of the resorts offer these presently as well as discounts for the handicapped. Students are sensitive to price and this would be elastic demand. In a bid to

compete with the tourist traps that have taken much of Blackpool's business on the continent, by offering seasonal specials for continental Europeans to come to Blackpool. Therefore for a group like adults, PED is inelastic and the price will be higher conversely for groups like students' prices will be lower because their demand is elastic.

Price elasticity of demand for Merlin's Blackpool Tower would be elastic as their change to price might lead to a bigger percentage change in demand as they are going to offer better service and product, which will attract visitor's attention (Economics, 2011) There are advantages for Merlin to applying the price discrimination, such as an increase in their revenue, which will have a positive effect on being able to stay in business, and also some of their visitors will benefit from lower prices.

Nevertheless Merlin might be facing some of the disadvantages of the approach, which are decline in surplus, there may involve administration costs and some of their visitors might pay higher fares. In conclusion this essay has highlighted the concept of pricing discrimination and commissioned the management of Merlin the necessary steps towards their pricing policy for future using economic tools of analysis, which would be pricing discrimination.

Through research the essay has found out that first and third degree pricing would be the possible approach to their future pricing policy for Blackpool Tower. The essay also highlighted some the advantages and disadvantages towards these pricing strategies but as a whole Merlin will benefit by applying pricing discrimination. Bibliography Armstrong, M (2006), ' Price

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