

# Euro disney

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In April 1992, EuroDisney SCA opened its doors to European visitors. Located by the river Marne some 20 miles east of Paris, it was designed to be the biggest and most lavish theme park that Walt Disney Company (Disney) had built to date – bigger than Disneyland in Anaheim, California; Disney World in Orlando, Florida; and Tokyo Disneyland in Japan. Much to Disney management's surprise, Europeans failed to “go goofy” over Mickey, unlike their Japanese counterparts.

Between 1990 and early 1992, some 14 million people had visited Tokyo Disneyland, with three-quarters being repeat visitors. A family of four staying overnight at a nearby hotel would easily spend \$600 on a visit to the park. In contrast, at EuroDisney, families were reluctant to spend the \$280 a day needed to enjoy the attractions of the park, including les hamburgers and les milkshakes. Staying overnight was out of the question for many because hotel rooms were so high priced.

For example, prices ranged from \$110 to \$380 a night at the Newport Bay Club, the largest of EuroDisney's six new hotels and one of the biggest in Europe. In comparison, a room in a top hotel in Paris cost between \$340 and \$380 a night. Financial losses became so massive at EuroDisney that the president had to structure a rescue package to put EuroDisney back on firm financial ground. Many French bankers questioned the initial financing but the Disney response was that their views reflected the cautious. Old world thinking of Europeans who didn't understand U. S. -style free market financing.

After some acrimonious dealings with French banks a two-year financial plan was negotiated. Disney management rapidly revised their marketing plan

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and introduced strategic and tactical changes in the hope of “ doing it right” this time. A Real Estate Dream Come True : The Paris location was chosen over 200 other potential sites stretching from Portugal through Spain, France, Italy, and into Greece. Spain thought it had the strongest bid based on its yearlong temperate and sunny Mediterranean climate, but insufficient acreage of land was available for development around Barcelona.

In the end, the French government’s generous incentives, together with impressive data on regional demographics, swayed Disney management to choose the Paris location. It was calculated that some 310 million people in Europe live within two hours’ air travel of EuroDisney, and 17 million could reach the park within two hours by car – better demographics than at any other Disney site. Pessimistic talk about the dismal winter weather of northern France was countered with references to the success of Tokyo Disneyland, where resolute visitors brave cold winds and snow to enjoy their piece of Americana.

Furthermore, it was argued, Paris is Europe’s most-popular city destination among tourists of all nationalities. Spills and Thrills: Disney had projected that the new theme park would attract 11 million visitors and generate over \$100 million in operating earnings during the first year of operation. By summer 1994, EuroDisney had lost more than \$900 million since opening. Attendance reached only 9.2 million in 1992, and visitors spent 12 percent less on purchases than the estimated \$33 per head. If tourists were not flocking to taste the thrills of the new EuroDisney, where were they going for their summer vacations in 1992?

Ironically enough, an unforeseen combination of transatlantic airfare wars and currency movements resulted in a trip to Disney World in Orlando being cheaper than a trip to Paris, with guaranteed good weather and beautiful Floridian beaches within easy reach. EuroDisney management took steps to rectify immediate problems in 1992 by cutting rates at two hotels up to 25 percent, introducing some cheaper meals at restaurants, and launching a Paris ad blitz that proclaimed "California in only 20 miles from Paris. An American Icon : One of the most worrying aspects of EuroDisney's first year was that French visitors stayed away; they had been expected to make up 50 percent of the attendance figures. A park services consulting firm framed the problem in these words; "The French see EuroDisney as American imperialism- plastics at its worst. " The well-known, sentimental Japanese attachment to Disney characters contrasted starkly with the unexpected and widespread French scorn for American fairy-tale characters.

French culture has its own lovable cartoon characters such as Asterix, the helmeted, pint-sized Gallic warrior who has a theme park located near EuroDisney. Hostility among the French people to the whole "Disney idea" had surfaced early in the planning of the new project. Paris theater director Ariane Mnouchkine became famous for her description of EuroDisney as "a cultural Chernobyl. " In fall 1989, during a visit to Paris, French Communists pelted Michael Eisner with eggs. The joke going around at the time was, "For EuroDisney to adapt properly to France, all seven of Snow White's dwarfs should be named Grumpy (Grincheux).

Early advertising by EuroDisney seemed to aggravate local French sentiment by emphasizing glitz and size, rather than the variety of rides and

attractions. Committed to maintaining Disney's reputation for quality in everything, more detail was built into EuroDisney. For example, the centerpiece castle in the Magic Kingdom had to be bigger and fancier than in the other parks. Expensive trams were built along a lake to take guests from the hotels to the park, but visitors preferred walking. Total park construction costs were estimated at FFr 14 billion (\$2.7 billion) in 1989 but rose by \$340 million to FFr 16 billion as a result of all these addons. Hotel construction costs alone rose from an estimated FFr 3.4 billion to FFr 5.7 billion. EuroDisney and Disney managers unhappily succeeded in alienating many of their counterparts in the government, the banks, the ad agencies, and other concerned organizations. A barnstorming, kick-the-door-down attitude seemed to reign among the U. S. decision makers. " They had a formidable image and convinced everyone that if we let them do it their way, we would all have a marvelous adventure. One former Disney executive voiced the opinion, " We were arrogant – it was like ' We're building the Taj Mahal and people will come – on our terms. "

### **Storm Clouds Ahead**

Disney and its advisors failed to see signs at the end of the 1980s of the approaching European recession. Other dramatic events included the Gulf War in 1991, which put a heavy brake on vacation travel for the rest of that year. Other external factors that Disney executives have cited are high interest rates and the devaluation of several currencies against the franc.

EuroDisney also encountered difficulties with regard to competition – the World's Fair in Seville and the 1992 Olympics in Barcelona were huge attractions for European tourists. Disney management's conviction that it

knew best was demonstrated by its much-trumpeted ban on alcohol in the park. This proved insensitive to the local culture because the French are the world's biggest consumers of wine. To them a meal without un verre de rouge is unthinkable. Disney relented. It also had to relax its rules on personal grooming of the projected 12, 000 cast members, the park employees.

Women were allowed to wear redder nail polish than in the United States, but the taboo on men's facial hair was maintained. " We want the clean-shaven, neat and tidy look," commented the director of Disney University's Paris branch, which trains prospective employees in Disney values and culture. EuroDisney's management did, however, compromise on the question of pets. Special kennels were built to house visitors' animals. The thought of leaving a pet at home during vacation is considered irrational by many French people. Plans for further development of EuroDisney after 1992 were ambitious.

The initial number of hotel rooms was planned to be 5, 200, more than in the entire city of Cannes on the Cote d' Azur. Also planned were shopping malls, apartments, golf courses, and vacation homes. EuroDisney would design and build everything itself, with a view to selling at a profit. As a Disney executive commented, " Disney at various points could have had partners to share the risk or buy the hotels outright. But it didn't want to give up the upside. " From the time they came on, Disney's Chairman Eisner and President Wells had never made a single misstep, never a mistake, never a failure," said a former Disney executive. " There was a tendency to believe that everything they touched would be perfect. " The incredible growth

record fostered this belief. In the seven years EuroDisney opened, they took the parent company from being a company with \$1 billion in revenues to one with \$8.5 billion, mainly through internal growth. Telling and Selling Fairy Tales: Mistaken assumptions by the Disney management team affected construction design, marketing and pricing policies, and park management, as well as initial financing. Disney executives had been erroneously informed that Europeans don't eat breakfast.

Restaurant breakfast service was downsized accordingly, and guess what? "Everybody showed up for breakfast. We were trying to serve 2,500 breakfasts in a 350-seat restaurant (at some of the hotels). The lines were horrendous. And they didn't just want croissants and coffee, they wanted bacon and eggs." In contrast to Disney's American parks where visitors typically stay at least three days, EuroDisney is at most a two-day visit. Energetic visitors need even less time. One analyst claimed to have "done" every EuroDisney ride in just five hours.

Typically many guests arrive early in the morning, rush to the park, come back to their hotel at night, and then check out the next morning before heading back to the park. Vacation customs of Europeans were not taken into consideration. Disney executives had optimistically expected that the arrival of their new theme park would cause French parents to take their children out of school in mid-session for a short break. It did not happen, unless a public holiday occurred over a weekend. Similarly, Disney expected that the American-style short but more frequent family vacation, usually taken in August.

However, French office and factory schedules remained the same, with their emphasis on an August shutdown. In promoting the new park to visitors, Disney did not stress the entertainment value of a visit to the new theme park; the emphasis was on the size of the park, which "ruined the magic." To counter this, ads were changed to feature Zorro, a French favorite, Mary Poppins, and Aladdin, star of the huge moneymaking movie success. A print ad campaign at that time featured Aladdin, Cinderella's castle, and a little girl being invited to enjoy a "magic vacation," at the kingdom where all dreams come true. Six new attractions were added in 1994, including the Temple of Peril, Storybook Land; and the Nautilus attraction. Donald Duck's birthday was celebrated on June 9 - all in hopes of positioning EuroDisney as the No. 1 European destination of short duration, one to three days.

Tomorrowland: Faced with falling share prices and crisis talk among shareholders, Disney was forced to step forward in late 1993 to rescue the new park. Disney announced that it would fund EuroDisney until a financial restructuring could be worked out with lenders.

However, it was made clear by the parent company, Disney, that it "was not writing a blank check." In June 1994, EuroDisney received a new lifeline when a member of the Saudi royal family agreed to invest up to \$500 million for a 24 percent stake in the park. The prince has an established reputation in world markets as a "bottom-fisher." Buying into potentially viable operations during crisis when share prices are low. The prince's plans included a \$100 million convention center at EuroDisney. One of the few pieces of good news about EuroDisney is that its convention business exceeded expectations from the beginning.



## **Management and Name Changes**

Frenchman Philippe Bourguignon took over at EuroDisney as CEO in 1993 and has navigated the theme park back to profitability. He was instrumental in the negotiations with the firm's bankers, cutting a deal that he credits largely for bringing the park back into the black. Perhaps more important to the long-run success of the venture were his changes in marketing. The pan-European approach to marketing was dumped, and national markets were targeted separately. This new localization took into account the differing tourists' habits around the continent.

Separate marketing offices were opened in London, Frankfurt, Milan, Brussels, Amsterdam and Madrid, and each was charged with tailoring advertising and packages to its own market. Prices were cut by 20 percent for park admission and 30 percent for some hotel room rates. Special promotions were also run for the winter months. The central theme of the new marketing and operations approach is that people visit the park for an "authentic" Disney day out. They may not be completely sure what that means, except that it entails something American. This is reflected in the transformation of the park's name.

The "Euro" in EuroDisney was first shrunk in the logo, and the word "land" added. Then in October 1994 the "Euro" was eliminated completely; the park is now called Disneyland Paris. In 1996 Disneyland Paris became France's most visited tourist attraction, ahead of both the Louvre Art Museum and the Eiffel Tower, 11.7 million visitors (a 9 percent increase from the previous year) allowed the park to report another profitable year.

## **Theme Park Expansion in the Twenty-First Century**

With the recovery of Disneyland Paris, Disney embarked on an ambitious growth plan.

In 2001 the California Adventure Park was added to the Anaheim complex at a cost of \$1.4 billion and Walt Disney Studios Theme Park was added to Disneyland Paris. Through agreements with foreign partners, Disney will open Disney-Sea in Tokyo and plans are underway for a theme park in Shanghai that Chinese officials hope will open in time for the 2008 Olympic Games in Beijing and a park in Hong Kong is to open in 2006. A decade after being slammed for its alleged ignorance of European ways with EuroDisney, Disney is trying to prove it's gotten things right the second time around.

The new movie-theme park, Walt Disney Studios, adjacent to Disneyland Paris, is designed to be a tribute to moviemaking - but not just the Hollywood kind. The Walt Disney Studios blend Disney entertainment and attractions with the history and culture of European film since French camera-makers helped invent the motion picture. The park's general layout is modeled after an old Hollywood studio complex, and some of the rides and shows are near replicas of Disney's first film park, Disney-MGM Studios.

Rather than celebrating the history of U. S. Disney characters, the characters in the new theme park speak six different languages. A big stunt show features cars and motorcycles that race through a village modeled after the French resort town of St. Tropez. Small details reflect the cultural lessons learned. " We made sure that all our food venues have covered seating," recalling that, when EuroDisney first opened, the open-air restaurants

offered no protection from the rainy weather that assails the park for long stretches of the year.

On the food front, EuroDisney offered only a French sausage, drawing complaints from the English, Germans, Italians, and everyone else about why their local sausages weren't available. This time around, the park caters to the multiple indigenous cultures throughout Europe - which includes a wider selection of sausages. Unlike Disney's attitude with their first park in France, " Now we realize that our guests need to be welcomed on the basis of their own culture and travel habits," says Disneyland Paris Chief Executive.

Disneyland Paris today is Europe's biggest tourist attraction - even more popular than the Eiffel Tower - a turnaround that showed the park operators' ability to learn from their mistakes. The root of Disney's problems in EuroDisney may be found in the tremendous success of Japan's Disneyland. The Tokyo Park was a success from the first day and it has been visited by millions of Japanese who wanted to capture what they perceived at the ultimate U. S. entertainment experience. Disney took the entire U. S. theme park and transplanted it in Japan. It worked because of the Japanese attachment to Disney characters.

Schools have field trips to meet Mickey and his friends to the point that the Disney experience has become ingrained in Japanese life. In the book, Disneyland as Holy Land, University of Tokyo professor Masako otoji wrote: " The opening of Tokyo Disneyland was, in retrospect, the greatest cultural event in Japan during the ' 80s. " With such success, is there any wonder that Disney thought they had the right model when they first went to

France? The Tokyo Disney constitutes a very rare case in that the number of visitors has not decreased since the opening.

While Disney Japan was a success the company also admitted making a major financial error when the park was launched. It had licensed its name and image to another company that actually owns and operates the park as well as the land where it sits. Disney collects only a small fraction of the revenues that run into hundreds of millions of dollars every year. Since they were not certain of the success of the first international venture, it was the price they were willing to pay; however, it vowed never to repeat that error and to never have its hands tied again.

As a consequence, when they began the jParis Park, they were fanatically intent on owning and controlling the park as well as enough adjacent property for its own exclusive hotels - " they were sure they had the right model and they were going to own it all. " Thus, they began planning EuroDisney.