

# [Environment and strategy: hong kong ocean park](https://assignbuster.com/environment-and-strategy-hong-kong-ocean-park/)

This report is about Ocean Park of Hong Kong – one of the largest amusement ocean park in the Orient and even in the world. Situated in financial center of Southeast China this park – add some info about park!!

In this report we are going to cover such topic as strategy concepts of Ocean Park, external and internal environment of organisation and its corporate, business-level and international strategy. On base of data collected we’ll give our recommendation and advice to CEO and Board of Ocean Park of Hong Kong about Park’s strategy to the next 10 years (from 2005 to 2015).

The main aim of this report is to provide in-depth strategic analysis to CEO and Board members. Thus, this work is focused on challenges, opportunities and threats of organisation, its culture and economic aspects, strengths and weaknesses of organisation, core competency of ocean park in order to help to improve it in anticipation of arrival of Hong Kong Disneyland.

## Strategy concepts and vocabulary

## -Mission (Strategic purpose, not specified)

## Ocean Park provides all guests with memorable experiences that combine entertainment and education, while inspiring life long learning and conservation advocacy. Our aim is to maintain a healthy financial status, while striving to deliver the highest standards of safety, animal care, products and guest service.

## http://www. oceanpark. com. hk/html/en/footer/corporate-information/vision. html

-create all activities for perfect family holiday

-increase involvements of visitors in environmental issues and lives of animals

## -Goals and objectives to fulfill its mission

“ Boost the number of annual visitors from four million in 2004 to five million by 2010”

“ To make a 0, 5 per cent contribution to Hong Kong’s gross domestic product (GDP) in 2010” (page 7)

## -Vision (More specified)

## http://www. oceanpark. com. hk/html/en/footer/corporate-information/vision. html

## Ocean Park aspires to be a world leader in providing excellent guest experiences in a theme park environment connecting people with nature

– Become number one marine-based park for each family not only from Hong-Kong but also from mainland China.

– To be main attraction for all tourists, who visit Hong-Kong

## -What performance measures would you use to determine the success of Ocean Park?

-It is the hometown favorite. It had been a long-time favorite of several generations ((it’s been operated for more 28 years). Many local people were sympathetic to Ocean Park. People who had visited the park as children were now bringing their own children to visit the park. Its reputation even extended into mainland China. It had become a fixture of Hong Kong’s cultural heritage. (p. 5)

-The number of visitors in 2004 is 4 m of people (with daily maximum capacity 35, 000 people).

-Total revenue in 2004 was 536, 2 HK$ m comparing to 428, 3 HK$ m in 2003, surplus for 2004 year was 95, 7 HK$ m comparing to deficit 4, 1 HK$ m in 2003.

– recognizability of new brand (Whiskers became a household name in Hong Kong)

## -Who are the various stakeholders in Ocean Park organization (how might they impact on its purpose and mission)?

## Stakeholders, who help to achieve park’s purpose and mission:

Hong Kong government, Home Affairs Bureau and the Tourism Board, employees of Ocean Park corporation, its visitors (customers).

Interfere with achieving park’s purpose and mission:

Activist groups (certain environmental groups and animal rights activists) – forbid of buying and transportation exotic animals to park, trade associations and unions (bus companies and taxi drivers) – forbid in building a mass transit railway (MTR), competitors – regain market share.

## External Environment

## -Conduct a PESTEL analysis for Ocean Park, identify the key driving forces for change facing Ocean Park; Rank key driving forces based on their predictability and potential impact on Ocean Park, then develop some scenarios and identify implications of these scenarios for Ocean Park.

PESTEL:

Political:

Government support

Improving relationship between Hong Kong and Mainland China

Promotion of tourism

the easiness of the restrictions and promotion of the free travel of China in 2003 that helped to inject a new life to the tourism industry of Hong Kong

environmental law

Economic:

Growth and development of the global amusement park industry

Disneyland’s arrival

Increasing number of mainland visitors

Increasing standards of living in midland China

Raise and spend HK$5. 55 billion

Social:

Major events and activities (peak seasons and holiday themes: Chinese New Year, Easter Holiday, Summer Holiday, Halloween and Christmas)

Media, advertisement and publicity, required for these special events

Change of demographic (Population growth rate, age distribution, size of families)

Increasing the cost of labor and more guarantees for employees

Negative affect of Outbreak of Severe Acute Respiratory Syndrome (SARS) outcome

Technological:

Development of the amusement machinery industry

Increasing popularity of new technologies for consumers (internet, mobile, digital camera)

Amortization of park equipment

Developing of new transport system (for example, a mass transit railway (MTR))

Research and development activities (creating of new park amusement)

Environmental:

Opposition from certain environmental groups about the importation of wild animals to Ocean Park

Expenses on maintenance of exotic animals

Protests of animal rights activists against relocation of animals

Climate change (rain season in spring, hot in summer, typhoons in summer)

Legal:

Approval of Town Planning Board for hotel, Legislative Council for MTR station.

Restrictions on mergers

Employment laws

## Key driving forces and their ranking :

1)Global changing in tourism for Hong-Kong and Asia-Pacific region (development of tourism in region)

2)Raise and spend HK$5. 55 billion from private and government loans to revamp park’s well-worn product line (approval of development plan)

3)Disneyland’s arrival – worldwide success of main competitor-Disneyland, coming to Hong Kong (Disney’s success or failure)

## Binary table of scenarios for Ocean Park’s key drivers (in decreasing order of their impact on park):

## Development of tourism in region

## Approval of development plan

## Disney’s failure

## Scenario

## +

## +

## +

## Successful scenario

## +

## +

## –

## +

## –

## +

## Middle scenario

## +

## –

## –

## –

## +

## +

## –

## +

## –

## –

## –

## +

## Failure scenario

## –

## –

## –

## -Define Ocean Park’s industry and conduct a five forces analysis: Which are the dominant forces in the industry? How may the five forces change? What are the underlying dynamics which are driving these five forces, and how may the five forces change? What are the impacts on key competitors and on Ocean Park? What can be done to influence the impact of the five forces?

Five forces analysis for amusement park industry:

1) Threat of New Entry

In terms of the amusement park industry, the entry barrier is high due to the need to invest large amount of financial resources (for park equipment, human resources maintenance), a lot of time required for park’s planning, construction, development and launching, a lot of licenses and legalization required (safety, sanitary, security etc.). In addition to the amusement park required land for a full scale development. This factor is important because Hong Kong has a high land price real estate market.

Re-write in own words!!!!!

2) Threat of Rivalry:

It is important to consider that with lack of differentiation, visitors’ choice will greatly over the price and service, thus causes pressure for the intense price and service competition. Due to high threat of rivalry, Ocean Park is implementing different plans and activities such as redevelopment and introduction of new attractions in order to catch the attention of the visitors and differentiate themselves from rivals. There are no rivals with exactly the same range of products. Disney’s arrival is only expected.

Re-write in own words!!!!!

3) Threat of Substitution:

(where this information from?? – I like this point!))

The main threat of substitution is Hong Kong Disneyland & Wetland Park, a new international theme park and an educational park (Appendix 2)??? Apart from this, there are other forms of substitution. From the education side, Hong Kong residents can switch to go to Cultural Centre, Mai Po Wetland, Hong Kong Zoological and Botanical Garden. For entertainment purpose, they can visit the Karaoke, Cinema, Game Centre, or have a day trip to China.

4) Bargaining power of buyers (visitors):

(where this information from?? – I like this point!)

-Tourists

Tourists have a low bargaining power as long as “ must see” image successfully built-up and the Park cannot be replaced by other substitutes. Therefore, Ocean Park focuses to build up this image especially in Asia.

– Local residents

The buying power of local resident is high since they have many choices as mentioned above. The switching cost is relatively low. Also, Hong Kong people like new experience and their loyalty to the product are generally low. The Park, therefore, launched difference programs like “ Big Five” events with difference theme each year to bring new excitement and experience to them. Besides, special discount in low season and year pass intent to attract…???

5) The power of suppliers.

Suppliers have quite high power. Thus, construction elements of amusement rides are huge and complicated, that’s why park is highly tied with supplier. Otherwise, this market is developed and the choice of suppliers is become greater now. While constructing buildings (hotels, etc) with particular contractor park can’t easily change to another contractor because of high switching cost). The situation with the exotic animals is such as Ocean Park can buy in particular country only.

## Which are the dominant forces in the industry?

The dominant forces in the industry are: rivalry, buyers and substitutes.

## How may the five forces change?

Looking forward, the five forces will change in this way:

-Rivalry will increase with Disney’s arrival;

-Buyer power will increase slightly;

-Substitute threat will also increase;

-Entry threat decrease dramatically;

-Supplier power will also decrease. (Exhibit 2. 5 – p. 72)

## What are the underlying dynamics which are driving these five forces?

Aftermath of economic crises and increasing in number of suppliers will decrease supplier power.

Disney’s arrival decrease entry threat in entertainment park industry.

Developing of new technologies will affect rising of substitutes. Also competitors with new technologies will gain (in this aspect Disney has an advantage)

Disney’s arrival increase demands in diversification of Ocean Park’s products.

Ticket price advantages (185 HK$ for adult ticket at Ocean Park compared to 295HK$ for the same ticket at Disney).

The main rival (Disney) is also same market oriented (families with children).

## What are the impacts on key competitors and on Ocean Park?

Five forces much more affect Wetland park – Ocean Park’s key competitor, located at the northern part of Tin Shui Wai, in Yuen Long – than Ocean Park itself, because Wetland park’s products are less differentiated. It has “ a 10, 000m2 visitor centre, Wetland Interactive World, and a 60-hectare Wetland Reserve.” (http://www. wetlandpark. com/en/aboutus/overview. asp). Arrival of other competitor – Disney and it’s substitutes – doesn’t affect much Ocean Park because it has it’s its own niche.

## What can be done to influence the impact of the five forces?

More differentiation of new products, directed mainly to Chinese native culture will affect rivalry, substitutes and buyers. Unique high-quality products and services also will influence buyers. For seeking suppliers big impact will have Internet and special web-sites with best quality of service, characteristics, recommendations and prices.

## Conduct a strategic group/space analysis for Ocean Park

There are 2 key competitors for Ocean Park:

First one is mentioned above Hong Kong Wetland Park. It is a conservation, education and tourism facility, consisted of large visitor centre, Wetland Interactive World and a Wetland Reserve. This park provided visitors with opportunities to observe wildlife, awareness and understanding the values of wetlands throughout the East Asian Region and beyond, wetlands conservation. So, it’s mainly about wetlands. The Hong Kong Wetland Park is also going to be a world-class ecotourism facility to serve both local residents and overseas tourists.(ttp://www. wetlandpark. com/en/aboutus/mission. asp)

Compare to Disneyland and Ocean Park, Hong Kong Wetland Park has different facilities and product range (such as themed exhibition galleries, a theatre, a souvenir shop, an indoor play area), provide different services and thus, like Disney and Ocean Park, has its own niche. The range of facilities provided is the narrowest among 3 parks. Thus, Wetland Park can’t meet demand of those visitors, who are looking for excitements and extreme pleasure, which can be found on a rides at 2 other parks.

Who are the main visitors? Is it local or global? Is it has the lowest range of facilities than Ocean Park and Disney? Much lower prices.

## The second one – arriving in a nearest future The Hong Kong Disneyland.

After 28 years of operating as a near monopoly, Ocean Park would soon have to compete with one of the biggest names in the entertainment and theme park industry. Moreover, Disneyland targets the same group of park’s customers – families with children.

It has well-known brand and reputation. It’s the world leader in terms of entertainment. Several of Disney’s characters (Mickey Mouse, Donald Duck and Winnie the Pooh) were household names all over the world, including in Hong Kong. Thus, Ocean Park’s mascot, Whiskeys, appear lackluster by comparison. Image, which Disney company holds almost for a century (The Walt Disney Company was founded in 1923) and Disneyland itself (first park was opened in 1955) for half a century (compared to 28 years of Ocean park) helps to attract visitors not only from Hong Kong and midland China, but also from different part of the globe, especially those who are from the USA and Europe.

Among other advantages of Disneyland are:

– location: it could be reached in just 10 minutes from Hong Kong’s airport and less than 30 minutes from downtown Hong Kong.

-at least 5. 6 million people were expected to visit the Hong Kong Disneyland during its first year of operation (compared to 4 million of Ocean Park expected visitors).

-the price claimed to be the least expensive among the five Disney amusement parks throughout the world.

-the area of Disneyland is 310 acres compared to 215 acres of Ocean Park.

-5 times greater investment than for Ocean Park.

-Expected economic effectiveness is 3 billion more.

-world-renowned innovation

-high customer service standards

## Strategic groups within the entertainment and theme park industry in Hong Kong

Broad

## Ocean

## Park

Geographical Scope

Global

Product range

## Disneyland

Narrow

## Wetland Park

Local

## Conduct a market segment analysis for Ocean Park: How is the market segmented? How could it be segmented? Where would you position Ocean Park’s products and services? Where would you position the competitor’s products?

Ocean Park is a part of entertainment and theme industry. Its market is families with children. Disneyland – future competitor – applies to the same market. Despite this, Ocean Park has its own niche – visitor from midland China.

## Internal Environment

## -What resources and capabilities does Ocean Park have?

## Resources (what a firm has):

1)Tangible:

-financial – suppliers of money (private and government loans) – expected HK$5, 6 billion investment; HK$145 billion economic effectiveness; surplus from operations in 2004 was HK$182, 2 million on revenues of HK$536, 2 million ???;

-physical – Sea World, marine life and real animals: 35 rides and attractions; 3 hotels; favorable and convenient location on the southern side of Hong Kong Island; wide range of new activities, such as the Abyss Turbo Drop thrill ride, seasonal and special events, popular water-related activities, interactive activities with animals, “ edutainment” programs, successful Sea Jelly Spectacular and so on.

2)Intangible:

– long-time reputation of park with government, customers,

-new brand – sea lion named Whiskers;

-cultural heritage of Hong Kong

-great number of repeated visitors

3)Human:

-37, 100 employees, their skills and knowledge;

-Thomas Mehrmann, new CEO of Ocean Park, and his previous experience at US-based Six Flags Corporation;

## Natural and wild life focus (Interactive activities with animals)

## Recreation and education

## Capabilities (what a firm can do)

-New products, facilities and services development capability – continually adding new features and attractions (such as: a new roller coaster, a subzero Ice Palace, 7. 6 million liter aquarium with an underwater restaurant, extra 33 animals species, the number of rides doubled to 70), so, become a nearest future one of the best marine-based theme park with strong connection with nature;

-Keeping park attractions fresh, novel and exciting, while minimizing costs;

– research and development, marketing and sales capabilities: plan to refurbish and rename Ocean Park’s 2 major areas (the Lowland and the Highland), new hotels to be developed, including a five-star boutique, spa-type hotel – this redevelopment plan would be completed in 2012!! – recommendation part too!!, plan to open offices in the major urban areas of Guangzhou, Beijing and Shanghai to enhance promotional activities in Hong Kong and attract more mainland visitors

-new incentive compensation, that linked employee compensation to the financial performance of park

## -What might be the competence of Ocean Park?

Core competences – resources and competences which are both valuable to customers and difficult to imitate

-distinctive work culture, with its own norms and practices

-local market loyalty

-unique SmartFun Annual Pass program

-cultural aspect (cultural heritage of Hong Kong), orientation on specific market segment-mainland Chinese visitors,

-long-term reputation, distinct Chinese characteristics

-powerful brand

-customer trust

-primary focus of OP on real nature and wildlife in contrast to Disney’s strengths in cartoon characters, castles, virtual reality and fantasy

-focused on education and the live animal attractions — one of the key elements that will differentiate it from Hong Kong Disneyland when it opens in 2005. (from Echo’s articles)

-cost and differentiation of product (continually adding new features and attractions as well as price advantage over Disney encouraged visitors to return to the park)

-The aerial tram that takes visitors from the entrance side of the park over a hill to the rest of the attractions has become a Hong Kong tourism icon-is it still true?? (from Echo’s articles)

Competitive advantage is explained by the distinctiveness of its resources and capabilities, by offering customers greater value by means of lower prices or greater benefits and service

## Competitive Advantages of Ocean Park over Disney:

-long-time reputation, -hometown favorite,

-cultural heritage of Hong Kong, orientation mostly on visitors from midland China

-first-mover advantages

-no need to engage in high-profile advertising and publicity, rely more on word-of-mouth

-more diverse and wide range of products (including Sea World, marine life, real animals plus 35 rides and attractions)

– price advantage: the admission price for Disneyland is expected more than twice higher for child and one and a half higher for adult than price of Ocean park. And visitors from mainland China are very price sensitive. SmartFun Annual Pass program with unlimited admission to the park for its holders within a year, and discounted prices for food, souvenirs

-Infrastructure – 3 hotels had been constructed comparing to 2 at Disney.

-orientation not only on entertainment, but also on education of visitors,

– differentiating by focusing on ecology and conservation issues

-recognizable brand

-In addition to all the American fun at the park, traditional Chinese holidays are still observed (Chinese New Year)

-Disney has its characters, but we have flexibility to mix and match and bring in other entertainment (from Echo’s articles)

## -Does Ocean Park build its strategy on its resources, capabilities and competences?

## Yes.

## Importation of more species

## Water/Sea-related construction

## Hotel-better recreation

## -Are they sustainable? How can they be developed?

## Sustainable to some extent, but with some limitation.

## For example, it may face the opposition from environmental group.

They can’t relay only on resources, capabilities and competences-they need to be developed, innovated and refreshed, because they may begin to look dated and shabby for their visitors.

SWOT Analysis

## Positive impact

## Negative impact

## Internal environment

## Strengths

-Diversified and wide range of amusements (thrills, animals, seasonal and special events)

-product line revamp

-Highly linked with culture of mainland Chinese visitors, knows their demands and behavior

-the main, oldest and most famous amusement park in the country (long-time reputation, hometown favorite),

-cultural heritage of Hong Kong,

-28 years of operating as a near monopoly

-no need to engage in high-profile advertising and publicity, rely more on word-of-mouth

-strong business connection to the local government (support from the government of Hong Kong and mainland China)

-renovation of the park’s brand image

-mascot as a brand

-previous experience of Thomas Mehrmann (new CEO of Ocean Park) in theme park industry (at US-based Six Flags Corporation)

-local market loyalty

-positive image of park

## Weaknesses

-Located on a hills-hard to get to some riders-that’s why visitors experienced rides only once.

-different facilities are old and un-attractive and need renovation

-a lot of activities depend on weather???-ask Echo about it

-no substantial capital investment

## External environment

## Opportunities

-focusing on delivering mainland China’s visitors as well as foreign visitors

-development of new transportation South Island Line (when???-check case-and ask Echo about it) that would cause convenience and fast access direct to the Park for the foreign and local visitors.

-plan to build a mass transit railway (MTR) station to connect OP to the subway grid

-the development and improvement of the amusement machinery can impact the services and features of the organization and its relationship to their foreign visitors.

– raise the standards of park with Disneyland arrival

– fostering sponsorships

– plan for building new hotels (boutique and spa-type) – orientation on luxury tourism – new market segment

## Threats

-economical instability (such as the Asian financial crisis of 1999-2001, lasted for 3 difficult years for OP ), outbreak of different diseases, such as Severe Acute Respiratory Syndrome (SARS) in 2003 (Both these factors can affect number of visitors and their buying behavior, worsening the park financial situation)

-arrival of Disneyland Hong Kong

-OP was situated on valuable real estate: it could be shut down and its land could be sold off for other recreational or commercial purposes.

Recommendation – p. 6-7!!!

(recommend to use this business connection for future purposes, such as building a subway line for the visitors (it’ll happen in 2007). Say, in 3 years

Build a mass transit railway (MTR) station for connection to the subway grid. Till 2015)

(recommend to start innovation process, it will take about 6 years). Say, in 5 years