



## Case Study: Disneyland Resort Paris



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## Introduction

Insufficient knowledge of the European culture and buying behaviour of potential visitors of the Disneyland Resort theme park led to an overestimation of the number of visitors and their spending in the park. On top, operating costs turned out to be higher than expected. This case highlights that the Disney as a company did not take into account customer differences or the marketing environment into which Disney was moving

This paper aims to first give an overview of the case study, followed by a thorough analysis of methods on how to overcome some of the major issues.

## Case Summary

After the success in Tokyo, Disney's management was certain that an European park would work. Dissatisfied with the ownership provisions at the Tokyo park, the Euro Disney deal was structured much differently. Disney negotiated a much larger ownership stake in the park, adjacent hotels and restaurant facilities. Along with the bigger control and potential profits came a greater risk. In April 1992, Euro Disney opened its doors to European visitors.

Located about 40 km. away from central Paris, Euro Disney it was planned to be the biggest and most lavish theme park that Walt Disney Company had built to date (bigger than Anaheim's, Orlando's or Tokyo's parks). It was also projected to be a surefire money maker for its parent Disney. Nevertheless, much to Disney management's surprise, Europeans failed to "go goofy" over Mickey.



Neither attendance, nor consumer purchases were achieved during the early years: both were off by about 10%. By summer 1994 EuroDisney had lost some \$900 million, and up to today, Disneyland Resort Paris is still not profitable.

As a result, genuine consideration was given to closing the park. Then the Saudi prince Al-Walid bin Abdul-Aziz Al-Saud provided a essential cash injection (\$500 million) that allowed for temporary financial restructuring and general reorganization, including a new French CEO and a new name, Paris Disneyland. The Paris park returned to profitability and attendance augmented. However, the brief holiday on royalties, management fees and leases has now come to end and profits are dripping again. Disney's reaction was to expand with a second "Disney Studios" theme park and an adjoining retail and office complex at the Paris location.

## Questions

*1) More than a decade later, has Disney's top management completely addressed the lack of cultural sensitivity observed at the opening of the first park in 1992?*

Although Disneyland Paris has made adjustments to its alcohol policy (reversing it), its dining facilities (offering a more diverse dinning options ranging from three-star-restaurants to affordable fast food or take away restaurants) and to the tram tour narrations (now offered in 8 European languages), more has to be done so that the park reaches cultural equilibrium. In order to achieve this, the following courses of action are recommended:

- I. Make further physical adjustments to overcome the climatic differences.
  - Having the queuing areas properly roofed and heated.



- Offering more indoor alternatives for the rainy/ snowy days.
  - Providing more resting/“refreshing” areas for the very hot summer days (as it was the case of the heat-wave in 2004)
- II. Offer promotions that better fit European travel patterns. i.e. No longer focusing on itself as along vacation destination, but rather to appeal more to the customers who are coming for short stay (2 to 3 day-stay).
- III. Since “Europeazing” the amusement park per se is out of question (i.e. by making Disney characters more European), for it would deform Disney’s image and what the park essentially is (and what it differentiates it), adaptations should be made to other elements of the product portfolio (for more details on the product portfolio, please refer to Appendix 2 – Marketing Mix). i.e.
- Design future theme hotels with themes that are “more European,” yet Disney-like -> instead of having Yellow Stone as theme, having Pinocchio’s Italian village as topic.
  - Sell merchandise that is proved to be favored by Europeans.
- IV. Find ways to better deal and motivate French employees – as Disney’s long-standing culture has proved to be too rigid for deeply rooted French preferences. i.e. strict regulations of employees look (Disney’s 13-page dress code manual specifying the “Disney LOOK”) are perceived as an assault on personal choice – no nail-polish, make-up, piercings or tattoos



are allowed; men are always to be shaved and with a “clean” hair cut

- V. Find ways to better deal with such a culturally diverse clientele.
- VI. Put emphasis on those characters that Europeans are keen of; after all, many Europeans truly love Disney.

For Disney to achieve the desired success, it is crucial that it better understand the environment in which it operates and be more culturally sensitive.

*2) Comment in more detail the issue of holiday regulation in Europe, the United States and Japan (duration, paid vs. unpaid holiday) and their impact on leisure consumption.*

Europeans certainly have a much longer vacation time than the Americans or the Japanese do. Five to six week paid vacations are commonplace for French and German employees, compared with just two (usually unpaid) vacation weeks for U.S. workers. Furthermore, Japanese usually get 1 week of vacations.

Even though the Europeans do have longer (and paid) vacations, and they usually have a holiday budget similar to the Japanese and Americans, Europeans tend to economize more when it comes to holiday expenditures as they need to make this holiday budget last for a longer period (which means more time but less money in average). In many cases, they:

- Rent or own accommodation in their selected holiday destination for a longer period (usually in warm-weathered locations such as Spain or Portugal).
- “Take accommodation along” in the case of camping tents and trailers.
- Make one “large” trip (usually lasting 1 to 2 weeks) once a year (i.e. a trip to Australia or Mallorca).



- Undertake more short trips such as weekend visits to cities, ski areas or to wellness resorts.

Lastly, unlike Americans, Europeans are unwilling to take their kids from school during the year for vacations.

In contrast, Japanese and Americans who have a shorter vacation time (meaning less time and more money) usually wish to “make the most” out of the limited holiday period, thus undertaking more expensive full time holiday packages. i.e. tours, staying in greater hotels and spending more money in entertainment, dinning and shopping.

3) *How will changing geopolitical situations affect park attendance?*

- It could be said that the US’ foreign policy, has generated controversy among many Europeans (such as French and Spanish). In some cases, this has further sharpen hostility against the United States and made many American companies un-popular. This has additionally catapulted French and other Europeans’ anti-American feelings – seeing the United States and some of its companies as symbols of American cultural imperialism assaulting European culture.
- Moreover, it can negatively affect the attendance of the huge European Islamic minorities- Moroccans, Tunisians and Algerians in France; Libyans in Italy or Turkish in Germany.



*What can be the repercussions of a US-led conflict in the Middle or Far East?*

Probably, this could result on further:

- Decrease of attendance of European Muslims and other Europeans Nationals
- Additional un-easy feelings on behave of some Europeans (like French) towards U.S firms, that can lead to “sabotaging” such companies by not buying their products/ services.

In order to overcome this, Disneyland Resort in Paris could:

- Give specials such as free tickets to overcome the resistance to visit the park; after all, the 34 Euro ticket is relatively little in comparison to the earnings made by the selling of merchandise, food or even accommodation (where the profits actually come from). In 2006, the average theme park spending per guest was €44,80 (a 6,6% increase vs. 2002), so if a family with 2 kids was to visit the park they would at least spend a total of €179.
- Also attach specials to other Disney products (films) i.e. get a free ticket, discounts or take part in raffling trips to the park when buying a ticket for a Disney movie/ purchasing a Disney DVD.
- Emphasize more the emotional aspect of the park (once in a lifetime experience) and not the bright lights of America (which usually re-enforce the perception of Disney as an American icon).



*4) Based on the case study, use cultural factors to explain why visitors from Germany make up only 8% of total Disneyland Resort Paris Visitors.*

It is visible that the proportion of German visitors to the park has been continuously decreasing - in 2006, Germany only made up 4% of the Resort's visitors (see appendix 1). Reasons to explain this modest figure could be:

- Germans do not perceive Disneyland Paris to be the “original thing.” Germans do like Disney, but if they would wish to experience the true magic of Disneyland, many would rather go to the Disney parks in the U.S. to get their piece of “Americana.” Moreover, transatlantic airfare wars and currency fluctuations made Disneyworld in Orlando cheaper than visiting the park in Paris. Additionally, the climatic conditions are a lot more attractive in Florida and California than in Paris. Another fact is that the past economic recession
- Another reason for the low proportion of German visitors, can be that a trip to the Disneyland resort is fairly expensive for the vast majority, specially when taking into consideration:
  - The negative effect of the past economic recession on household disposable income and spending patterns.
  - The cheapest 2 days and 1 night package for two adults at the resort costs at least €478. With less than this amount of money, one can book a whole week-holiday package to major European/Mediterranean destinations.
- Many Germans prefer visiting the local amusement / themed parks, as they offer a variety of great attractions (i.e. Europa Park and Warner Bro's Movie World) at more affordable prices.
- Many middle-class Germans don't see the need to go to an “artificial castle”, as Germany already offers many real castles and middle-age festivals.





- Additionally, other parks are more culturally attuned with German and European history, humor, thrills and culture. i.e. Park Asterix and Terra Mitica.

*Do you think that Disney Studios will attract more Germans than other park?*

Considering the fact that the Studios were opened in 2001, this hasn't shown an improvement on attendance of German visitors to the Park. However, it is a clever move that might in fact attract more Germans because it emphasizes the film side of Disney (this is what truly unique about it). Hence, this can be a factor that can clearly differentiate this from other European competitors.

*What steps could management take in order to increase German share of market?*

- As suggested on question 3 (page 6), attractive specials could be used in order to break barrier to trial/ visit.
- Increase short trip offers. i.e. Week-end and bank-holiday offers at special prices, etc...
- Given the fact that many middle-class Germans are fond of traveling with a trailer, offering a trailer camping within the resort could be an affordable solution that could attract many Germans (as well as Dutch) visitors.
- It is a fact that in the Paris region, Disneyland's largest competitor is the city itself. If they Germans go to Paris, many adults wish to actually spend the day visiting the city, its shops and museums, whereas the kids would enjoy the park a lot. A good customer oriented solution would be to offer a "Disney Day Care" alike service, which takes care and entertains the kids around the park, while the parents enjoy the city of Paris.
- Offer a summer camp program for kids that offers Disney entertainment together language courses.



- Focus more on a mix of European and American ideas to gain more acceptance
- Promotion-wise
  - Attach the Disneyland Resort Paris experience
    - When promoting movies
    - By doing “Product” placement in future Disney productions or even on video games.
  - Advertising - appeal to the more emotional aspect of the park
- As they did in Japan, Disneyland could offer special tours to schools in Europe to make visits with classes to the park. The idea here is to “hook children early when they will enjoy the park the most and enjoy a customer for life.”

5)

*Do you consider that the company made a wise decision in incurring debt to develop Disney Studios?*

At this point it is clear how desperate Disneyland Resort Paris was to survive and improve its position in the European market. From a strategy viewpoint, I believe this was a wise move to attract visitors to the park, as it clearly differentiated Disneyland from other rival parks, offering the chance to experience what Disney is really about – the magic of movies. This is perhaps more interesting to the European visitors as it offers them the chance to get connected with what they truly perceive Disney to be. Furthermore, the addition of the Studios to the “Resort’s pack” might make the visit more attractive (and even increase the length of the stay) to visitors from further away, such as Scandinavians, by adding further benefits

*Given the state of the economy, the need to continually spend on new attractions and the rapid rate of development for other competing theme parks in Europe, do you think this investment is justified on the long term?*



This was indeed a risky decision. Specially when taking into consideration the rather “shaky” financial position and performance of the Disneyland Resort in Paris. However, because so much is in stake, and Disney could not afford to leave the European market with the “tale between its legs,” this decision had to be taken. Even though Disneyland Paris is in a tough financial position right now, it can still be supported by its very wealthy parent company (Disney) which recently (2006) declared a considerable net profit of \$6.491 billion USD. In the long term,

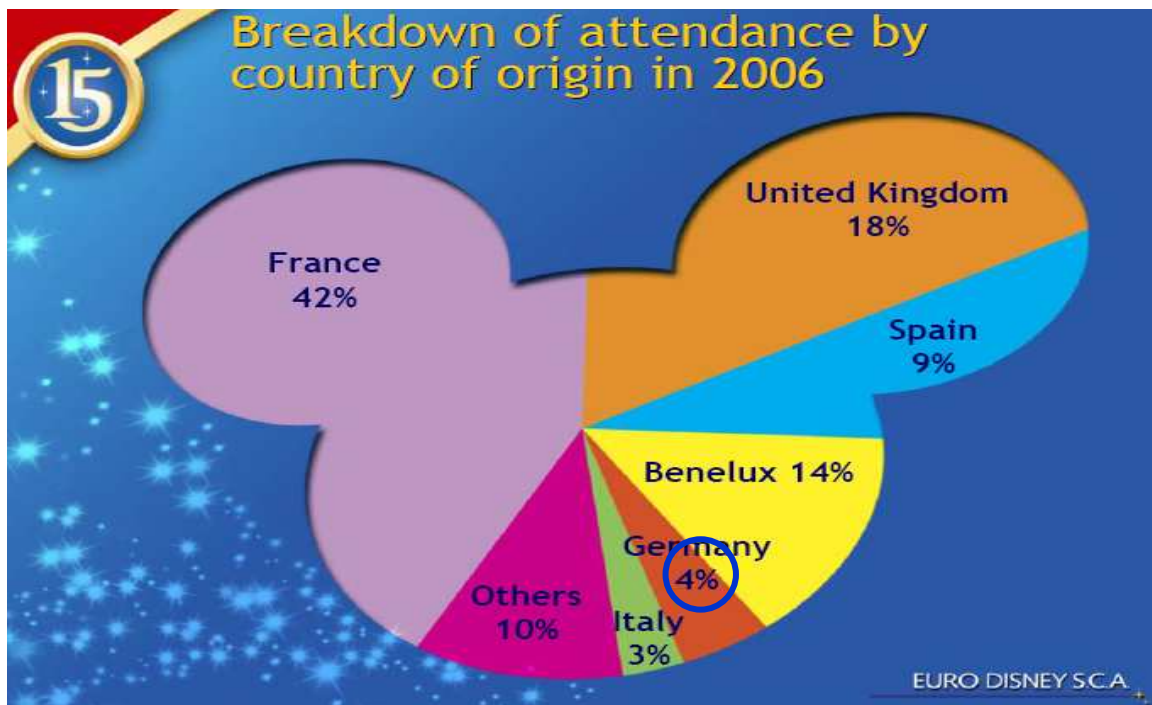


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## Appendix 1






## Appendix 2

### Disneyland Resort Paris – Marketing Mix

**Product**

Theme Parks

Disney Village and Park



Walt Disney Studios Park  
Where one can discover fascinating world of movies and television.

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**Product**

- Theme Parks
- Hotel Park – 7 Themed Hotels

83,5% Occupancy Rate



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**Product**

- Theme Parks
- Hotel Park – 7 Themed Hotels
- Disney Village

Entertainment district

- Variety of restaurants i.e.
  - 2 storey McDonald's
  - Rainforest Café
  - Planet Hollywood
- Bars
- Discotheques
- Shops
- Gaumont UMAX cinema complex

Stays open after the parks close.

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**Product**

Theme Parks

Hotel Park – 7 Themed Hotels

Disney Village

Merchandise

- Toys
- Electronics
- Decoration
- Clothing
- DVD's
- Posters



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**Product**

- Theme Parks
- Hotel Park – 7 Themed Hotels
- Disney Village
- Merchandise
- 2 Convention Centers
  - one is the 5<sup>th</sup> largest conference facility in France

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**Product**

- Theme Parks
- Hotel Park – 7 Themed Hotels
- Disney Village
- Merchandise
- 2 Convention Centers
- Golf Course
  - 27 hole

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**Price**

Premium Pricing

Hotel Rooms: from €120 to €400, whereas for €320 one can stay in some of the top hotels in Paris

i.e. €478 for 2 days & 1 night stay for 2 adults  
i.e. €34 Day Ticket

Some hotel room prices were cut  
- at the low end, from \$76/ night -> \$51  
Average hotel expenditure per room: €178

Average theme park spending per guest: €60  
Expensive jewellery was replaced by \$10 T-shirts and \$5 crayon sets

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**Place**

- On-line
- Travel Agents
- Tour Operators
- Entrance



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**Promotion (Mix)**

- Direct Promotion – UK & NL
- Advertising "Believe in your Dreams"
  - TV
  - Internet
  - Print
  - Billboards
- PR
  - > Support from all media



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