

# Euro disney failure essay

[Business](#), [Branding](#)



During the initial planning phases for EuroDisney, sites in Great Britain, Italy, Spain and France were all considered. Due to the British Pound being highly inflated as a global currency and the lack of a large enough flat expanse of land, Great Britain was taken out of consideration. Italy, Spain and France were all in the running as host nations, with France being the most aggressive in the use of incentives to win the contract. France also would eventually under-write the development of the park and provide a government subsidy to keep the park running. Disney did not immediately see however that its flagship parks in the United States would be the greatest competition for their European upstart. Ironically the financial performance of EuroDisney has traditionally been impacted more by U. S. -based Disney theme parks than competing theme parks or venues throughout Europe, according to Kepler Equities (2005). The weak dollar and strong marketing of DisneyWorld, Epcot Center, Wild Animal Kingdom and the many other attractions in Orlando, FL are attracting more UK- and European families than EuroDisney. The allure of visiting America and having the purchasing power both the British Pound and Euro and wealth of attractions has been strong enough to bring more visitors to DisneyWorld from Europe than have been drawn to EuroDisney. It is common knowledge in London that many families make shopping trips three or four times a year to New York given the strength of the British Pound relative to the US dollar. Many middle-class families in the UK can afford to travel first class and stay in four-star hotels and resorts in the United States due to the significant difference in currency values. For EuroDisney the challenge is how to attract and keep young European families, many of who spend less than ten days

out of the country when visiting DisneyWorld in Orlando, FL. According to Kepler Equities, there will be a 5% average growth in sales over the next five years for EuroDisney as a result, and breakeven is considered to be achievable in the 2012 timeframe.

While EuroDisney can't compete with a strong British Pound and Euro relative to the weak American dollar, they can do what Disney does best, and that is bring in the flashy, new rides and entertainment. In 2005 for example Space Mountain 2 opened and Buzz Lightyear's Laser Blast opened in 2006, with Toon Studios planned in 2007 and Tower of Terror for 2008. All these new attractions are meant for generating interest from young families and stop them from going over to Orlando when they can get the same experiences at EuroDisney. What will be remembered as Eisner's folly or grand mistake, EuroDisney was built under the direction of Disney's previous CEO, down to the specifics of how Disney's most expensive castle of all was created, the centerpiece of the park which cost Disney 2. billion Euros.

The soaring production costs put break-even well into the 21st century for Disney, as did the 6% royalties on all revenues Walt Disney Company imposed on EuroDisney for use of characters, branding, and intellectual property. These two financial decisions nearly led to the bankruptcy of the corporation formed to run the park. Given the continued weak dollar, the costs of production for Disney soared, as did the hotel and golf course introduction and ongoing maintenance costs. Disney didn't take into account the currency fluctuations and the exacerbating effects this would have on attendance, in addition to the French labor unions' penchant for strikes and

the post-9/11 drop in tourism, which taken together culminated in 2004 with the decision by the French government to intervene and try to save the theme park from bankruptcy.

Foremost in the minds of the French government officials was the goal of saving French jobs in addition to alleviating an embarrassment of seeing the Disney's only theme park in the world fail on French soil. In summary, the many missteps of Disney in creating EuroDisney highlight the power of global exchange rates on both consumer behavior and its impact on the future of even well-capitalized enterprises that ignore broader financial forces at work outside of their own control. The Problem Disney's initial failures with EuroDisney have as much to do with their own arrogance and lack of cultural awareness as it does with economic conditions. Despite a challenging economic climate in Europe, Disney could have had a successful first launch for EuroDisney. As with any lasting lessons learned, pain often precedes gain, and this is certainly the case for Disney creating their theme park in France. The many business mistakes in developing EuroDisney can in part be traced to ethnocentrism and arrogance on the one hand, and overly optimistic assumptions of growth on the other according to Amelia Gentleman (2003). At the center of the ethnocentrism was the Disney Chairman, Michael Eisner who managed development as if he was creating an artistic masterpiece first, a going business second. Faulty assumptions and ignorance of customer behavior only exacerbated the problems and further distanced the development from the French public.

With the European economy entering a recession as American executives with Disney continued down the path of creating a park out of touch with consumer preferences in France, bankruptcy nearly resulted for the joint venture. History There are many challenges in turning around EuroDisney, and they are briefly described below in each bullet point from the history of the many challenges of turning around this theme park: Disney executives' perceptual blindness to just how different consumer behavior is in France versus Florida does not set in until the park is completely built. Despite many cues that included the number of guests who wanted breakfast, to the lack of wine as a beverage, to the unused golf courses, Disney executives had no idea that the behavior of guests would be so completely different than their assumptions. There was a complete disconnect from their perceptions anchored in the U. S. experience versus the realities of operating in France.

- Overly risky financial structure to support the development of EuroDisney became a financial albatross. Relying heavily on debt with the assumption interest rates would stay low and economic growth continue also turned out to be a faulty assumption, as exactly the opposite happened in Europe during the construction of EuroDisney.
- The assumption that the EuroDisney site would re-define the location of new Parisian suburbs proved false. Anyone visiting Paris can clearly see that the business and cultural elite live in the center of the city and the suburbs contain families to the south and immigrants to the north.

France's recent riots were in large part due to the discriminatory practices of keeping immigrants out of central Paris, the most desirable part of the city to

live. Michael Eisner proclaiming that Parisians would start to gravitate to EuroDisney, across the plains for central France where there were literally nothing but farms, showed cultural ignorance. The arrogance of proclaiming this in what must have been an apartment in western Paris, literally on the other side of the city from EuroDisney, makes the irony complete. • Disney executives looked to exert more control than ever before at EuroDisney versus other parks. Disney executives vowed to not make the mistakes from other parks which including owning the lucrative hotels surrounding the park which they did not do at Disneyland Anaheim, and owning the park outright instead of leasing it as they did at Disneyland Tokyo.

Autocratic approach to working with bankers, contractors, suppliers, and European visitors further alienated potential allies. Disney's strength as a provider of entertainment is the uniformly high quality had the tendency of making the company demand their own requirements regardless of guidance from local experts and authorities. As a result Disney made errors in selecting contractors and ran into problems with French labor unions. • While Michael Eisner dismissed the criticisms of French intellectuals, citizens initially heeded their claims of cultural imperialism. The fear French intellectuals had was that their stories, characters, songs and values that were distinctly French would be erased as Disney's influence pervaded the country.

This eventually appeared unfounded as the public flocked to the theme park, only to find that assumptions about what they wanted were not taken into account. Examples included the rail system when many Europeans are

accustomed to walking longer distances than Americans; the expense of creating mini-bars that were expensive to stock but rarely used; and the drastic shortage of toilets in for bus drivers. Despite these major challenges and several others, Disney did execute well on these strategies:

- Built alliances with banks and attracted the French government to the park investment early and successfully. Despite the many cultural disconnects, Disney did arrange their financing and banking relationships well enough to ensure the project could continue.
- Tailoring of rides, food and entertainment specifically for the French. Initially a painful lesson, Disney recovered quickly on this point and eventually turned this weakness into a strength but could have taken this further to strengthen the focus on their nationalism.

Alternatives There is an abundance of expert opinion that lead to viable alternative solutions to the many challenges EuroDisney faced in launching this specific theme park, and the collective analyses of these experts could easily fill a small library.

Presented below are insights from some of the world's leading experts in cross-cultural communication, global business development, international business, and marketing.

- In the minds of many French leaders, Disney's message was so intertwined with American patriotism that the two became inseparable in the minds of critics and this became a battle cry against EuroDisney. Disney took critical first steps of making French the primary language in the park and re-defined characters to reflect the European influence on stories, in addition to re-naming characters to French names (Forman, Janis 1998).
- A key lesson learned is illustrated in Disney's approach to focusing on the customer segments that mattered most, and

ignoring the distractions of negative press. While this approach in certain situations can be damaging, Disney did this masterfully in appealing to the European consumers who attended the park in large numbers. The following excerpt from Dr.

Janis Forman's article in *Technical Communication Quarterly* from the summer of 1998 provides excellent insight into the focused marketing Disney is capable of, even in a culturally hostile situation: " When Disney began construction of EuroDisney as part of the company's strategic initiative in Europe, the company was well aware that Disney characters and stories and the company's strong corporate culture might be offensive to some segments of the Parisian intellectual community. On the basis of the park's popularity, however, it is evident that Disney had appropriately focused on one constituency – its European customer base – and more or less ignored the criticism of another, the French press. Moreover, the French media's failure to dissuade people from attending the park suggests that the power of the press to harm EuroDisney's prospects was negligible and that the values it represents may be anachronistic, vestigial traces of a France of yesteryear. " Bill Jones, Managing Director of Sales and Marketing for EuroDisney's UK Operations candidly assesses the initial efforts to get the park accepted by the European customer base with the comment that " I think there were naive assumptions about the European consumer" and continues on in an article talking about the requirement of seeing the major variations in customer segments throughout Europe (Marsh, Harriet 1996). The article continues with an assessment of how his job is to generate demand for EuroDisney in the UK and sell the idea of using the Eurostar train



to get there, or use British Airways package deals. Allowing for more individuality on the part of employees was necessary given the variation in cultures. The strict dress codes originally set in Disneyland and eventually carried through the entire park system are thoroughly described in detail by a leading anthropologist and author (John VanMaanen, 1991). VanMaanen's book *The Smile Factory: Work at Disneyland* provides a glimpse into how powerful conformity is to getting a job and keeping it, a pressure the applicants at EuroDisney surely felt.

In the book VanMaanen's interviewees joke that Walt Disney himself would not be hired at today's parks unless he shaved off his signature mustache. Disney's move to bring Philippe Bourguignon has done more to end labor disputes over long hours and poor pay by shifting away from American working practices and towards a more French approach (Sasseen, Jane 1993). Solutions The following are solutions for turning around the situation at EuroDisney:

- Create alliances with French entertainment companies to provide for up-sell and cross-selling opportunities of their characters by creating rides based on their character, stories and plot lines This strategy would create higher levels of immediate awareness in the French and European communities, and also create stronger financial alliances.

Lastly give these French-based entertainment companies a reason to actively promote EuroDisney.

- Look at critical events in French history and create the equivalent of "Great Moments with Mr. Lincoln" with "Great Moments in French History".

Celebrate the French nationalism through a series of rides that elevate their national pride. • Immediately delegate all key positions to French-born and raised managers. Even with this eventually happening, Disney needs to do more.

The local efforts need to look entirely French from the outside. • Scale back the revenue forecasts for hotels and look more to increasing day visitor volume. Given the fact that even visitors from London could turn this into a day trip (albeit a long one either by air or train) de-focus on the revenue expectations for the hotels and focus more on pass holder membership and driving up daily traffic in the park. The fact that prices for the hotels are equivalent to those in downtown Paris and the historical element of being downtown is so much more alluring even for tourists, there is really no choice but to focus on de-emphasizing hotels and focusing more on increasing the frequency of visits. Differentiate on pricing and seasonal promotional strategies. This is a strategy that works very well in other areas of Europe, and as a result European consumers have been taught to expect to find bargains in pricing structures. • Focus on what Disney does best, and a big part of that is crowd control and flow in other parks.

Leave the ethnocentric attitude behind and bring the logistics expertise. Import to France best practices in managing crowd control and study the French to see how they are different. Leave the messaging to the French for the French which the Economist (2004) brings out clearly in their analysis, and focus more on crowd control and efficiency of queues over trying to overcompensate on cultural issues. Conclusion The bottom line is that

Disney erroneously thought that exporting all processes, people and technology that had been so successful in the US would guarantee strong results in France as well. Disney failed to see that their core strengths of Marketing and Logistics, not so much finance or local relations, were behind their global success. In retrospect, Disney learned from their efforts in France that localization has much more to do than simplistic tasks like translating *Beauty and the Beast* into French for example.

A systemic and thorough review of the culture is critical for success, and that's why EuroDisney has been written about more than many other cross-cultural case studies. For Disney, the lesson of being less ethnocentric and more culture-focused undoubtedly helped with the development and launch of Disneyland Hong Kong, which opened late last year. BibliographyData Monitor (2004) - EuroDisney Profile.

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