Problems and causes of problems at euro disney case study

Business, Company

Introduction

Euro Disneyland was opened in 1992 at Paris in a 5 billion project with the main intention of merging Disney and Paris (Matlack & Sager, 2003). In USA and Tokyo Disney was a success and it was the intention of the management then to replicate the same success to Paris. However, the first instance the park opened there was a hurdle in the form of farmers who blocked the entrance with tractors as a protest to the American government who pushed for cutting of French Agricultural subsidies (Matlack & Sager). This was a sign of the future being marred by difficulties despite the positive encouragement that Disney got from the French government.

Furthermore, in less than two years in December 1993 the company ran out of operating capital and had to borrow $175 million to continue operations (O’Rourke, 2007). Three months later the company acquired a $1 billion infusion capital that would keep the company afloat and deflate the speculation that the company was to end operations in Europe. However, this did not solve the current problems that persisted in Euro Disneyland that resulted in loses until the implementation of glocalisation strategy. In 2003, before the company changed to Disneyland Paris, it recorded a loss of $ 66 million and attendance fell to 12. 4 million that was a decrease of 700, 000 from the previous year (Matusitz, 2010). With the introduction of glocalisation—local and global interaction—the company has managed to change its fortunes into a company that generates profits and attracts over 12 million visitors per year.

This paper will highlight the problems that Euro Disney faced describing the source of the problems, the intervention that the company undertook to change the trend of recording loses, and lessons learned from the scenario. Further recommendations would be made, all with the intention of avoiding similar future scenarios.

Euro Disneyland’s ability to create income is pegged on two factors, which are visitors’ length of stay, and the number of visitors. Therefore, the origin of the problems the company faced began in the planning phase where culture was not considered. During this phase, there was no consideration of the differences in culture between the American culture where Disneyland was very successful and the new venture in France.

The operational problems that the company faced were as follows. The company’s policy of serving no alcohol in the park was a disaster since the country’s culture call for wine taking every lunch time (Cornelissen & Elvin, 2003). The company also thought that more visitors frequented the parks on Friday with Monday recording the least numbers; therefore it was a great shock when the trend was the reverse in France. There was also an assumption that Europeans were not serious in taking breakfast and therefore they planned for 350 seat restaurants in the hotel. This plan turned into a major issue where numerous people showed up in the restaurants in the morning. Grant & Neupart, (2003), notes that serving 2500 people in a 350 seat restaurant with lengthy queues was not easy. Furthermore, the visitors wanted Lunch at strictly 12: 30 and no matter how much they were

advised that lunch could be served at 11: 00 AM or 2: 00 PM, they maintained their stands.

Staffing was also a problem with few personnel serving numerous clients which resulted in dissatisfied clients. The Japan and American staff model did not work in France where it was seen that in the first two months of operation ten percent of employees left the company (Cornelissen & Elvin, 2003). It was seen that the major reason why many left was that in training the culture of the locals was not considered and instead was not regarded. Conversely, the biggest issue that the company faced was that locals did not stay long at the park. While many visitors came to the park they only stayed for a single day. This was shown when it was recorded that 40% of visitors were French with the rest being American or Japanese tourists living in Europe. This problem further compounded the problem of the company recording losses in France (Grant & Neupart, 2003).

Matusitz, (2010), asserted that shortfalls in visitors and length of stay were because of miscalculations on the part of management that was based on US Disneyland theme park. The five causes he highlighted were inadequate US park standards and quality; Harsh Paris Winters; Strictness of European Parents; European Vacation Habits; and disinterest of the Magic Kingdom Concept.

Interventions Implemented

With the company recording losses, a new strategy was considered in changing the company’s fortunes. The strategy that was suggested and

implemented was glocalisation, which is a technique of merging the global and local environment. The changes turned Euro Disneyland into a profit entity and a leading example of the successive implementation of glocalisation. The major changes that underwent glocalisation were four and included.

Cutting Prices: The management laid off the existing manager and replaced him with a French executive. The CEO cut the price per head of adults in 1995 and this caused a visitor increase of 23% (O'Rourke, 2007). Accompanying the change of name to Disneyland Paris, the hotel prices in the park were also reduced.

Converting shows into French Style: In order for the locals to feel a part of the company, they converted certain shows and characters to identify with the culture. For instance, the Mickey mouse character was made to be more cunning and using more brains in comparison to the American one (Griffiths, 2009).

Change of eating habits and menu: Alcohol was introduced in the park to ease the tension with the management hiring a French manager who would take care of the menu and ensure that eating was in accordance to the culture. The menu was also blended with international easting standards hence fast food outlets were also introduced having food stuffs like American burgers. Waiters were also trained to advice clients rather than implement the common American slogan " the customer is always right" (Milman, 2010). This change resulted in the company blending an American-French culture.

Change of employee customs and relations: The management allowed for employees to speak French as their first language. There was also hiring of competent interpreters who would help out visitors in understanding the language that would be spoken. Furthermore, certain parts of the park were named in French while others in English. Signs were also put in pairs, that is, one in French and the other in English. Employees were also allowed to groom themselves the way they wanted and not be limited to American looks.

Lessons Learned

From the case study, several lessons can be learned. In the first instance, it is imperative that before embarking on any business project concrete plans must be done. More importantly when trying to start a business venture in a different geographical position practising different cultures. The management must consider the culture of the intended location of the business so as to make sure that there is a smooth transition in operations. The value of proper finance control is also seen where Euro Disneyland could not properly budget and use money within their means. The company broke its budget when it was enhancing facilities in 1992 when instead of using the $2 billion dollars it had budgeted it used $3. 8 billion dollars. This marked the beginning of financial problems which could have been prevented by proper financial controls.

It is also learned that the culture of people plays critical roles in business procedures and relations. Therefore if companies are to instil their identity and culture in a certain region, then the best way is through glocalisation

where a global perspective and a local perspective are merged together. The success of this strategy was witnessed in Euro Disneyland and has seen a radical change from a loss making entity to a profitable organisation.

Recommendation

Even though Euro Disneyland came up with strategies that combated problems associated with culture. Problems still persisted in terms of income returns, employee satisfaction, identification, and attendance. Therefore to remove such problems it is recommended that:

The company reduces adult per head charges to be less than 100 dollars and pegged to amount of time to be spent in the park.

The company comes up with themes and concepts that would make adults identify with the park not just kids.

Introduce family weekend packages that are discounted to encourage more visits.

Introduce programs that are aimed at ironing out conflicts between American and French cultures hence proper relationships.

Changing the financial and business plan to coincide with the current business culture of Europe.

Alter marketing strategies such as usage of media, and internet in alerting services available to the locals.

Conclusion

The case study has been successful in showing numerous problems that Euro Disneyland encountered all because of not considering the local culture in planning operations. However, they noticed their problems and implemented a strategy called glocalisation that included blending local and global relations in the company. Currently, they are operating at a profit with attendances on the increase although they could still do better.

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