

# Critical appraisal of disneys international expansion strategy economics essay



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As the economic system tends to be integrated and globalized, many corporations expand overseas. However, the phenomenon that the endeavors adopt different theoretical accounts of international market entry and development in the foreign market has attracted more and more attending of the bookmans and directors. This research aims to place and critically measure Disney 's international enlargement schemes to do some citations for Disney to better the public presentation. The article can be divided into two chief organic structures. One is to reexamine the relevant theory and set frontward the analysis method. The other is to place and critically measure Disney 's international enlargement schemes. Based on the analysis above, the writer makes some decisions and recommendations about the Disney 's international enlargement schemes.

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## **1. Introduction**

With the economic globalisation and integrating, a big figure of endeavors begin to come in and develop the abroad market. In add-on, it is argued that the theoretical accounts of international market entry and development will find whether the endeavors will win in the abroad market or non. Therefore, how to take the appropriate theoretical accounts of international market entry and development has attracted more and more attending of bookmans and directors ( Busch and Hoffmann, 2009 ) . To understand this issue wholly, this paper aims to place and critically measure Disney 's international enlargement scheme. This paper proceeds as follows. First, the writer will briefly present this paper. Second, the writer will reexamine the relevant literature about the measuring the international enlargement scheme. The 3rd portion will present the instance of Disney and place Disney 's international enlargement scheme ; so the following portion will measure the Disney 's international enlargement scheme. Finally, the writer will do some decisions and recommendations about Disney 's international enlargement scheme.

## **2. Literature reappraisal about international enlargement scheme**

Harmonizing to the categorizations of Henisz and Macher ( 2004 ) , the theoretical accounts of international market entry and development can be chiefly divided into the undermentioned sorts ( direct and indirect exportation, licensing, franchising, turnkey undertakings, corporate ventures and entirely owned subordinate ) . In add-on, Henisz and Macher ( 2004 ) besides argue that the endeavors will take the appropriate international

enlargement scheme harmonizing to the single circumstance and the characters of local market ; the endeavors may take different theoretical accounts of international market entry and development in different market. However, Henisz and Macher ( 2004 ) 's research is excessively metaphysical and still can non work out the job how to take the appropriate international enlargement scheme ( Busch and Hoffmann, 2009 ) . As such, a big figure of bookmans use the relevant theories to analyse how to take the appropriate international enlargement scheme. The theories include trade cost theory, eclectic theory and heat and cold comparative analysis on the investing environment ( Busch and Hoffmann, 2009 ) .

Trade cost theory argues that different theoretical accounts of international market entry and development will bespeak different trade cost to the endeavors ( Bell, 1998 ) . Moera ( 2010 ) Points out that the endeavors will take the appropriate international enlargement scheme to diminish the trade cost. In add-on, Arnal ( 2001 ) compares the theoretical accounts of international market entry and development from the position of trade cost and argues that different international enlargement schemes will hold important influence on the corporate trade cost. Therefore, the endeavors will take the theoretical account of international market entry and development harmonizing to the comparative advantages of the endeavors, which will cut down the trade cost.

Eclectic theory was put frontward by Tormenting ( 2005 ) to analyse the international investing behaviours of the endeavors. Tormenting argues that merely when the endeavors own the three advantages ( ownership advantages, internalisation advantages and location advantages ) , the <https://assignbuster.com/critical-appraisal-of-disneys-international-expansion-strategy-economics-essay/>

endeavor will carry on the foreign direct investing in the abroad markets. In add-on, Carson ( 2004 ) makes farther survey about the eclectic theory to analyse the theoretical accounts of international market entry and development and argues that the endeavors will follow direct or indirect exporting scheme when the endeavors own the ownership advantages and internalisation advantages but deficiency of location advantages. What 's more, Carson ( 2004 ) besides points out that the endeavors will follow the licensing or franchising scheme when the endeavors ain ownership advantages and location advantages but deficiency of internalisation advantages.

Harmonizing to Henisz and Macher ( 2004 ) , the foreign investing environment can be divided into heat or cold foreign investing environment. The endeavors will follow the active scheme ( foreign direct investment- corporate ventures or entirely owned subordinate ) to command the operation rights in the heat foreign investing environment ; while the endeavors will follow the conservative scheme to come in and develop the foreign markets ( Henisz and Macher, 2004 ) . Seven factors ( which refer to politic stableness, market chance, economic development accomplishment, culturally homogenous society ; Torahs barriers, barriers of natural resources and geographical environment and difference of civilization ) will be used to analyse the heat or cold grades of the foreign investing environment ( Henisz and Macher, 2004 ) .

On one manus, the appropriate theoretical account of international market entry and development has to cut down the trade cost. In add-on, the heat and cold comparative analysis on the investing environment takes the trade

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cost into consideration to utilize the seven factors to measure the investing environment. On the other hand, harmonizing to the Eclectic theory, the ownership advantages and internalisation advantages of Disney are similar in Europe, Japan and Hong Kong ( Wohlwend, 2009 ) . Therefore, heat and cold comparative analysis on the investing environment can be used to measure the difference of the location advantages among Europe, Japan and Hong Kong to measure the theoretical accounts of international market entry and development.

### **3. Introduction of Disney 's international enlargement scheme**

As the Disney in California and Florida has gain great success in United States, the Disney has entered in Tokyo in 1983. In add-on, Disney logged in Europe in 1992 and entered Hong Kong in 2005. Although Disney expands three times in the abroad market, the theoretical accounts of international market entry and development are different and derive different consequences. In the beginning, Disney adopts the licensing contract to sell the ownership and operation rights of Tokyo Disney to the Oriental land, LTD. What 's more, Disney will roll up the licensing fees from the operations incomes of Tokyo Disney ( Boje, 1995 ) . In 1987, Disney signed an understanding with Gallic authorities, which indicates that Disney will straight or indirectly keep 51 % shareholding ratio of European Disney ( Boje, 1995 ) . In add-on, the understanding besides points out that the Disney will roll up the franchising fees and direction fees from European Disney ( Hurley, 2005 ) . Besides, Hong Kong Disney is charged by HKITP ( Hong Kong International Theme Park ) , LTD. Harmonizing to the understanding, 57 % of

the portions will be held by Hong Kong authorities ; while one of Disney subordinates will keep 43 % portions of Hong Kong Disney and charge franchising fees about 5 % of net incomes from Hong Kong Disney ( Wohlwend, 2009 ) . Therefore, it can be concluded that Disney adopts the conservative manner of franchising in Tokyo Disney ; while follow the active scheme of foreign direct investing ( at certain grade ) on European and Hong Kong Disney.

As the theoretical accounts of international market entry and development are different, the public presentations of the three local Disney are different. European Disney was ever in loss and made both terminals meet late. On the contrary, Tokyo Disney, whose profitableness is 2nd to American Disney, has made great success. Tokyo Disney takes 15 old ages to pull 200 million travellers yearly and 95 % travellers are local Japanese ( Carson, 2004 ) . However, after opening in 2005, Hong Kong Disney was in loss all the clip. In add-on, the negative intelligence that Hong Kong Disney closed to decline the travellers will do a bad impact on the travellers ( Wohlwend, 2009 ) . Based on the analysis above, the ownership advantages and internalisation advantages of Disney are similar in Europe, Japan and Hong Kong. Therefore, the writer will carry on the heat and cold comparative analysis on the investing environment to measure the theoretical accounts of international market entry and development.

#### **4. Appraisal about the Disney 's international enlargement schemes**

This subdivision will utilize the heat and cold comparative analysis on the investing environment to measure the difference among the Tokyo,

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European and Hong Kong Disney in order to measure the Disney 's international enlargement schemes. Based on the analysis above, the writer will severally analyse the politic stableness, market chance, economic development accomplishment, culturally homogenous society ; Torahs barriers, barriers of natural resources and geographical environment and cultural difference among the Tokyo, European and Hong Kong Disney.

Politic stableness: with the globalisation and integrating, the grades of politic stableness are similar in Japan, France and Hong Kong ( Dunning, 2005 ) .

Market chance: For the amusement concern, the market chance can be reflected by market graduated table and competition ( possible market portions ) . As GDP per caput in Japan is higher than France and Hong Kong and the birth rate in Asia is higher than that in Europe, the market graduated table in Japan is higher than France and Hong Kong. What 's more, France and Hong Kong has a big figure of natural Parkss, ocean Parkss and subject Parkss and ain dominant market portions ; while the competition in the park travel is comparatively little. Therefore, Market chance in Japan is larger than France and Hong Kong.

Economic development accomplishment: Disney has entered in Tokyo in 1983, when Nipponese economic system was in the rapid enlargement period ( Bell, 1998 ) . On the contrary, European Disney was established when European economic system was in the downswing rhythm. In add-on, Hong Kong authorities wants to diminish the high unemployment rate due to the impact of Asiatic fiscal hazards ( Moera, 2010 ) . Based on the analysis



above, it can be concluded that Economic development accomplishment in Japan is better than France and Hong Kong, when Disney was established.

Culturally homogenous society: In general, the civilization in Japan and Hong Kong is comparatively homogenous ; while the civilization is comparatively diversified in France and Europe ( Mizzau and Montanari, 2008 ) .

Laws barriers: As Japan, Hong Kong and Europe are comparatively unfastened society, the Laws barriers is comparatively little ( Busch and Hoffmann, 2009 ) .

Barriers of natural resources and geographical environment: with the globalisation and integrating of economic system, Japan, Hong Kong and Europe can export the relevant natural resources. What 's more, the geographical environment is comparatively superior in Japan, Hong Kong and Europe ( Busch and Hoffmann, 2009 ) . Therefore, Barriers of natural resources and geographical environment are little.

Cultural difference: harmonizing to the research of Mizzau and Montanari ( 2008 ) , cultural difference will impede the development of cultural amusement industry because of the consumer ethnocentrism. As Japan is celebrated for larning form the foreign civilization, Nipponese consumers will be disposed to accept the Disney civilization ; while the European is comparatively conservative. Therefore, the European people are non used to or defy the American civilization brought by Disney. In add-on, Hong Kong Disney aims to plan the single service to the Hong Kong immature people and the mainland travel in China, but the design fails to fulfill their demands

( Mizzau and Montanari, 2008 ) . Thus, Tokyo Disney has advantages over Hong Kong and European Disney to accommodate to the cultural difference.

Based on the heat and cold comparative analysis on the investing environment of Tokyo Disney, Hong Kong and European Disney, it can be concluded that Tokyo Disney owns the advantages over Hong Kong and European Disney in the facets of market chance, cultural difference and economic development accomplishment. In add-on, Japan is a culturally homogenous society. All the analysis above indicates that the investing environment of Tokyo Disney is comparatively heat ; while the investing environment of Hong Kong and European Disney is comparatively cold. However, Disney headquarter adopts the conservative manner of franchising in Tokyo Disney ; while follow the active scheme of foreign direct investing ( at certain grade ) on European and Hong Kong Disney. Harmonizing to the foreign investing theory, the headquarter will utilize the active scheme ( foreign direct investment- corporate ventures or entirely owned subordinate ) in the heat investing environment ; while adopts the conservative scheme ( franchising and licencing ) in the cold investing environment ( Henisz and Macher, 2004 ) . Based on the analysis above, the Disney will derive more benefits to follow the foreign direct investing scheme in Tokyo Disney and the conservative scheme ( franchising and licencing ) in Hong Kong and European Disney.

## **5. Decision and recommendation**

The writer adopts the heat and cold comparative analysis on the investing environment to critically measure Disney 's international enlargement

schemes and concludes than the Disney will gain more to alter the <https://assignbuster.com/critical-appraisal-of-disneys-international-expansion-strategy-economics-essay/>

theoretical accounts of entry and development. In add-on, it can besides be inferred that different theoretical accounts will be used in different investing environment ( or market ) . Therefore, the writer makes some recommendations for the Disney to take the appropriate theoretical accounts of entry and development. First, Disney has to take all the things into consideration when enter and develop in the foreign market. Second, before finding the theoretical accounts of entry and development, Disney has to comprehensively analyse the investing environment of the host states. Finally, after finding the cardinal scheme, the endeavors can unite with different schemes to accommodate to different markets.