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Title : Walt Disney Company Case Study

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Abstract

In an ever-changing world, we researched how a company like Disney and more particularly the Walt Disney Parks and Resorts division can become and stay a leader in its industry.

We analyzed the different levels of strategy, created a strategic map, applied a five forces analysis of the company, did a group analysis, did a VRIS and Resource/Analysis, did a BCG matrix and Synergy analysis, a value chain analysis, explained the diversification strategy.

These researches allowed us to define the key point that makes Disney the reference in the amusement park industry: offer a unique, immersive and positive experience to each visitor through a great storytelling that is constantly renewed. The future success of the company depends on its ability to innovate and keep delivering an outstanding user experience.



Keyword : Disney parks, amusement parks, strategy

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Chapter 1 The Walt Disney Company

Disney, the kingdom of entertainment founded by Walt Disney and Roy O. Disney in 1923, is hands down a benchmark in its industry. The Walt Disney Company continues to bring joy and happiness to its consumers around the globe, and would never stop surprising us with its visions.

1.1 Introduction

Behind all the wonders that Disney has brought us, are the visionaries of Disney's leadership team who strive to generate creativity, foster innovation, and utilize the latest technologies. Disney is a multinational, cross-platform conglomerate. Their business flourish in many different domains, including parks and resorts, consumer products, studio entertainment, media networks, and interactive media. The company is currently operating in more than 40 countries, and they really have taken issues such as labor, ethics, environment, philanthropy and etc., very seriously.

1.2 Choosing Disney

Upon deciding what case we want to explore in this class, we struggled quite a bit trying to come up with something that is well-known but not cliché. Our eyes lit up when spotting a group member's t-shirt that has a cartoon character on it: it was Dale, from "Chip n Dale" the Disney cartoon chipmunks. When we think of business cases we often think of products and their brands, such as H&M in the fashion industry, or Apple in the consumer electronics industry; rarely do we think of the entertainment industry. We chose to look into Disney because it has been part of our, if not everyone's childhood. Those classic fairytales and adventures taught us about love, about courage, and about faith. Furthermore, like we do, Disney matures overtime, bringing more diversity and innovation into its works, connecting and bringing happiness to people of different generations.

1.3 Facts and Statistics

The rich backstory of Disney could not be easily simplified into a few pages of writing, therefore certain facts and statistics that we found important to illustrate this company has been cherry-picked and listed below.

1.3.1 Company

- Founding Date: October 16, 1923 (93 years ago)
- Products: Theme parks, cable television, films, publishing, broadcasting, radio, web portals, music, video games
- Number of employees: 180,000 (2014)
- Net income: US\$8.38 billion (2015)
- Total assets: US\$88.18 billion (2015)

1.3.2 Divisions:

- Walt Disney Parks and Resorts
 - Featuring the company's theme parks, cruise line, and other travel-related assets
- Walt Disney Studios
 - Includes the company's film, music recording label, and theatrical divisions.
- Disney Media Networks
 - Includes the company's television properties.
- Disney Consumer Products and Interactive Media
 - Produces toys, clothing, and other merchandising based upon Disney-owned properties, as well as including Disney's Internet, mobile, social media, virtual worlds, and computer games operations.

1.3.3 Subsidiaries

- | | |
|---------------------------------|-------------------------------|
| ■ Walt Disney Studios | ■ The Muppets Studio |
| ■ Walt Disney Animation Studios | ■ Disney–ABC Television Group |
| ■ Disney Theatrical Productions | ■ ESPN Inc. (80%) |
| ■ The Walt Disney Company India | ■ A+E Networks (50%) |
| ■ Pixar Animation Studios | ■ Radio Disney |
| ■ Marvel Entertainment | ■ Hulu (32%) |
| ■ Marvel Studios | ■ UTV Software Communications |
| ■ Lucasfilm | ■ Maker Studios |

Chapter 2 Strategic Level

For this week’s assignment, we are attempting to describe the strategies that The Walt Disney Company took in different levels and segments of its business. However, Disney operates in many aspects of entertainment, including amusement parks, TV channels, consumer products, movies, and so on. We chose to study about Disney’s parks and resorts in further detail, making this segment of the Disney entertainment kingdom our focus in this course.

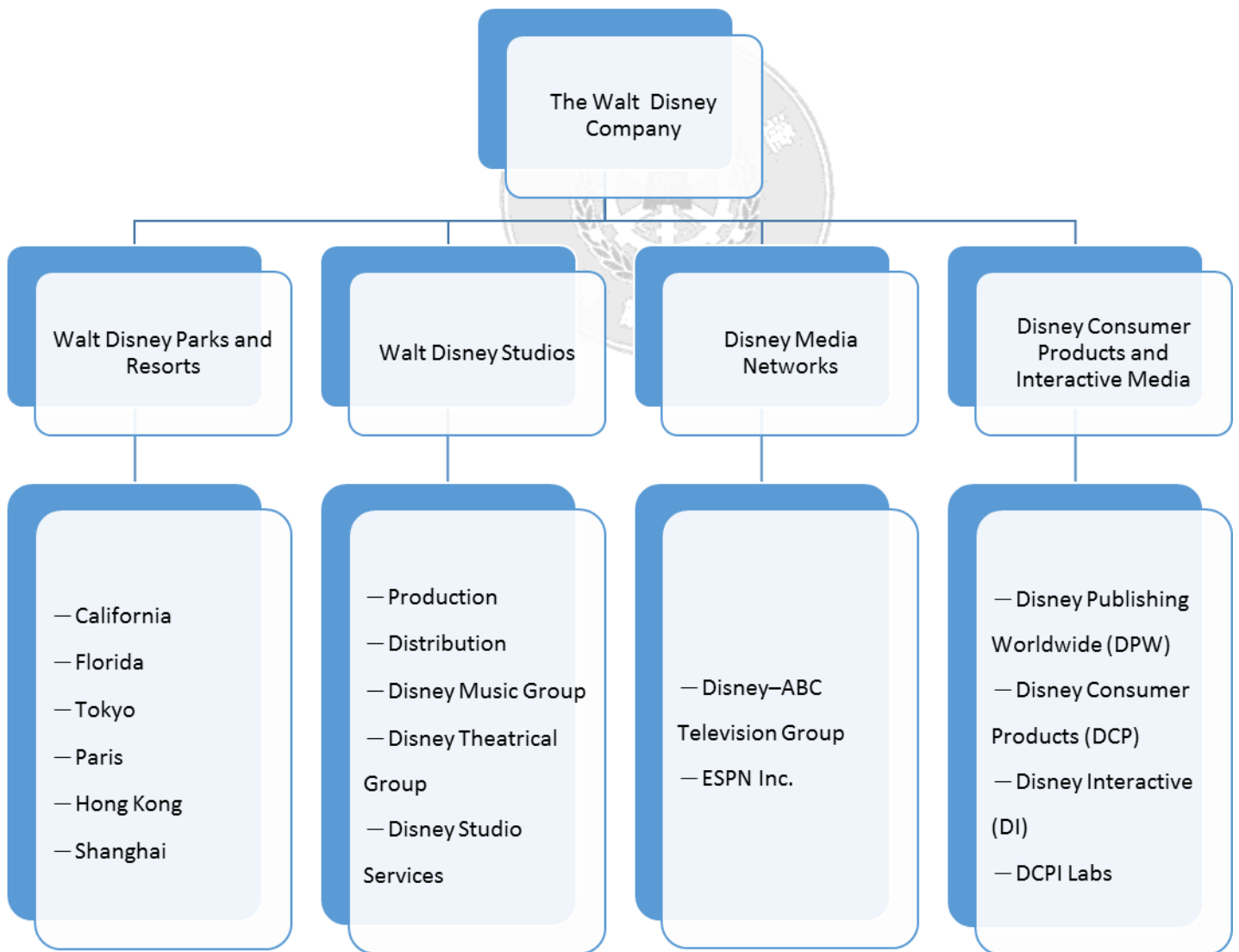


Figure 1. Strategic Level

2.1 Disney's Corporate Level Strategy

As we have introduced in previous passages, Disney's businesses flourish in different aspects of entertainment industries, its divisions include: Walt Disney Parks and Resorts, Walt Disney Studios, Disney Media Networks, and Disney Consumer Products and Interactive Media. Despite their differences in operation, the core of these businesses are united, that is Disney's mission statement.

DISNEY'S MISSION STATEMENT

"The mission of The Walt Disney Company is to be one of the world's leading producers and providers of entertainment and information. Using our portfolio of brands to differentiate our content, services and consumer products, we seek to develop the most creative, innovative and profitable entertainment experiences and related products in the world."

These words, carefully chosen, summed up the Disney's vision as an entertainment tycoon. Everything that its business units carry out aim to realize Disney's mission statement.

2.2 Disney's Business Level Strategy

Walt Disney Parks and Resorts is one of Disney's most profitable business units, currently operating in six different locations around the world, including California, Florida, Paris, Tokyo, Hong Kong, and Shanghai. When it came to expanding overseas, entering international markets, Disney did more than just copy its success at home. Instead, based on past experiences and conditions of the hosting country, Disney went with one of two ways: licensing or joint venture. Disney licensed its

brand to a Japanese company called Oriental Land Company, Disney had not been involved in operation, only did they receive royalties and parts of Tokyo Disney Resort's (TDR) revenue in return. Whereas in Paris, Hong Kong, and Shanghai, Disney chose to collaborate with local entities and run its business in the form of joint venture. Due to these different strategies, different functional level strategies were then sketched out and performed.

2.3 Disney's Functional Level Strategies

2.3.1 Research and Development

Investing Activities

According to the financial report posted on Disney official website, people can know that Disney Company had invested in park and resorts more and more for R&D each year until now. As a result, it is obvious that they really put emphasis on Research and Development this part to meet this changing world.

The financial report for fiscal years 2015, 2014 and 2013 are as follows:

(in millions)	2015	2014	2013
Media Networks			
Cable Networks	\$ 127	\$ 172	\$ 176
Broadcasting	71	88	87
Parks and Resorts			
Domestic	1,457	1,184	1,140
International	2,147	1,504	970
Studio Entertainment	107	63	78
Consumer Products	76	43	45
Interactive	11	5	13
Corporate	269	252	287
	<u>\$ 4,265</u>	<u>\$ 3,311</u>	<u>\$ 2,796</u>

Table 1. The financial report for fiscal years 2015, 2014 and 2013

The main capital expenditures for the Parks and Resorts are expansion, new attractions, cruise ships, capital improvements and systems infrastructure. The

increase capital expenditure in domestic parks and resorts was to construct new attractions in Walt Disney World Resort. While the higher capital expenditures are in international park and resorts are due to the construction of Shanghai Disney Resort.

2.3.2 Human Resource

The strategy of Human resource in Disney Park and Resorts is one of the factors make them such success. They have standard operation procedure when hiring, training, and encouraging their employees. When recruiting new employees, the first priority is “attitude”, then their skills.

They like to talk about the worst situation at first. Before job seekers applied the recruitment form, they were asked to see a video, which illustrate the company's culture and practices. For example, they have to work on weekends, holidays and at night. For another example, they have strict restrictions on clothing. They can't even unveil their tattoo when they are working.

Besides, Disney asks supervisors humble themselves. When the receptionist on the front line are busy, those supervisors will assist them directly. They can do everything from sell popcorns to even put the merchandise on the shelves. From an aspect of the company, there are three benefits when they doing so. Firstly, supervisor share responsibility of workload with staff. Secondly, front line workers know that company pay high attention on their works. Thirdly, supervisors could have chance to interact with customers directly.

2.3.3 Finance

Owns and operates:

- Walt Disney World Resort in Florida

- Disneyland Resort in California

Manages and has effective ownership interests:

- 81% in Disneyland Paris (recapitalization)
- 47% in Hong Kong Disneyland Resort
- 43% in Shanghai Disney Resort

Licenses intellectual property to a third party for the operations:

- Tokyo Disney Resort in Japan

2.3.4 Marketing

Disney puts a lot of emphasis on marketing to continually attract visitors. The following were what they effort:

Embrace New Technology

The park has always been quick to embrace technological advantages, like launching an app to keep visitors informed, or their new MagicBands wearables.

Use Data to Inform Decisions

The MagicBand provides tracking data on all of the park's guests, which allows Disneyland to optimize everything from staffing to the location of a food vendor.

Optimize User Experience

Disney always consider customer experience and work to streamline the process of purchasing, using, and servicing product.

Balance Accessibility with Exclusivity

Design a way to make customers feel special, and they will respond with customer loyalty.

Deliver Unexpected Moments of Magic

Disneyland capitalizes on this affinity with live characters, surprise performances, parades, and exceptional customer service. Making an effort to surprise and

delight customers at every turn will always pay dividends.

2.3.5 Tokyo Disney Resort

Aging trends in Japan has led to a decrease in TDR's targeting market, TDR had to find new ways to appeal to potential customers other than children and young adults, their original target customers. In order to maintain attendance of its parks and resorts, TDR attempted to motivate the Japanese population of forty or above, and defined these people as "New Age". The "New Age Marketing" targeted guests that age forty to sixty, promoting that Disney's parks were not just for kids or young adults. A separate online homepage called "Disney for Adults" was set up, promoting the 45+ Passport to adults. This passport features services that aimed to bring a more customized entertainment experience to its adult users. Tokyo Disney Sea (TDS) was also built to provide a more "grown-up experience" for Tokyo Disney's older customers, where they would be less surrounded by "cuteness" such as Mickey Mouse or its fellow characters.

Mid-Long Term Strategies

TDR had planned out its future strategies, surrounding its core plan of maintaining a theme park attendance figure of 30 million guest per year. To achieve that number, TDR aimed to "build stronger family entertainment" and "increase guest comfort". Budgets and plans were invested and planned out to be carried out through the next decade.

Chapter 3 Strategic Map

The main objective of Disney Parks and Resort is to create happiness for their guests, which is supported by three goals: guest experience, telling stories, and family entertainment.

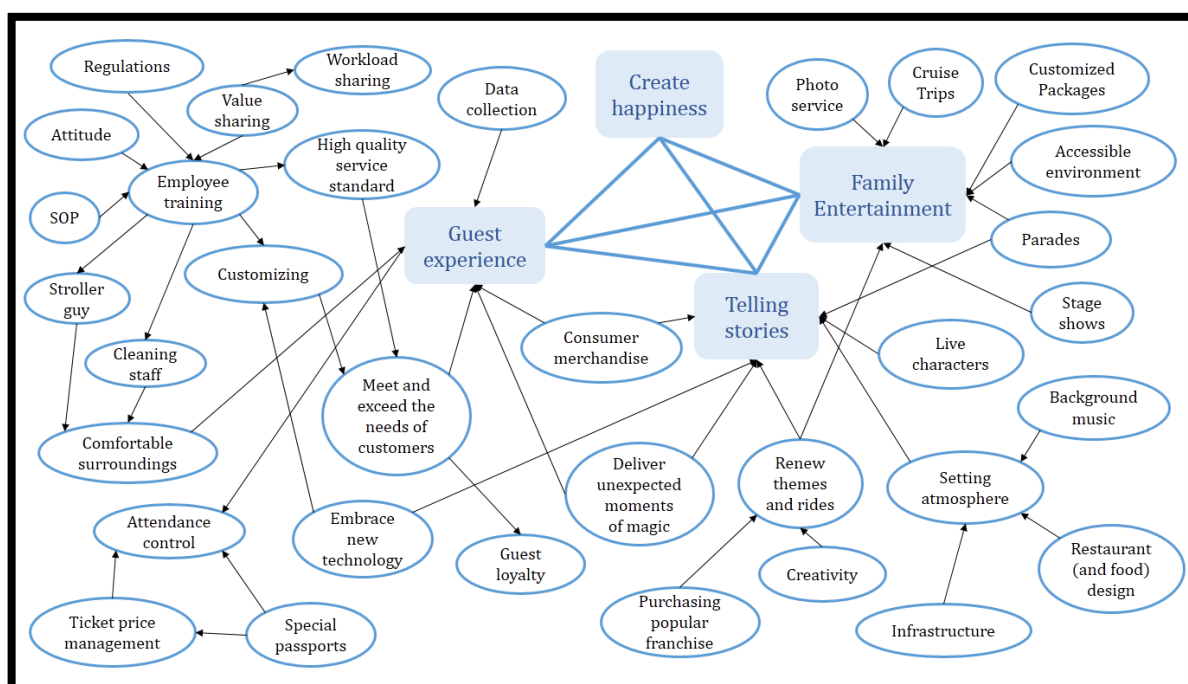


Figure 2. Strategic Map

3.1 Guest Experience

- Meet and exceed the needs of customers
 - + Customer loyalty: loyalty is generated through increasing customer satisfaction
 - + Customizing: customizing customer service allows Disney to meet the different needs of its different customers: parents or children, young or elder, and etc.
 - + Employee training

- Regulations
 - SOP
 - Attitude: Disney makes sure that its employees share the same attitude and values as the company
 - Value sharing
 - Workload sharing: managers would supervise and help with the work of other employees, even if it is selling hotdogs or picking up trash. It all comes down to providing guests the best experience in the parks.
- + High quality service standard
- Comfortable surroundings
 - + Cleaning staff
 - + Stroller guy: One simple yet thoughtful service makes guests more comfortable
 - Attendance control: In order to provide the guests with the best Disney experience, Disney controls attendance number. In which the guest could be comfortable with the park space, service quality, and plentiful time to enjoy.
 - + Ticket price management: The price is much higher than other amusement parks, especially in hot seasons. Additional payments may be needed for premium services.
 - + Special passports: some passports allows guests to enjoy the rides without having to wait in the long queues.
 - Data Collection
 - Embrace new technology

3.2 Telling Stories

- Deliver unexpected moments of magic: For example, Disney characters may show up to entertain the guests in queues, creating an element of surprise.
- Consumer merchandise
- Live characters
- Setting atmosphere
 - + Infrastructure
 - + Background music
 - + Restaurant (and food) designs

3.3 Family Entertainment

- Renew themes and rides
 - + Creativity
 - + Purchasing popular franchises: Disney acquired popular franchises such as Marvel and Star Wars, which they can now build new theme-based rides to attract more guests.
- Parades
- Stage shows
- Photo services
- Cruise trips
- Accessible environment
- Customize packages



Chapter 4 Five Forces Analysis

Building on the previous parts we have discussed on Disney's theme park segment, Disney Park and Resorts, we continue to look into this case with a critical eye. Using Porter's five forces analysis, we studied what kind of external threats that Disney might have encountered, or would come across in the future. By understanding more about the industrial environment, the business is in, it helps the company to navigate its way towards sustainability and success.

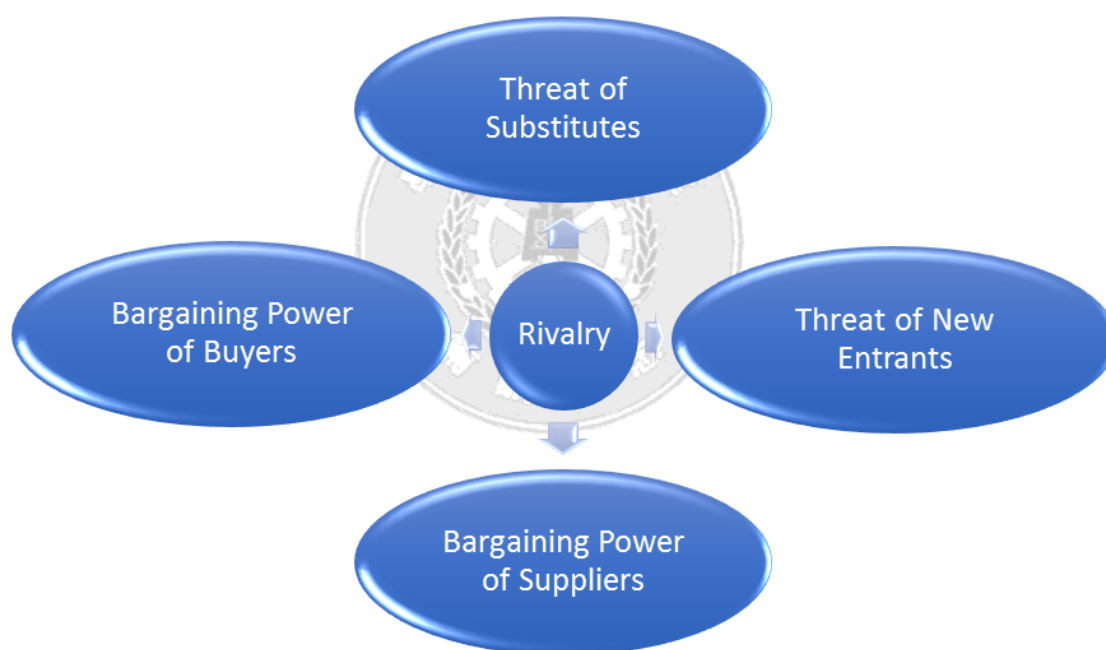


Figure 3 Five Forces Analysis

4.1 Industrial Rivalry

For Disney Parks and Resorts, there are four main rivalry in the amusement park industry, they are Universal Parks and Resorts, Cedar Fair, Six Flags, Cedar Fair, and Merlin Entertainment. These amusement parks are located mainly in the US, some expanded abroad globally like Disney itself. Disney also competes with local theme

parks in locations outside USA, such as China.

Each of these parks tried to out-perform their competitors in order to attract new customers and keep their old customers coming back. Ticket prices of these parks do not differ much from one another, so it would be the differences in themes and experiences that makes them unique in their own way. New attractions, rides, infrastructures and restaurants are the keys to making that “sprint” to be head in the game. For example, Universal added the Harry Potter franchise, the Wizarding World of Harry Potter, into its parks, and its customer visits sky-rocketed. This success of Universal stimulated Disney’s expansion of its Magic Kingdom which began in 2012, over one billion US dollar was invested in order for Disney to maintain its leading position in the theme park industry.

That being said, Disney Parks and Resorts generate astronomical revenues every year. As the chart shows, not even if all of its competitors’ revenue added together could come close to Disney’s massive success. In general, the bargaining power of Disney’s rivalry would be seen as medium.

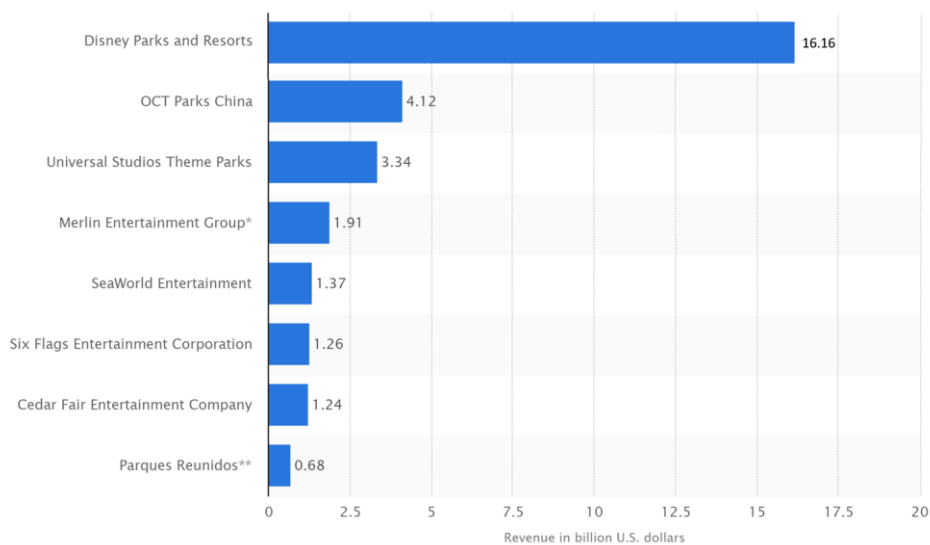


Figure 4. Disney Industrial Rivalry

4.2 Threat of Substitutes

“Substitutes can be defined as those products or services that meet a particular consumer need but are available in other market. A substitute product is a product from another industry that offers benefits to the consumer similar to those of the product produced by the firms within the industry”.

“The Threat of Substitutes means the availability of a product that the consumer can purchase instead of the industry’s product”.

In this case of Disney Parks and Resorts we think the Threat of Substitutes is relatively high for the following reasons:

- Cheaper alternatives to active entertainment, such as: Zoo, Museum, Movie, Concert, Sports.

Theme parks are meant for active entertainment. Consumers could choose to go to the movies, park, sporting event or concert, just to name a few, instead of going to a theme park.

- Disney maintains relevance because of unique experience.

Because Disney theme parks have a distinctive competency of their animated characters and their family fun rides, consumers cannot get the Disney experience anywhere else – making Disney relevant.

4.3 Potential Entrants

In Western countries the threat of potential entrants is low. The market of amusement park is mature with more than 400 amusement parks and attractions in the U.S. and about 300 in Europe.

Building a new park requires a significant capital. As example \$5.5 billion have

been invested in Shanghai Disney. In my opinion this the main limitation for potential entrants as finding such a capital is really challenging. Adding that in the last years some amusement parks have shown to be unprofitable. So potential investors may consider putting their money into other businesses.

In China there are many opportunities in the amusement park market however the competition is already intense with many new theme park projects. So it is difficult for a newcomer to succeed.

Disney parks have by far the strongest brand and loyal customers. Another strength that limits the threat of new entrants.

4.4 Bargaining Power of Supplier

“Suppliers are those who supply the organization with what it needs to produce the product or service. As well as fuel, raw materials and equipment, this can include labor and sources of finance. Suppliers can exert bargaining power on participants in an industry by raising prices or reducing the quality of purchased goods and services. Powerful suppliers can thereby squeeze profitability out of an industry unable to recover cost increases in its own prices” (Michael, 1980).

In the case of Disney Park and Resorts we think the Bargaining Power of Supplier is Medium for the following reasons:

- Limited suppliers

Not many companies are in the industry of producing, building and maintaining amusement rides. The few major of them are Bollinger & Mabillard, Intamin, Vekoma, Arrow, Premier Rides, The Gravity Group, and S & S Power. Their products could be found in most of the theme parks throughout the world. Thus,

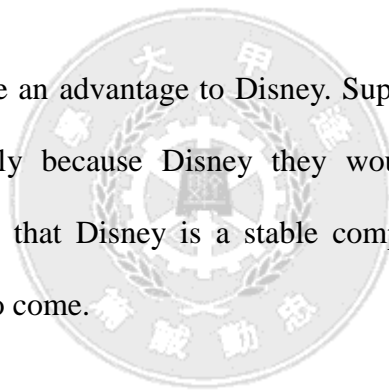
those companies have large flexibility to bargain with Disney.

- Switching costs

The unique products and service is not only unique but also popular among Disney's customers. For the industry of producing toys or character related products, they had lower bargaining power. Disney has the pattern right on it, so it can ask any company to produce merchandise. However, in amusement rides industry, Disney can only buy specific rides from limited company. If Disney wants to change the supplier, the switching cost would be high.

- Supplier sustainability

The company size may be an advantage to Disney. Suppliers do not control the bargaining power strongly because Disney they would want to keep their business. Suppliers know that Disney is a stable company that could provide business for many years to come.



4.5 Bargaining Power of Buyers

In the parking and entertainment industry, there are four big bosses that are Disney, Six Flags, Seawood and Universal. While Disney is the leader in this Oligopoly service industry, buyers' bargaining power is much lower.

The buyers group is non concentrated: Disney park and resort has three competitors in their amusement park operate. For the 7 billions population in the world, they have no many choices for this kind of entertainment and the fact that, Disney Park and resort still stand steadily at first rate.

The buyer group demand is higher suppliers



Figure 5. Disneyland in Anaheim

During special events, it's common to see thousands of people on Main Street, U.S.A. at Disneyland in Anaheim. Here, they celebrate the park's 60th anniversary with a 24-hour party that began at 6 a.m.

There are fun facts about Disneyland:

- 0-25 minutes: 0-25 minutes is the average waiting time in line in low attendance day in Disneyland. But this is rarely happened, and you might have to wait for an hour + often.
- Forecast rain: It might be larger attendance days before rain forecasted days.
- Busy days: Week days are the least busy days. Saturdays are busier than Sundays. Long Weekends can be 3 times busier.
- Discount ticket: Disney rarely offers discounts on single ticket. Because Walt Disney focuses on middle class, its prices are reasonable. The price changes are based on season which is high when the market is good and reduced during low season. For Knott's and Six Flags, their tickets are lower than Walt Disney (in range of \$40-50). However, Six Flag has discounts frequently (bringing Coke

cans to get 50% off), and Knott's ticket price promotion can be found at supermarkets. Unlike some of its competitors, Disney not often give discounts on single ticket purchases. They said that when the lower price, the quality is also affected.

- Raising pass price and parking price: Some people speculated that Walt Disney ticket price raising is needed way to reduce that large crowds during weekends and hot season the recent ticket increases are a much-needed way to reduce the large crowds that occurs at Disneyland during some weekends and high-demand seasons.

Parking prices at the Disneyland Resort also raised. New prices for annual passholders increases from \$169 to \$199. Theme park parking raised \$1, to \$18. Downtown Disney now only offer two hours of free parking, the hourly parking price now is doubled from \$6.

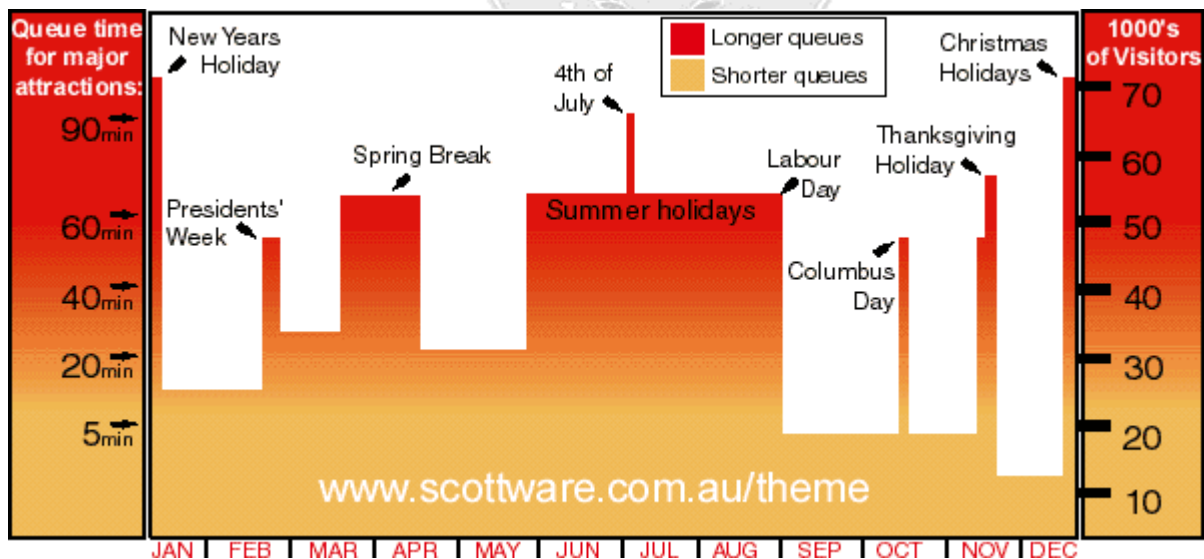


Figure 6. Queue time for major attractions and visitors

This graph is for US Disney Resorts, which include Disneyland, Disney California Adventure & Walt Disney World, Florida (WDW includes: Magic Kingdom, EPCOT, Disney Hollywood Studios & Animal Kingdom) and is very generalised. The

Tokyo Disneyland, Disneyland Paris and Disneyland Hong Kong theme park attendance patterns will differ due to holidays that don't match with the USA.

The products is differentiated: Disney park and resort has their own spaciality and so are competitors. The feeling and experience is not the same for every kind of theme park so may be visitor will consider before making decision.

Many switching costs on the part of the buyer: although there is different among substitutes but switching cost is not very high, because for the entertainment service, different experience is necessary.

Summary

The amusement park industry is a mature and profitable market in western countries. Most of Disney's established competitors are in North America. The company also faces competition in China where they recently opened a new park in Shanghai. The threat of substitutes to amusement parks is relatively high however Disney has a strong brand and offers a unique experience making the visit of a park still attractive. Disney parks are relatively free of potential entrants as opening a park requires a huge capital. The bargaining power of suppliers is medium because there are only a handful of attraction makers and switching may cost a lot of money; once Disney makes a company build an attraction they have to stick with them several years for the maintenance. The visitors have very low bargaining power as the entry ticket prices are fixed and cannot be negotiated. Finally, Disney Park and Resorts has many strengths, its future success will be determined by its ability to innovate and keep offering a unique experience to its visitors.

Chapter 5 Strategic Group Analysis

In this strategic group analysis, first we discussed and found some popular theme or sensation parks and resorts in the world, which is Disney, Six Flag, Lego land, Universal, Puy du fou, Europa Park, Tivoli, Wanda city and HK Marine Park. And we chose the two variable is Numbers of Location and Sensation or/and Theme Park.

Table 2. Numbers of Location and Sensation or/and Theme Park

	Numbers of location	Sensation/Both/Theme
Disney	6	Both
Six Flag	13	Sensation
Lego land	8	Both-theme
Universal	4	Both
Puy du fou	1	Theme
Europa Park	1	Sensation
Tivoli	1	Both-Theme
Wanda city	2	Sensation
HK Marine Park	1	Theme

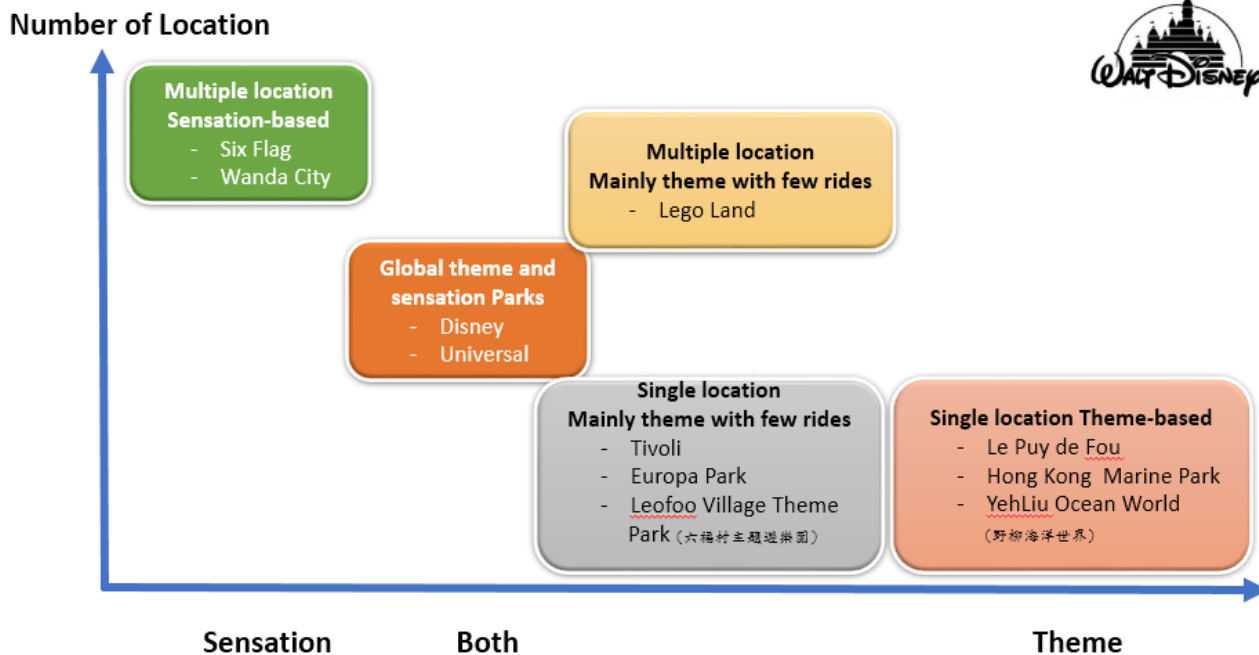


Figure 7. Strategic Group cluster

5.1 Single Location Theme-based Parks

5.1.1 Internal competition of cluster: Medium

There is a competition in this category of parks as they need to differentiate from others by storytelling, immersive experience and quality of shows. Innovation is also a critical factor in this cluster. To attract returning visitor and build customer loyalty, the parks have to offer new shows and experiences. For example, when people get into YehLiu Ocean World, s/he can not only see fish exhibition but also see ocean theater performance by sea lion and dolphin. During the performance, those performers can even interact with audiences. Thus, it become a special experience for customers.

5.1.2 Mobility barriers: Medium

These parks can attract a larger audience by adding some rides, however their current customers are not visiting because of rides but to live the themed experience. These parks can expand internationally if they manage to build a strong enough brand.

5.2 Single Location Mainly Theme with Few Rides Parks Cluster

5.2.1 Cluster internal competition: High

In the cluster of “Multiple location sensation-based”, there are two Parks including Tivoli Garden and Europa Park. Tivoli Garden was opened in 1843 in Denmark. Operation for 173 years, it is the second oldest amusement park in the world. Tivoli is famous for its pleasure garden and some amusement rides such as one of world's oldest wooden roller coasters built in 1914 that is still operating today. While Europa Park was opened in 1975 in Germany. This park is themed as thirteen European countries combine with Grimms' Fairy Tales. With plenty of stories and high capacity rides, people like to go there spending their vacation.

Both of two parks are located in Europe and have highly reputation. In 2015, the visitor number of Tivoli Garden and Europa Park are 4.733 million and 5.5 million. As a result, they are quite competing in Europe due to their similar characteristics.

However, the Leofoo Village Theme Park (六福村主題遊樂園) was opened in Taiwan in 1979 as a Wildlife Park. Now Leofoo Village divide the theme into four areas, Arabian Kingdom, African Safari, South Pacific, and Wild West. They combine wildlife park and amusement rides together. That's why they could attract 1.65 million people in 2015, which is the highest among Taiwan amusement parks. The target visitors include family, couples, students and those who want to experience various attractions in one day. So the visitor flow is different from above two amusement parks due to the location and type.

5.2.2 Cluster Mobility: Low-medium

The mobility of single location theme park is low-medium. Tivoli Garden and Europa Park are in specific theme such as its history or national and story characteristics that attract visitors around the world. There are two ways to think about it. One is that if they move to the other cluster, their attractiveness might be cut down. Then stay in their original cluster would be better for them. However, in such a competitive environment, they have to try harder and harder to keep their customers. Thus, they could improve their rides and equipment to enhance attention. And gradually move toward both theme and sensation park.

5.3 Multiple Location, Mainly Theme with Few Rides Park

5.3.1 International competition of cluster: Low

Competition in this kind of park is relatively low because they have special theme that is Lego and they differentiate from others. Therefore, they can hold a certain customer of their own.

Remaining high visitor attendance and building customer loyalty are the biggest mission of this cluster. While existing competitor continuously expand and innovate their appearance all over the world as well as more and more rivalry of new amusement parks, Legoland need to renew audience experience by adding more shows, games,...

5.3.2 Mobility barriers: Medium

The mobility barriers of this kind of park is medium, Legoland has diversified activities such as waterpark, Lego bricks, shows, rides and so on. So that they can serve and satisfy various groups of customer. Visitors also find specific experience in these kinds of recreation in Lego theme. These parks can strengthen their

globalization if they expand their appearance in more nations by building more amusement parks next stage.

5.4 Multiple Location Sensation-Based Cluster

5.4.1 Cluster internal competition

In this cluster, which we named “Multiple location sensation-based”, there are two firms: Six Flags and Wanda City. Six Flags operates all over USA, with a total of eleven different locations and numerous parks; outside of USA it also has parks in China and Dubai. Six Flags is heavily sensation-based, almost no themes or background stories are incorporated into its rides. Wanda City is an emerging theme park business in China, it operates in two locations, one is Nanchang (南昌) and the other one is Hefei (合肥). In the parks, they are equipped with thirty-three sets of world-class rides. The most eye-catching ride is the 白龍飛天 roller-coaster. It stretches over one kilometer, with a height of fifty-six meters, and the speed can reach 125 kilometers per hour. It is the highest and fastest roller-coaster in the world. Wanda City is quite the new comer comparing to Six Flags, but it has great ambitions and is expanding and investing aggressively.

Even though Six Flags and Wanda City are in the same cluster, they had little competition with each other due to their difference in location, Six Flags mainly operates in the US and in China, Wanda City. They would become direct competitors once they expand to more international sites, but as for now, they are more likely to be competing with other amusement parks from other clusters which operate in the same regions.

5.4.2 Cluster Mobility

For cluster mobility, it would be fair to say that this cluster’s entry barrier is

relatively low. One would need to invest a great deal of capital to acquire land and facilities (eg. rides, restaurants, infrastructures, etc.), and that would be about it. Less creativity and innovation would be needed then coming up with an attractive and successful theme for theme-based parks.

However, for Six Flags and Wanda City to move towards being more theme-based, it would be more challenging. First of all, these parks are already well-known for providing highly sensational entertainment, to add new themes and stories to its rides might not be beneficial, as this would undifferentiated them from their competitors such as Universal and Disney. Sometimes visitors just want to experience the excitement without having to process the story behind it. Secondly, when merging a story-based theme to a ride, the appearance of the ride would need to be specifically designed for its purpose of telling the story. These parks already has their rides in place, either replacing them or altering them would be a huge investment.

Overall, we believe that entering this cluster would be relatively easy if one invests time and capital into it. On the other hand, exiting this cluster would be more challenging and risky, due to reasons mentioned above.

5.5 Global Theme and Sensation Parks Cluster

5.5.1 Cluster internal competition

In this cluster, which we named “Global theme and sensation Parks Cluster”, one is Disney, Disney has six locations in the world, which is California (1955), Florida (1971), Tokyo (1983), Paris (1992), Hong Kong (2005) and Shanghai (2016). Disneyland is distributed all over the world. Inside the Disney parks, there have sensation and theme parks. Another is Universal, Universal has four locations in the

world, which is California, Florida, Tokyo, and Singapore. Universal is distributed all over the world. Inside the Universal, there have sensation and theme parks. I think Disney and Universal are competitors in these cluster, and they will be complement each other forever. They have different rides and theme in their parks, so they will attract different visitors to enter the park.

5.5.2 Cluster Mobility

I think the mobility of the Global theme and sensation Parks Cluster is low, because Disney and Universal are distributed all over the world, and they have different sensation and theme parts, they will attract different visitors to enter the park and play in the park. I think Disney and Universal do not need to remove single theme park or single sensation park, because they use their attraction, creation and innovation to let their visitors make them happy and enjoy their selves. If Disney or Universal remove to single theme or sensation parks, they will lose their number of visitors who prefer to the theme or sensation parks is their reason to enter the park. It is not a wise choice at all.

Chapter 6 Resource and Capability Analysis

Introduction

“It is important to distinguish between the resources and the capabilities of the firm: resources are the productive assets owned by the firm; capabilities are what the firm can do.” (Robert M.Grant,2007.)

In the entertainment industry, Disney must compete in a complex and challenging environment to maintain its position as the master of globalization. Hence, the importance of understanding the firm’s capabilities and resources, finding out the firm’s competitive advantages, is unneglectable. On one hand, it is beneficial to understand and enhance those capabilities, and reinforce on weaknesses - it helps to increase customers’ satisfaction and strengthens customer relationship. On the other hand, competitive advantages help Disney to be sustainable over time, generate revenues and profits year by year.

Therefore, in this report, we’ve carried out an analysis of capabilities and resource of Disney Parks and Resorts to find out how Disney has reached its success.

6.1 Resources

Below are some tangible and intangible resources of Disney, including financial and physical resources, technology, reputation, patents, entertainment and culture, and human resources.

Table 3. Resources

Resource		Details	Indicators
Tangible Resources	Financial	Income	Ticket sales, restaurants income, hotel revenue
	Physical	Parks	Asset
		Rides	Many attractive rides
		Land	
Intangible Resources	Technology	Technological know-how	
		Animation technology	
	Reputation	Brand equity	
		Brand names	13 rank
		Customer's attendance	large number visitor every year
	Patents	Media Technology	

	Entertainment	Characters and plots (from Films and TV series)	
	Culture	Organizational Culture	
Human Resources		Loyalty of employees	Good salary rate, restrictions, welfare

6.1.1 Tangible resource

Financial

- Income:

Disney park and resort has sustainable and large income every year from park Tickets, restaurants, hotel and resort service. The revenue of Disney Park and Resort increased yearly (14.087M \$ in 2013 and 15.099M S in2014), while the profit is also high (2.220M\$ in 2013 and 2.663M\$ in 2014). (By Walt Disney). As we know, capital is one of the most important factor which contribute to the success of a firm, and Disney has strong advantage in this factor.

Physical

- Parks:

Disney has six park and resorts in different location including California, Florida, Tokyo, Paris, Hong Kong, and Shanghai, which can attract visitors around the world. People from America to Asia, and even Europe can enjoy Disney atmosphere.

- Rides:

The rides in Disney fit almost every age level person. There are many rides in Disney park with Disney characters or icons. The top three Disney classic rides are Dumbo, Peter Pan's Flight, and It's a small world.

- Land:

The land area of Disney is an advantage especially when comparing to other amusement park. The largest one is in Florida, the USA, which has 12228 hectares with four theme parks, two water parks, some other attractions, and thirty-four resorts and hotels. The second largest is in Paris, which has 1951 hectare with five themed land. The third is large location is located in Shanghai with 700-hectare land with seven themed lands. California and Tokyo has similar area of land, one is 206 hectares and the other is 201 hectares. The smallest Disney is in Hong Kong with 126 hectares of land, but still larger than many other parks.

6.1.2 Intangible resource

Technology

- Animation technology:

Disney is famous for its work of art in the field of animation, numerous films and TV series are the results of Disney's hardworking animation artists. They constantly develop new technology to bring their creation to the next level; for example, animated hair/fur on human/animal characters has become more and more realistic overtime, from Monster Inc. to this year's Zootopia.

- Technological know-how:

Being technologically advanced is crucial for Disney Parks and Resorts, as it helps operation around the parks, providing better guest experiences. For example, the introduction of the Magic Band. Magic bands are small, wearable bracelets that has an RFID chip connected directly to your credit card, hotel room, and park tickets. A super easy way to get around the parks and resorts without any hassle. Fast Pass+ is also a great example, Disney use crowd projections to allocate a certain number of spots per ride per time frame, so that the guests can pre-select when they want to ride. And then, having those reservations made and tied directly to your MagicBand makes it that much easier.



Reputation

- Brand Equity:

The Walt Disney was ranked 2nd in the world's Most Reputation Companies, 2016, because of the citizenship and governance categories. Nielsen said: *“The Walt Disney Company is number one in the world when it comes to being perceived as a good corporate citizen and also as a company with fair and ethical business practices.”*

Table 4. The World's Most Reputable Companies 2016

Company	Rank
Rolex	1
The Walt Disney Company	2
Google	3
BMW Group	4
Daimler (Mercedes-Benz)	5
LEGO Group	6
Microsoft	7
Canon	8
Sony	9
Apple	10

- Brand names:

The brand of Disney is well-known all over the world for many decades. It was also ranked 13rd in the World's Most Valuable Brands, 2016. This is the most valuable and rare advantage of Disney.

Table 5. The World's Most Valuable Brands, 2016

Rank	Brand	Brand Value	1-Yr Value Change	Brand Revenue	Company Advertising	Industry
#1	Apple	\$154.1 B	6%	\$233.7 B	\$1.8 B	Technology
#2	Google	\$82.5 B	26%	\$68.5 B	\$3.2 B	Technology
#3	Microsoft	\$75.2 B	9%	\$87.6 B	\$1.9 B	Technology
#4	Coca-Cola	\$58.5 B	4%	\$21.9 B	\$4 B	Beverages
#5	Facebook	\$52.6 B	44%	\$17.4 B	\$281 M	Technology
#6	Toyota	\$42.1 B	11%	\$165.1 B	\$3.6 B	Automotive
#7	IBM	\$41.4 B	-17%	\$81.7 B	\$1.3 B	Technology
#8	Disney	\$39.5 B	14%	\$28 B	\$2.6 B	Leisure
#9	McDonald's	\$39.1 B	-1%	\$82.7 B	\$719 M	Restaurants
#10	GE	\$36.7 B	-2%	\$92.3 B	-	Diversified

Note: Brand values are calculated as the net present value of future earnings generated by the brand.

- Customer's attendance:

Disney has strong customer's loyalty, it can be seen by the huge attendance in every single theme park especially in USA. They have long queue of visitors, you even have to wait hours even in weekdays, this number of visitor in hot season is much higher and raising ticket price is considered to be needed measure to control the crowd.

Patent

Media Technology: Disney thrives to bring the best experience to its millions of guests every year, new technology is being developed and put into use continuously. The brilliant engineers and artists of Disney put their minds together to introduce the world to the newest entertainment experience and services. Patents of Disney covers a wide range from control systems to artificial intelligence, from image projection to user application, and much more.

Entertainment

Characters and plots (from Films and TV series): One of Disney Parks and Resorts' biggest strategy is telling stories, and people goes to Disney's theme park for the "theme", the fairy tales they enjoyed as a kid (eg. Cinderella), the TV series (eg. Tinkerbell) and films they watched and love (eg. Toy Story), and etc. These beloved characters and stories are Disney's biggest attraction, what all other parts of Disney is built upon. This is what makes Disney special and different from other theme parks, and cannot be easily imitated.

Culture

Disney's core value is to bring happiness to everyone. To reach this goal, they always immerse corporate value and organizational culture into new employee orientation training. If someone who cannot fit into the culture, then s/he would not be hired. And now they even treat this training process as a product. They sell to others who are willing to learn and like Disney culture and value.

6.1.3 Human Resources

- Loyalty of employees:

Disney gets the loyalty of employees by good salary rate, welfare and company's culture and environment. In Disney US, Average Walt Disney Parks and Resorts hourly pay ranges from approximately \$7.25 per hour for Planner to \$20.31 per hour for Host/Hostess. The average Walt Disney Parks and Resorts salary ranges from approximately \$14,500 per year for Greeter to \$85,045 per year for Project Manager.

How much does Walt Disney Parks and Resorts in United States pay?

Average Walt Disney Parks and Resorts hourly pay ranges from approximately \$7.25 per hour for Planner to \$20.31 per hour for Host/Hostess. The average Walt Disney Parks and Resorts salary ranges from approximately \$14,500 per year for Greeter to \$85,045 per year for Project Manager.

Employees level:

Disney has talented labor force that are experts in their fields. This can be seen by their job experience and certification in many areas.

6.2 Capabilities

Below are the capabilities of Disney, including acquisition, management, innovation, and services.

Table 6. Capabilities

Capabilities	
Acquisition	Purchasing successful companies (Pixar, Marvel Studios, Lucas film), bringing in new contents
Management	In addition to conventional function-based departments, also includes more specialized departments.
Innovation	They apply new tech into their rides and all surrounding
Services	The entire park has free wifi for all guests.

Acquisition

Disney has been generating classic fairy tales for decades, but now creating a popular and profitable story is harder than ever. Therefore, why not just directly harvest stories that has already generated its large fan base? Disney's acquisition of Marvel Studios and Lukas film (Star Wars) not only requires capital, but also a great vision and boldness to execute. This can be considered as one of Disney's strongest capabilities: knowing when to take a leap of faith.

Management

Instead of the conventional hierarchical management style, Disney Parks and Resorts had its organization structure designed around specific functions and project.

Each department has its main objective, if needed, collaboration between departments could be direct and straight forward.

Table 7. Departments within Disney Parks and Resorts

Finance	Design and Project Delievery
Legal	Marketing and Sales
Asia Managment	Disneyland Resort
Walt Disney Imagineering	Walt Disney World
New Vacation Operation and Disney Cruise Line	Disney Vacation Club and Adventures by Disney
Human Resources and Diversity and Inclusion	Operations and Next Generation Experiences
Worldwide Public Affairs	Communication

Innovation

New things are always eyes catching. To attract customers in the competitive amusement industry, Disney always has new program or surprising performances. For example, they held Halloween party parade this year to fit in the atmosphere. And another example is that they use new technology to collect data in the park to know customers' preferences products or rides.

Services

At Disney World, the entire park has free wifi for all guests. Consider how big the resort is, and the capacity that the system must support, and where they hide all the camouflaged wifi routers. The free wifi for all guests is actually a pretty innovative and awesome technological feat.

6.3 Resources and Capabilities Analysis

A company’s resources and capabilities analysis is critical and can clearly show its strengths and weaknesses.

Table 8. Resources and Capabilities Analysis

Superfluous Strengths	Key Strengths
Rides	Brand Operations Global immersive user experience Human resource Service
Inconsequential Weaknesses	Key Weaknesses
Limited number of location	Waiting time for some attractions

Key strength:

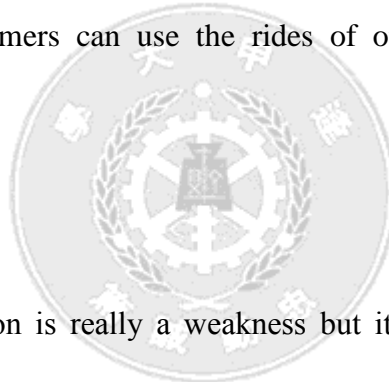
Disney park and resort have key strengths such as brand, operations, global immersive user experience, human resource and service that make them have comparative advantage to competitors. In detail, the strong brand which specialize the

quality of them make customers distinguish and think of Disney as the master of theme park.

Disney also has strong team that are expert in their field and make sure to bring customers best quality and service. Such a good team makes the company really strong in operations, managing its different parts efficiently. Finally, all these strengths work toward the main strength of Disney that offering a global immersive experience.

Superfluous strengths:

Rides, the rides in Disney theme park can bring customers good experience, but it is not unsubstituted. Customers can use the rides of others with almost same satisfaction.



Inconsequential Weaknesses:

limited number of location is really a weakness but it doesn't much affect to Disney theme park. Customers from all over the world is willing to go for long distance, even oversea to use Disney service and entertainment.

Key weakness:

Waiting time for some attractions. The service of Disney theme park is sometimes overload and guests have to wait hours to buy some ticket attractions. Especially in hot season, they might be hustled and jostled. In the end, some of them refuse to go to Disney in that period. It is the most weakness of Disney that might cause customer satisfaction and decrease their loyalty.

6.4 VRIS Analysis

6.4.1 Capability

Below are the capabilities, acquisition, management, innovation, and international capabilities of Disney.

Table 9. VRIS Analysis - Capability

	V	R	I	S	Competitive consequences	Performance implication
Acquisition	O	X	O	O	temporary competitive advantage	above average to average
Management	O	O	O	O	sustainable competitive advantage	above average returns
Innovation	O	X	O	X	Competitive consequences	average returns
International	O	O	O	O	sustainable competitive advantage	above average returns

6.4.2 Resources

Below are the resources of Disney, including land, rides, brand, technology, capital, and park.

Table 10. VRIS Analysis - Resources

	V	R	I	S	Competitive consequences	Performance implication
Land	O	O	O	O	sustainable competitive advantage	above average returns
Ride	X	O	X	O	competitive parity	Average returns
Brand	O	O	O	O	sustainable competitive advantage	above average returns
Technology (animation, know-how)	O	O	O	O	sustainable competitive advantage	above average returns
capital (finance)	O	O	O	O	sustainable competitive advantage	above average returns
Park	O	X	O	X	competitive parity	average returns

Chapter 7 Value Chain

Looking into Disney Parks and Resorts’ value chain may allow us to analyze the success of Disney, how they create synergy among its different departments, and bring out the best of them, presenting to their guests.



Figure 8. Value Chain

7.1 Firm Infrastructure

Financial

Revenue

The total consolidated revenues of Disney company are 52,465 million. According to Disney fiscal 2015 report, Parks and Resorts earn 16,162 million at the same year, which is one third of total revenue. And they increase 7% from 2014 to 2015.

Table 11. The Total Consolidated Revenues of Disney Company

	2015	2014	2013
<i>Revenues</i>			
Media Networks	\$ 23,264	\$ 21,152	\$ 20,356
Parks and Resorts	16,162	15,099	14,087
Studio Entertainment			
Third parties	6,838	6,988	5,721
Intersegment	528	290	258
	7,366	7,278	5,979
Consumer Products			
Third parties	5,027	4,274	3,811
Intersegment	(528)	(289)	(256)
	4,499	3,985	3,555
Interactive			
Third parties	1,174	1,300	1,066
Intersegment	—	(1)	(2)
	1,174	1,299	1,064
Total consolidated revenues	\$ 52,465	\$ 48,813	\$ 45,041

(in millions)

Segment operating income (loss)

The total Disney segment operating income is 14,681 million in 2015. Park and Resorts accounting for 3,031 million, it is almost one-fifth of total. Compare to fiscal 2014, 2,663 million, they have about 14% growth.

<i>Segment operating income (loss)</i>			
Media Networks	\$ 7,793	\$ 7,321	\$ 6,818
Parks and Resorts	3,031	2,663	2,220
Studio Entertainment	1,973	1,549	661
Consumer Products	1,752	1,356	1,112
Interactive	132	116	(87)
Total segment operating income	\$ 14,681	\$ 13,005	\$ 10,724

Table 12. Segment Operation Income

(in millions)

Investing Activities

For domestic market, Disney invest from 1,184 million (2014) to 1,457 million (2015) for expand new attractions, systems infrastructure, cruise ships, capital improvements. For International market, Disney invest from 1,504 million (2014) to 2,147 million (2015) largely because the construction of Shanghai Disney Resort.

(in millions)	2015	2014	2013
Media Networks			
Cable Networks	\$ 127	\$ 172	\$ 176
Broadcasting	71	88	87
Parks and Resorts			
Domestic	1,457	1,184	1,140
International	2,147	1,504	970
Studio Entertainment	107	63	78
Consumer Products	76	43	45
Interactive	11	5	13
Corporate	269	252	287
	\$ 4,265	\$ 3,311	\$ 2,796

Table 13. Investing Activities

(in millions)

Organization

Disney has six Park and Resorts around the world which are managed in three ways: sole property, partial ownership, and licensing. Disney owns and operates in two location in USA. One is Walt Disney World Resort in Florida, and the other is Disneyland Resort in California. For its international parts, Disney has 81% interest in Disneyland Resort Paris (recapitalization), 47% in Hong Kong Disneyland Resort. Disney practiced joint venture with French Government and the Government of the Hong Kong Special Administrative Region, but Disney can wholly manage those two parks. The situation is somehow different in Shanghai Disney Resort, where Disney company has 43% ownership interest, the other 57% is owned by Shanghai Shendi(上海申迪集團). Disney company has 70% interest of management right, the other 30% right belongs to Shendi group. Tokyo Disney Resort in Japan is the exception, where Disney licenses intellectual property to them instead.

Legal Affairs

Disney Park and Resorts is a huge organization. To manage this international business well, Disney had formed a group to deal with business affairs, contracts, privacy, country law, patents, copyrights, etc. This group plays an important role

because it protects and solves any problem related to Disney comprehensively from park construction to operation. For example, they investigate in people who infringed trademark rights and copyrights, as well as the stores that use “Disney Store” name without authorized. Another example is that this group negotiate with joint venture partners when Disney entering into international market such as land lease, cost, and capital to meet the win-win situation.

7.2 Human Resources Management

Recruiting

Disney has a standard operation procedure when recruiting new employees. Besides basic qualifications, Disney prefer to recruit those who believe in and are willing to follow Disney’s values. There are seven values including “Honesty, Openness, Balance, Diversity, Integrity, Respect, and Courage.” Also, Disney has released guidelines for their employees. They need to follow restrictions from clothing (color of undergarment, accessory prohibition, tattoos covered, etc.) to behaviors (chewing gum, smoking, having poor posture, etc., are prohibited). If the applicant could not accept the requirements above, s/he may have no chance in getting into Disney.

Training

Disney has its own learning school called “Disney University”. New employees have to take the course “Disney Traditions” to learn about Disney-related facts. With this course, new staff can understand Disney’s current status, development, features and segmentations. They also learn from basic Disney story to their role in this family. Disney would also asked full time employees to take classes each year to acquire

more skills, trends and knowledge.

Welfare

To maintain staff loyalty, Disney offers a set of rewards package. The benefits include medical insurance, accident insurance, annual leave, overtime payment, laundry services for uniforms and costumes. Also, s/he will get free or discount ticket for him/herself, family and friends to worldwide Disney theme parks and resorts. The hotels, shopping stores, dining area also have discount if staff ID is shown.

7.3 Technology Development

There is no doubt that technology Development is significant for Disney. Through creative and innovative techniques, Disney can provide customers a-dream-come-true experiences and moments in the tale with the interaction manner. When it comes to theme parks, examples of utilization of technology can be found in many places, such as the Finding Nemo Submarine Voyages, where the latest visual effects and sound immersion technologies are implemented. The latest technology is not only used in innovation storytelling, but also in the reservation system of DisneyPark.com, where customers can customize their trip to Disney Resorts in the light of their own preferences.

Research and Development

Disney's R&D division develops better ways of providing entertainment to their guests. Walt Disney Imagineering Research & Development, Inc. is the research and development arm of The Walt Disney Company, it is responsible for the creation, design, and construction of Disney theme parks and attractions worldwide. They

design and building Disney theme parks, resorts, and other entertainment venues at all levels of project development.

Technology (Bringing Innovation)

Disney Parks and Resorts is a typical example of the spirit of innovation. Much of that innovation is driven by technology to create new and exciting experiences. Their imagineers love Disney stories and experience, and used technology to make them more interactive, and even more entertaining. For example, they use 3D innovation with 4D to enhance the attraction and allow guests to experience the story from a toy's perspective. The guests can also experience Toy Story Midway Mania! at Disney California Adventure Park.

7.4 Procurement

Disney is a unique and important customer to many of its suppliers, therefore it has the ability to purchase with the lowest price while obtaining the highest quality of its supplies. Procurement is a support function where the company can make the greatest savings. This is due to the fact that capital expenditures for domestic and international Parks and Resorts take up almost 70% of the total capital expenditures of the company. Because of diverse business lines with their own business strategies, Disney could not use standardization as their fundamental strategy for procurement and supply chain management throughout the conglomerate. That being said, its diverse business lines also bring opportunities for cooperation and generating synergies among them. Procurement for Disney Parks and Resorts include activities to maintain the optimum operating level cost efficiently. Some Disney parks products can be found in others Disney parks, and the design can be use in others countries.

7.5 Inbound Logistics

Disney Park and Resort's strategy is based on providing "customer experience", thus its inbound logistics would be quite unusual comparing to conventional manufacturing industries.

Construction facilities, goods and warehouses

Disney Parks and Resorts have sustainable suppliers for their inbound, from attraction construction to hotel, cruise and restaurant. Being a global brand, its goal is to bring the best experience to visitors. Therefore, they customize by offering safe rides, fresh foods, comfortable hotel, and etc.... from the very first inbound.

Technology

Animation technology and technology know-how are components that contribute greatly to Disney Parks and Resorts. They are the key elements in bringing the characters from films of Disney to life in Disney theme parks. The continuously developing technology in Disney Parks and Resorts also gives customers special experiences and convenience. For example, the magic band - small bracelets that has chip connecting to park tickets, hotel rooms and credit cards.

Employees

Disney Parks and Resorts have teams of workers that are experts in their field. Their duties are bringing visitors happiness and quality service. The thoughtfulness within Disney's employees towards their guests is one of their elements of success.

7.6 Operations

Construction and maintenance

The main active of Disney park and resort are constructing rides and attractions which also including repairing and adding in new technology and appearance.

Creating events and trips

One of the biggest difference of Disney park and resort is their themes of cartoon characters, stories,...from films or animation that they produced. They not only create parade, music concert in special events annum in the park and resort but also voyage in many periods all over the world.

Service (attractions, hotels, cruise, restaurant, and etc.)

As the master of service industry, good service is the most important things that Disney wants to bring to their customers. Service in park, hotel, cruise and restaurant contribute a large percentage to the different operation of Disney park and resort.

7.7 Outbound Logistics

We believe that Outbound logistics is not really applicable in the value chain of Disney parks and resort. Outbound logistics is usually part of the value chain of manufacturing and trading companies. Disney parks and resorts belongs to a specific industry with a specific value chain.

7.8 Marketing & Sales

One of the strongest strength of Disney is integrating all of its business activities to create this synergy that brings in profit, the product of the movie industry could be

have the effect of marketing for the theme park industry or Disney's consumer merchandises. In this analysis, we will be focusing on the marketing and sales activities related to Disney Parks and Resorts.

Content Marketing

As we have mentioned before, Disney is an empire selling stories, imaginations, and happiness. When you visit a Disney theme park, you see rides, restaurants, hotels that are designed around a certain Disney movie or Disney character you have seen before. In a way, we can say that Disney movies play heavy roles in marketing of the parks. There are many examples, such as Tokyo Disney introducing their new attraction based on "Finding Nemo" and "Finding Dory" in 2017, and Hong Kong Disney's new attraction "Iron Man Experience".



Figure 9. Finding Nemo /Dory attraction/ride concept art



Figure 10. Finding Nemo



Figure 11. Iron Man Experience

Social Media

Today social media is a part of people’s lives, and a pretty big one too. The internet allows firms to reach its customers faster and cheaper. Disney’s official Facebook page alone has over 50 million likes, Disneyland and Walt Disney World have around 33 million likes combined; and we are just getting started. Listed below are the statistics extracted from Disney’s different social media platforms.

Table 14. Social Media Platform and User Statistics

Social Media Platform	Statistics
Facebook	50 million likes
Twitter	5.13 million followers
Instagram	7.6 million followers
Youtube	1.9 million subscribers

Apart from social medias, Disney also runs its own “Buzzfeed” website called “Oh My Disney” and the “Disney Parks Blog”, which continuously provide contents about Disney, including new attractions in theme parks, promotion of current releases, TV series, Movies, trivia, quizzes, and etc. This keeps the fans updated and interested between their visits to the parks and resorts.

In order to attract the more “mature” customers to Disney Parks and Resorts, Disney had launched some interesting campaigns. One of them is the “Disney Dream Portraits”, where Disney casted Hollywood A-list stars as iconic Disney characters in a set of photo shoots. This marketing activity obviously targeted at customers aside from children, and appeals to adults (eg. parents) and older fans.



Figure 12. Taylor Swift as Rapunzel

Fairy Tale Weddings

Many of Disney's fairy tales are stories of princesses living happily ever after with the princes they fell in love with, and what more can a girl ask for when it comes to the ultimate princess experience: getting married in a Disney castle?



Figure 13. Disney wedding

Starting from 2012, happy couples are able to book weddings at Disney Parks in Florida, California, Tokyo, and Hong Kong. Packages often include ceremony at the castle, reception at the hotel hall, princess-inspired wedding gowns and bridesmaid dresses, and so on.

7.9 Service

As Disney parks and resorts offers entertainment it can be considered as a service company, Service is a good opportunity for the company to improve their guests stay. The company offers many services to its customers. Here is the [list of services provided by Walt Disney World](#), no less than 56 extra services are listed to fulfil the need of most of the visitors and deliver a personalized experience. The list includes

umbrella rentals, mosquito prevention, laundry service, child care services or car care center... Service is a key strength of the company and contribute to the main goal of the company that is providing a unique immersive experience.

Where does the value come from?

Disney Parks and Resorts are magical kingdoms where dreams come true, bringing happiness and joy to its loyal guests. Being a benchmark business entity in the leisure industry, the value of Disney theme parks is difficult to be measured in numbers and diagrams. The value comes from the synergy of all departments within the organization, thriving to provide the best entertainment for each and every customer. It is in the technology department, where the animations are so life-like when projected in 3D; it is in the human resource management and service, where employees are trained to always smile to the guest, to be happy to assist the guest in the best fashion possible; it is in marketing, spreading words and creating trends on the internet, causing ticket sales to skyrocket every year. Overall, the value of Disney Parks and Resorts comes from its forever-progressing innovation and quality customer services.

Differentiation or low cost strategy?

In industries that are more conventional, such as manufacturing or farming, the low-cost strategy is usually implemented. However, with an entertainment business such as Disney, all has to give way to the content; they would definitely try to reduce redundant expenses, but in the end in all come down to differentiation, what differs Disney Parks and Resorts from its competitors. Running a theme park, especially a successful theme park, is not cheap, so it would take outstanding contents and attractions to bring in visitors, to make them feel their ticket price is worthwhile.

Disney differentiate in its contents, the one and only Mickey Mouse and his friends, and other classic franchises that are found nowhere in the world. Disney also differentiate in its service, employees are well-trained in an unique “Disney style”, it can be seen in their looks, behaviors, and attitude, unlike any other theme parks. In conclusion, Disney expertise in differentiation, resulting it to be one of the most successful business in history and the years to come.



Chapter 8 BCG Matrix and Synergies

Introduction

This week we focused on the BCG growth-share matrix and the synergies that Disney has created within the conglomerate. Disney is such an entertainment empire that it operates in many different industries: theme parks, studios, cable network, consumer merchandises, and etc. We looked at several SBUs that are more well-known to the general public, and discuss their positions on the BCG matrix, and what kind of synergies were produced.

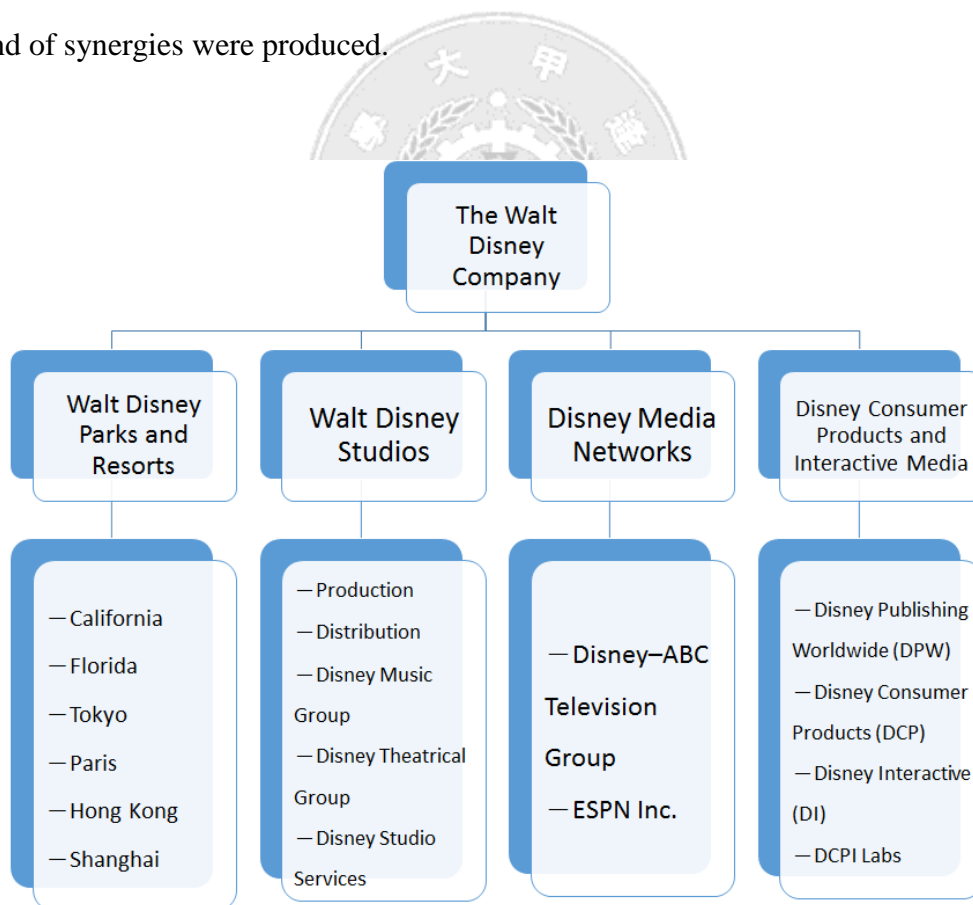


Figure 14. Strategic Level of Disney

8.1 BCG Analysis



Figure 15. BCG Analysis

8.1.1 ESPN Inc. - Dog

ESPN is part of the Cable Networks division. In 2016, there was no growth in that division and in particular a decrease in overall revenue as the company faces lower advertising and affiliation revenue and higher operational and production costs. The TV industry is not going to have a bright future as new generations spend less and less time watching shows and more and more time on the Internet. In the BCG matrix we can consider ESPN Inc. as a Dog.

8.1.2 Lucasfilm - Star

The last major acquisition from Disney group in 2012, Lucasfilm, for \$4.06 billion was a smart and profitable move. The phenomenally successful return of Star Wars, and Studio's record-breaking \$7.5 billion in total box office made the Studio Entertainment division operating results grew by 28% for fiscal year 2016. We can say that LucasFilm SBU is a Star in the BCG matrix that will bring growth and profits to the group with future Star Wars movie currently being produced.

8.1.3 Disney Channels Worldwide—Question Mark

Disney Channels Worldwide (ABC Cable Networks Group) is under ABC television Group, which provide television channels and radio network. This subsidiary has variety of channels such as Disney Junior (for children 8 years and under), Disney Channel (kids ages 9–16), Disney XD (pre-teens and young teenagers), Disney Cinemagic (movie channel in European market), Dlife (women and family targeted channel), and Hungama TV (for children in India).

Revenue

As we can see on the report, the revenue in cable network (Disney Channels Worldwide) has growth 10% from 15,110 million (2014) to 16,581 million (2015). And the segment operating income also increase about 5%.

Table 15. Revenue in Cable network

(in millions)	Year Ended		% Change Better/ (Worse)
	October 3, 2015	September 27, 2014	
Revenues			
Cable Networks	\$ 16,581	\$ 15,110	10%
Broadcasting	6,683	6,042	11%
	<u>\$ 23,264</u>	<u>\$ 21,152</u>	10%
Segment operating income			
Cable Networks	\$ 6,787	\$ 6,467	5%
Broadcasting	1,006	854	18%
	<u>\$ 7,793</u>	<u>\$ 7,321</u>	6%

Viewer ranking

The network viewer ranking of Disney Channel is number nine in 2015. They have 1,784,000 viewers. Although they had decrease about 9% watcher from 2014 to 2015, they can still keep their ranking in the front.

Table 16. Network Viewers

TOTAL VIEWER RANK	NETWORK	2015 VIEWERS	2014 VIEWERS	% CHANGE
1	CBS	9,419,000	9,375,000	0%
2	NBC	7,757,000	8,264,000	-6%
3	ABC	6,894,000	6,838,000	1%
4	Fox	5,198,000	5,973,000	-13%
5	Univision	2,551,000	2,969,000	-14%
6	ESPN	2,022,000	2,205,000	-8%
7	TBS	1,876,000	1,886,000	-1%
8	USA	1,850,000	2,201,000	-16%
9	Disney Channel	1,784,000	1,955,000	-9%
10	Fox News Channel	1,775,000	1,750,000	1%

Market share

When it comes to market share, Disney Channel Worldwide have almost 29% of market rate. The other 71% market share are occupied by their competitors, including Cbs Corporation, Comcast Corp, Discovery Communications, Inc., Twenty-first Century Fox, Inc., News Corp, NEWS CORPORATION, Viacom Inc., and others. It is easy to see how Disney Channel Worldwide take part in this pie.

Cable Networks Segment Market Share

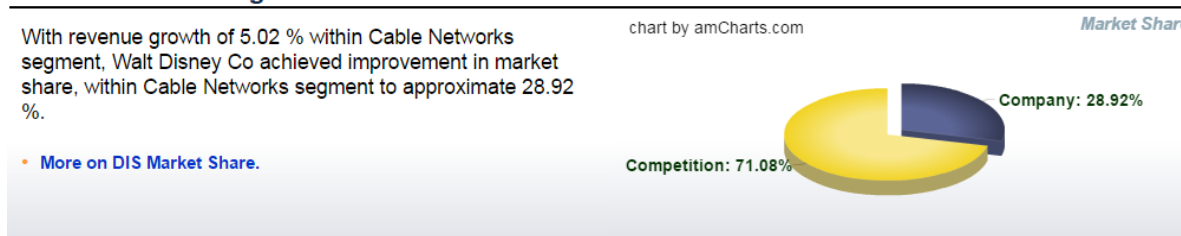


Figure 16. Cable Networks Segment Market Share

We consider Disney Channel Worldwide belongs to Question Mark. Nowadays, there are so many media consumers can choose from. Every step they do may influence their position in this competitive industry.

8.1.4 Walt Disney Animation Studios - Star

Walt Disney Animation Studios (WDAS) has a long-running history dating all the way back to Snow White and the Seven Dwarfs, 1937, with the classic fairytales such as Cinderella and Sleeping Beauty, WDAS has developed and evolved as time went on. Oscar-winning films including Frozen and Big Hero 6 are also the amazing artworks produced by WDAS.



Figure 17. Walt Disney Animation Studios

As a SBU of Disney, WDAS does not really have a stock price of its own. To attempt to declare its position on the BCG matrix, we looked at how well WDAS is profiting comparing to its competitors over the last few years, mimicking the indicator of market share.

As the table suggested below, WDAS is one of the top four firms in the animated film industry (US). Over the last three years, WDAS has generated over 680 million

USD in box office, occupying approximately 14.5% of the market. Pixar is the leading studio in this industry, that being said, it is also a SBU of Disney, so overall, we could say that Disney is ahead of the game. Judging from their results (see appendix table 1), Zootopia was definitely an exciting success after the already-pretty-successful Big Hero 6, and it looks like WDAS did not plan on stopping. Moana's 119 million box office was achieved in two weeks' time, as different foreign release date coming up, it is possible for WDAS to reach a new high.

Table 17. 2014-2016 Animated Films Total Lifetime Gross

Firm	2014-2016 Animated Films Total Lifetime Gross	Percentage
Pixar	965.84	20.5%
DreamWorks Animation	834.16	17.7%
Illumination Entertainment	704.07	15.0%
Walt Disney Animation Studios	683.69	14.5%
Warner Bros.	329.02	7.0%
Blue Sky Studios	325.78	6.9%
Sony Pictures Animation	277.21	5.9%
Others	583.84	12.4%
Total	4703.61	99.9%



Figure 18. Big Hero 6, Zootopia, and Moana

In terms of market growth, many articles suggested that animated films is truly the “box office magic”, animation is no longer targeted towards children, but has become much more “adult acceptance”. For example, kids can enjoy all the “animals living like humans” theme in Zootopia; the adults, however, can see through all those cuteness, and take away the social issue “prejudice” behind Judy’s adventure.

The progress of animation technology also promises a bright future for animated films, not to mention the up-and-coming tide of future 3D and VR. However, it would be the scripts, the backbone of a film to really lures the audience into theatres. It is very exciting to see what WDAS has to bring to the table next, and they rarely fail our expectation.

For reasons above, I would categorize Walt Disney Animation Studios as a star on the BCG matrix.

8.1.5 Pixar Animation Studios - Star

Pixar Animation Studios, similar to WDAS above, is in the animated film industry. Pixar made its debut in 1995 with the legendary Toy Story, which we could say paved Pixar the golden path towards its success. Until this day, even after Disney's acquisition in 2006, Pixar continues to offer the world amazing stories and dazzling images.



Figure 19. Pixar

From the table below, we can declare that Pixar is very much like the “golden goose” in the fairytale Jack and the Beanstalk, it literally makes “gold”; this studio is no stranger to success. We believe it is safe to say that Pixar Animation Studios is also one of Disney’s stars.

Table 18 Pixar Animation Studios

Film	Production Budget (in million USD)	World Wide Gross (in million USD)	Profit Rate
Toy Story 3	200	1,067	~534%
Finding Dory	200	1,026.9	~514%
Finding Nemo	94	899.2	~957%
Inside Out	175	857.6	~490%
Monsters University	200	744.2	~372%

Table 19. Worldwidw Ranking of Animation

Worldwide (Unadjusted)								
Rank	Title (click to view)	Studio	Worldwide	Domestic / %		Overseas / %		Year
1	Toy Story 3	BV	\$1,067.0	\$415.0	38.9%	\$652.0	61.1%	2010
2	Finding Dory	BV	\$1,026.9	\$486.3	47.4%	\$540.7	52.6%	2016
3	Finding Nemo	BV	\$899.2	\$339.7	37.8%	\$559.5	62.2%	2003
4	Inside Out	BV	\$857.6	\$356.5	41.6%	\$501.1	58.4%	2015
5	Monsters University	BV	\$744.2	\$268.5	36.1%	\$475.7	63.9%	2013
6	Up	BV	\$735.1	\$293.0	39.9%	\$442.1	60.1%	2009
7	The Incredibles	BV	\$633.0	\$261.4	41.3%	\$371.6	58.7%	2004
8	Ratatouille	BV	\$620.7	\$206.4	33.3%	\$414.3	66.7%	2007
9	Cars 2	BV	\$562.1	\$191.5	34.1%	\$370.7	65.9%	2011
10	Monsters, Inc.	BV	\$543.4	\$255.9	47.1%	\$287.5	52.9%	2001
11	Brave	BV	\$540.4	\$237.3	43.9%	\$303.2	56.1%	2012
12	WALL-E	BV	\$533.3	\$223.8	42%	\$309.5	58%	2008
13	Toy Story 2	BV	\$497.4	\$245.9	49.4%	\$251.5	50.6%	1999
14	Cars	BV	\$462.2	\$244.1	52.8%	\$218.1	47.2%	2006
15	Toy Story	BV	\$373.6	\$191.8	51.3%	\$181.8	48.7%	1995
16	A Bug's Life	BV	\$363.3	\$162.8	44.8%	\$200.5	55.2%	1998
17	The Good Dinosaur	BV	\$332.2	\$123.1	37.1%	\$209.1	62.9%	2015
TOTAL:			\$10,791.6	\$4,502.9	41.7%	\$6,288.7	58.3%	-
AVERAGE:			\$634.8	\$264.9	41.7%	\$369.9	58.3%	-

8.1.6 Disney Parks and Resorts - Cash Cows

Walt Disney said that "Disneyland is dedicated to the ideals, the dreams, and the hard facts that have created America, with the hope that it will be a source of joy and inspiration to all the world."

Walt Disney Parks and Resorts is one of the world's leading providers of family travel and leisure experiences, giving millions of guests each year the chance to spend time with their families and friends, making memories that will last forever.



Figure 20. Disney Parks around the world

Disney financial report - the fiscal 2016

According to the fiscal 2016, you can see that the total consolidated revenues of Disney are \$55,632 million, and Disney Parks and Resorts are about \$16,974 million, it's about one third of total revenues.

Table 20. Disney Financial Report – the Fiscal 2016

	2016	2015	2014
<i>Revenues</i>			
Media Networks	\$ 23,689	\$ 23,264	\$ 21,152
Parks and Resorts	16,974	16,162	15,099
Studio Entertainment			
Third parties	8,701	6,838	6,988
Intersegment	740	528	290
	<u>9,441</u>	<u>7,366</u>	<u>7,278</u>
Consumer Products & Interactive Media			
Third parties	6,268	6,201	5,574
Intersegment	(740)	(528)	(290)
	<u>5,528</u>	<u>5,673</u>	<u>5,284</u>
Total consolidated revenues	\$ <u>55,632</u>	\$ <u>52,465</u>	\$ <u>48,813</u>

The revenues for Disney Parks and Resorts consist of the sale of admissions to theme parks, the sale of food, beverage and merchandise, charges for room nights at hotels, sales of cruise vacation packages and sales and rentals of vacation club properties, and are also generated from sponsorships and co-branding opportunities, real estate rent and sales, and royalties from Tokyo Disney Resort.

The significant operating expenses include operating labor, infrastructure costs, costs of sales and other operating expenses. Infrastructure costs include information systems expense, repairs and maintenance, utilities and fuel, property taxes, insurance and transportation and other operating expenses include costs for such items as supplies, commissions, and entertainment offerings.

As the following table, you can see the percent % Change between 2015 and 2016 for Disney Parks and Resorts is about 5%, the change for Disney Parks and Resorts is the second highest percent % change in the four divisions, the first high percent % change is Studio Entertainment, which is about 28%.

Operating Income

The growth of the operating income was because of an increase at the domestic operations, partially offset by a decrease at our international operations.

Higher operating income at the domestic operations was due to guest spending growth and lower costs, partially offset by lower volumes. The increases in guests spending were driven by higher average ticket prices at the theme parks and cruise line. Lower costs reflected decreases in labor and marketing costs from efficiency initiatives. Costs also benefited from lower infrastructure costs due to timing and a decrease in fuel costs.

Lower operating income at the international operations was due to higher pre-opening costs at Shanghai Disney Resort and lower attendance and higher operating costs at Disneyland Paris. These decreases were partially offset by cost efficiency initiatives as well as higher volumes and guest spending at Hong Kong Disneyland Resort.

Table 21. Operation Income

(in millions)	2016	2015	2014	% Change Better/(Worse)	
				2016 vs. 2015	2015 vs. 2014
Revenues:					
Media Networks	\$ 23,689	\$ 23,264	\$ 21,152	2 %	10%
Parks and Resorts	16,974	16,162	15,099	5 %	7%
Studio Entertainment	9,441	7,366	7,278	28 %	1%
Consumer Products & Interactive Media	5,528	5,673	5,284	(3)%	7%
	<u>\$ 55,632</u>	<u>\$ 52,465</u>	<u>\$ 48,813</u>	<u>6 %</u>	<u>7%</u>
Segment operating income:					
Media Networks	\$ 7,755	\$ 7,793	\$ 7,321	—%	6%
Parks and Resorts	3,298	3,031	2,663	9 %	14%
Studio Entertainment	2,703	1,973	1,549	37 %	27%
Consumer Products & Interactive Media	1,965	1,884	1,472	4 %	28%
	<u>\$ 15,721</u>	<u>\$ 14,681</u>	<u>\$ 13,005</u>	<u>7 %</u>	<u>13%</u>

Revenues

The revenues in the Disney Parks and Resorts increased 5% (\$812 million). The increase of the revenues in average guest spending was due to higher average ticket prices for admissions to our theme parks and for sailings at our cruise line, increased food, beverage and merchandise spending and higher average hotel room rates. Revenues from our international operations reflected increases of 6% from higher volumes and 4% from other revenue were due to the opening of Shanghai Disney Resort, partially offset by lower attendance at Disneyland Paris and Hong Kong Disneyland Resort. The increase from other revenue was driven by Shanghai Disney Resort, including revenues for periods prior to its grand opening.

Table 22. Revenues

(in millions)	Year Ended		% Change Better / (Worse)
	October 1, 2016	October 3, 2015	
Revenues			
Domestic	\$ 14,242	\$ 13,611	5 %
International	2,732	2,551	7 %
Total revenues	16,974	16,162	5 %
Operating expenses	(10,039)	(9,730)	(3)%
Selling, general, administrative and other	(1,913)	(1,884)	(2)%
Depreciation and amortization	(1,721)	(1,517)	(13)%
Equity in the loss of investees	(3)	—	nm
Operating Income	\$ 3,298	\$ 3,031	9 %

Table 23. Market Share

COMPANY NAME	TICKER	SEGMENT NAME	OF TOT. REV.	OF TOT. INC.	MARKET SHARE
Walt Disney Co	DIS	Parks & Resorts	42.9 %	23.78 %	25.09 %
Carnival Corp	CCL	Cruise	47.92 %	149.1 %	20.9 %
Comcast Corp	CMCSA	Universal Theme Parks	4.02 %	40.6 %	4.7 %

DIS's Competition by Segment and its Market Share (in %)

8.1.7 Disney Interactive – Question Mark

Disney interactive is the business segment of The Walt Disney cooperation that creates stories and film, animation characters and brings to life through digital experiences, their main products are Disney's Internet, mobile app, social media, and computer games. Including:

- Disney Interactive Studios: Rocket Pack, game star
- Disney online studio: Club Penguin
- Disney mobile: Mobile app
- Play platform: make games base on social networks platform such as Facebook and MySpace.
- Maker studio, multi-network content for YouTube.

Interactive media industry: The interactive media industry has been developing continuously on the back of internet and is forecasted to grow in the future, it is mainly based on e-commerce and an infrastructure consisting of smart phones, play station, internet service and digital broadcast satellites. As can be seen in the graph, the Internet user in the world has been increasing significantly every year, this means the chance of interactive media industry also expanded.

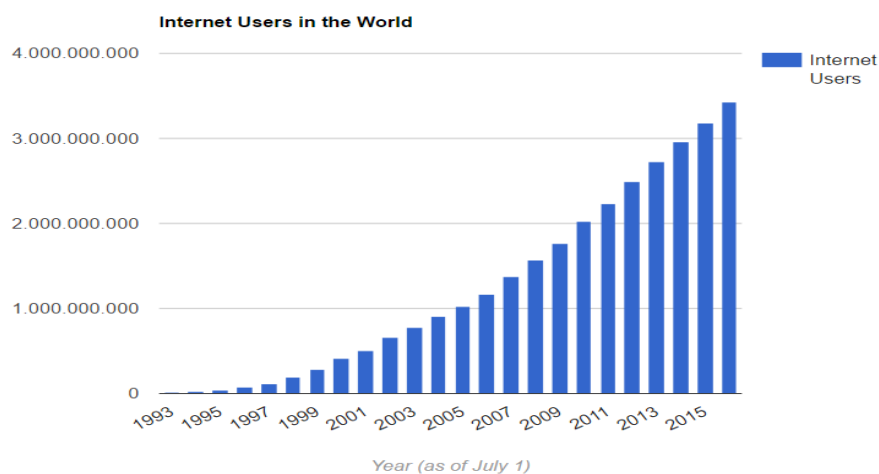


Figure 21. Internet Users in the World

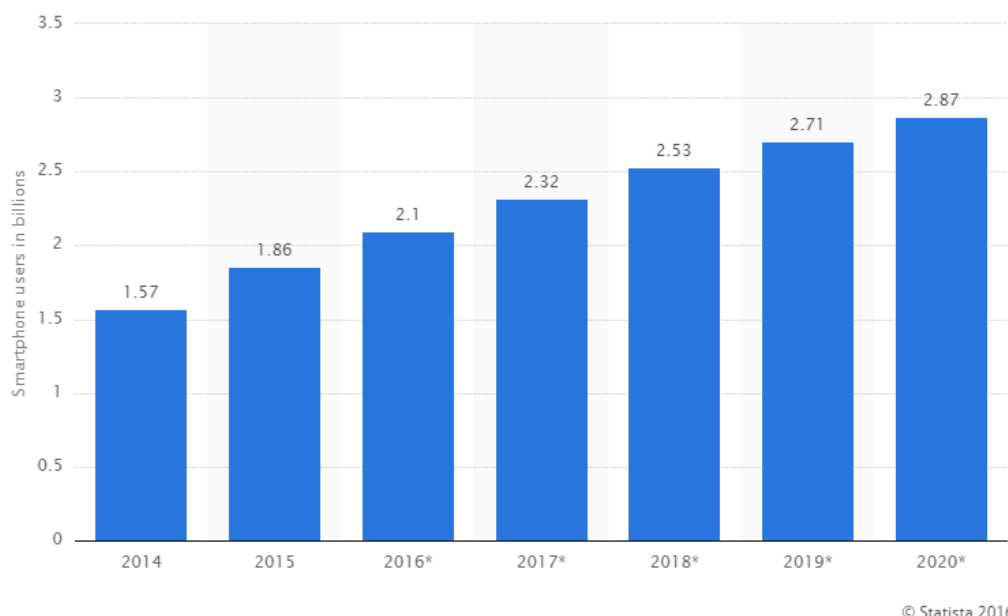


Figure 22. The Growth of Interactive Media Industry

The number of smart phone user is predicted to increase in the future also contribute to the growth of the interactive media industry.

8.1.8 Disney consumer product – Question Mark

Disney Consumer Products (DCP) is a subsidiary and business segment of The Walt Disney that merchandises the Disney brand and Disney properties with hundreds of categories from toys, books to clothing and accessories, and more.

In June 2015, The Walt Disney Company merger Disney Consumer Products and Disney Interactive to form a new cooperation Disney Consumer Products and Interactive Media (DCPI)

Table 24. The Walt Disney Revenue and Segment Operation Income

(in millions)	2016	2015	2014	% Change Better/(Worse)	
				2016 vs. 2015	2015 vs. 2014
Revenues:					
Media Networks	\$ 23,689	\$ 23,264	\$ 21,152	2 %	10%
Parks and Resorts	16,974	16,162	15,099	5 %	7%
Studio Entertainment	9,441	7,366	7,278	28 %	1%
Consumer Products & Interactive Media	5,528	5,673	5,284	(3)%	7%
	<u>\$ 55,632</u>	<u>\$ 52,465</u>	<u>\$ 48,813</u>	6 %	7%
Segment operating income:					
Media Networks	\$ 7,755	\$ 7,793	\$ 7,321	— %	6%
Parks and Resorts	3,298	3,031	2,663	9 %	14%
Studio Entertainment	2,703	1,973	1,549	37 %	27%
Consumer Products & Interactive Media	1,965	1,884	1,472	4 %	28%
	<u>\$ 15,721</u>	<u>\$ 14,681</u>	<u>\$ 13,005</u>	7 %	13%

As can be seen in the table, the revenue of DCPI fluctuated slightly in recent years which started at 5.284 million in 2014 then increased about 7% in the next year. In 2016, this figures decreased to 5.528 million from 5.673 million. In general, this business segment plays a smallest role in the whole revenue of The Walt Disney revenue. The income just remains steady until now.

Consumer product Industry Composition: The consumer products industry is a intensive industry which makes up about 70% of the volume of trade in the world economy. Due to it strongly relates to other industries, the consumer products industry has big influence and important role in the global economy.

Although the revenue of the DCPI is pretty low but look at the trend of the DCPI industry, we have strong belief of this business segment in the future. Interactive media industry, along with the development of smart phone and internet as well as consumer product which plays important role in the economic van have their own market which can be enlarged in the future.

8.2 Synergy among SBUs

Disney being this enormous entertainment empire, and its businesses so closely interlinked, is certain to have a certain level of synergy created through its operation and management. The most obvious synergy would be marketing synergy. A successful Disney movie would positively affect the sales of its related merchandises, motivate people to visit its attraction or ride (in the Disney theme park), and promote related programs on the Disney Channel. For example, the success of the Star Wars movies boosted sales in its merchandises, and got people excited about the upcoming theme attraction in the theme parks.

Operating synergy happens when two or more divisions pool their resources and create a superior performance together. A suitable example would be the more and more common 3D rides in Disney theme parks, where the craft of animation and the thrill of roller-coasters join forces to create incredible memories for the guests, the new Finding Dory ride in Tokyo Disney and Iron Man ride in Hong Kong Disney. People would think that now Pixar belongs to Disney, their animation team could merge and form a “dream team”, but actually they still have their own separate teams of animators and story-tellers. They do share high-level executives and sometimes give each other feedbacks on their work; we could say there has been a bit of synergy going on between the two.

Chapter 9 Vertical Integration, Outsourcing and Diversification Strategy

Disney Integration Map

Since Disney, unlike traditional manufacturing businesses, is in the leisure/entertainment business, the way they vertically integrate their resources is quite unique. Therefore, we developed a map to illustrate our thought process upon this topic.

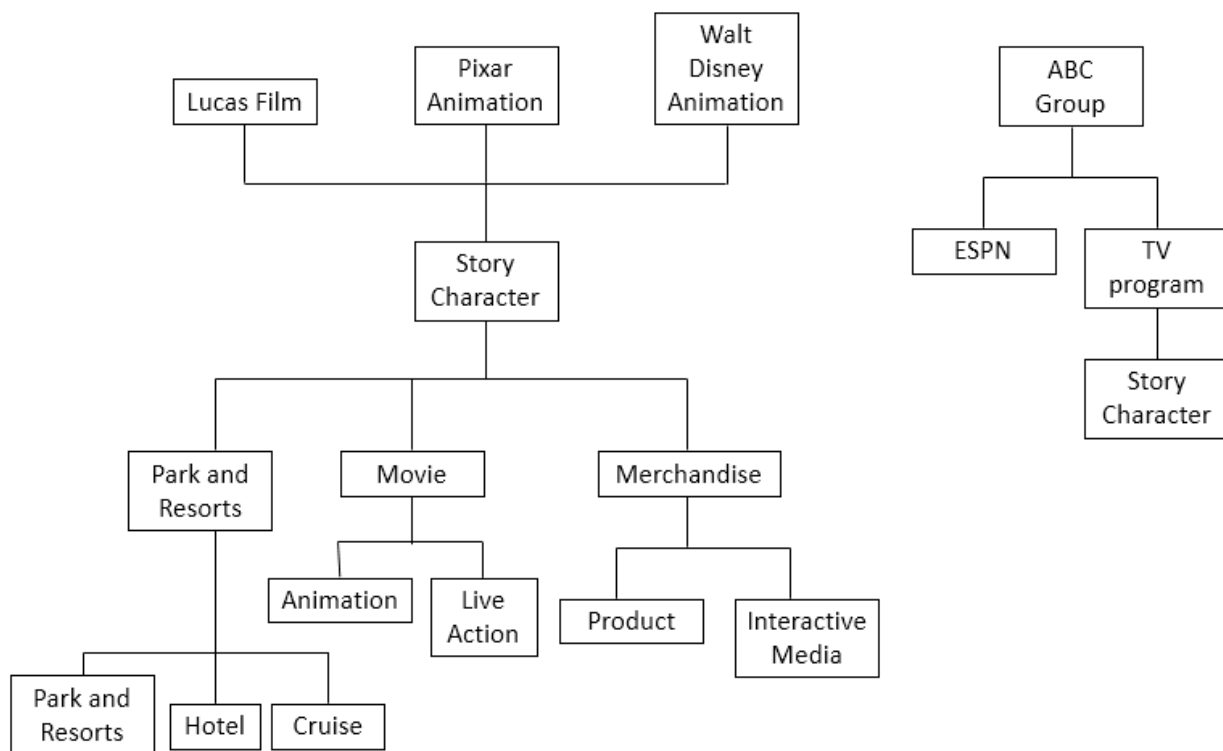


Figure 23. Disney Integration Map

9.1 Disney Vertical Integration

Vertical Integration is a strategy where a company expand its business operations into different steps on the same production path. (Investopedia) By using the vertical integration, Disney has their own supplier and distributor, so it can not only help Disney reduce costs but also increase revenues.

9.1.1 Park and Resorts

About the vertical Integration of the Walt Disney Parks and Resorts, you can see a lot of entity and virtual products or services which are created in Disney's own story and character in Disney Parks and Resorts. For example, like the performance, Walt Disney Animation Studios produced the animation film *The Lion King*, and they produce *The Lion King* musical to show in the Disney theme parks; like the virtual products, Disney put their own consumer products to the Disney theme parks and sale them to the consumers and visitors; like the virtual characters, you can see many film famous characters show on the road in the Disney theme parks; like the character of *Simba the Lion*, it was cross-licensed by consumer products division to merchandisers who created *Simba the Lion* stuffed animals T-shirts, and others products that are sold and distributed throughout Disney theme parks as well as the company's retail stores worldwide.

9.1.2 Movie

The “up-stream” of Disney Movies’ vertical integration is basically the same as other products in Disney: the creators produce ideas and stories, then the studios (movie and television) turn them into motion pictures we watch on different sizes of screens. For other parts of Disney, they would go on to create more products from

these motion pictures, but for the movie section, this is basically it.

Vertical integration of Disney movies, whether it is animated or live-action, is realized within Disney itself, Disney's teams creators produce storylines, which is then transferred to the hands of professional animators. The visual results are then examined by editors and directors. Finally, the finished movie is marketed through Disney's own television channels and websites. Disney also owns distributors to distribute their own movies.

Disney owns several studios: Disney Studios (including animation and live action), Pixar, Lucas Film, and Marvel Studios. Industry information are as follows:

Table 25. Disney Studios SIC Code

Business Type:	Information
Primary SIC Code:	7812 - Motion Picture and Video Tape Production
Primary NAICS Code:	512110 - Motion Picture and Video Production

9.1.3 Merchandise

Merchandise which includes consumer products and interactive media is a segment of Walt Disney vertical integration strategy. This division uses the stories and characters as materials of production process. Unlike other segments, Disney consumer products and interactive media (DCPI) is not purely vertical integration but also have attendance of market contracts.

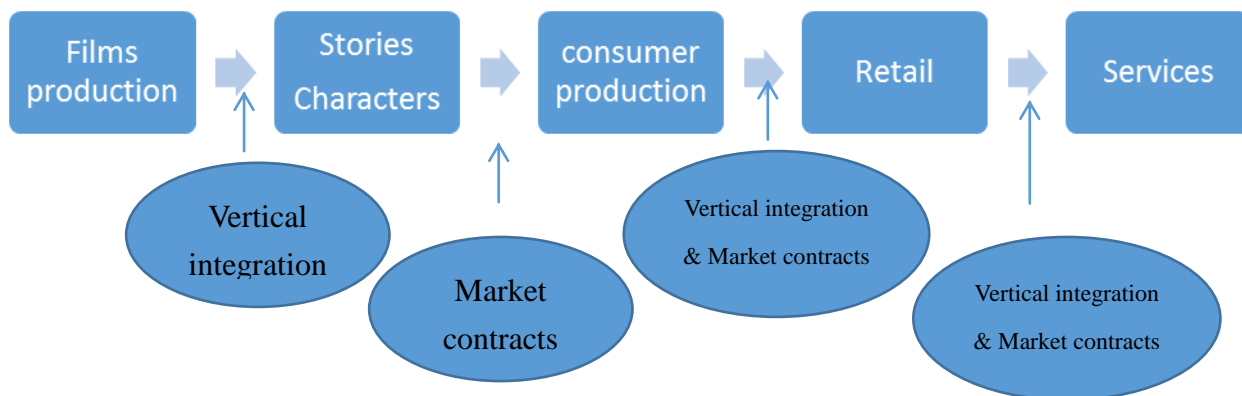


Figure 24. Merchandise Outsourcing

The progress is Disney makes films and cartoons to create stories and characters by themselves. Then use them as materials to form license and publish contracts with other company. Disney will not be in charge in merchandising products but others will produce then Disney or that companies will sell them. For example, H&M make clothes with Mickey mouse logo and sell them in H&M store (Market contracts) or Disney sell their toys in Disney store (Vertical integration); Disney catch-catch: a game uses Disney characters license in Facebook social media platform. Retailers also undertake after service.

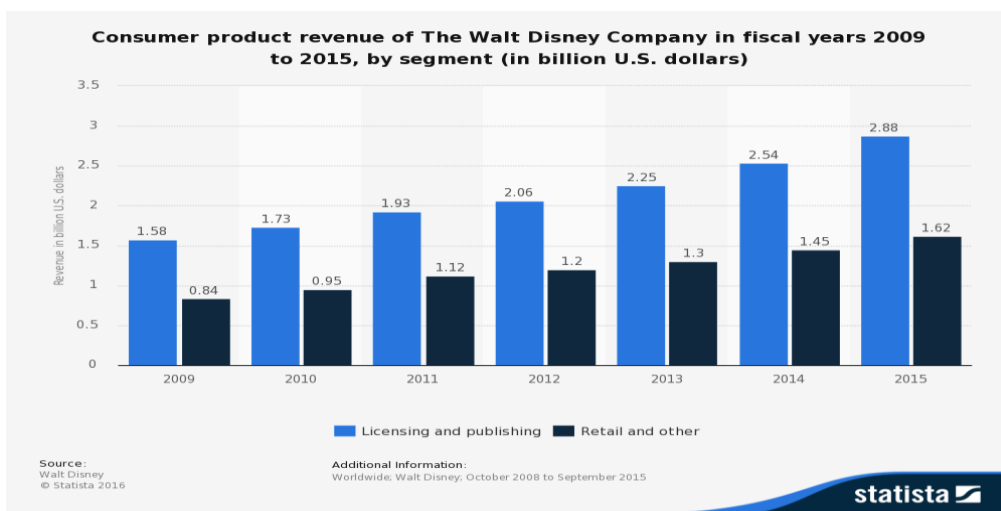


Figure 25. Consumer product revenue of the Walt Disney Company

9.1.4 ABC Networks Group

In 1995, Disney mergers and acquisitions ABC Networks Group to expand its market. Disney knows this media distributor could help Disney to build up its status in the industry and even take over the market.

The vertical integration in ABC Networks Group become more and more complete. Firstly, ABC Group plan and produce variety of its own TV program such as “The Suite Life of Zack & Cody,” and “High School Musical”, etc. Secondly, then they can market and distribute through their Channel such as Disney Channel or ABC News. Thirdly, they can even authorize to produce merchandise. As above process, Disney distribute its product almost from the top to the end.

The result shows that this different integration between Disney and ABC Networks Group is a right decision because the popularity of Disney Company and many things related to “Disney”.

9.2 SIC Code of Walt Disney Cooperation

Below are the business type and SIC code of Disney businesses, which has spread across quite a few diversified industries as we know today.

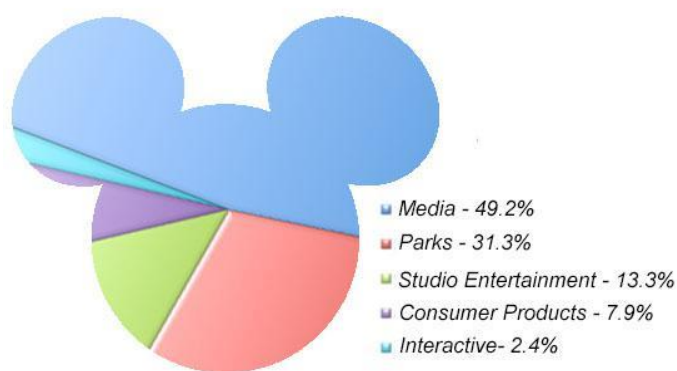
Table 26. SIC Code of Walt Disney Cooperation

	Business Type	Primary SIC Code
Disney Interactive Media Group	Professional, Scientific, and Technical Services	7373 - Computer Integrated Systems Design
Disney Consumer Products Inc	Administrative and Support and Waste Management and Remediation Services	7389 - Business Services, Not Elsewhere Classified
Walt Disney Parks & Resorts	Arts, Entertainment, and Recreation	7996 - Amusement Parks
Walt Disney Animation Studios	Information	7812 - Motion Picture and Video Tape Production
Disney-ABC Networks Group	Information	4841 - Cable and other Pay Television Services

9.3 Diversification of The Walt Disney Company

One of the main strength of The Walt Disney Company is its diversification strategy. The Walt Disney Company started as a studio, then after successful years of movie production the company entered the amusement park industry with the opening of Walt Disney World. Later the company entered the Television industry with Disney Channel.

The corporation managed to spread its original creations through **non-related** industries such as amusement parks and on a smaller extent to television. To make it clear, cinema and television industries can be related in some aspects but still remain mainly non-related industries as only a small part of television programs is coming from the cinema industry. Television industry can be considered as a small additional distribution channel for the cinema industry. Finally, television and cinema industry are non-related as they don't need the other.



Repartition of 2013 global revenue

Figure 26. Repartition of 2013 Global revenue

The company is present at a smaller scale in two more industries, a non-related one Digital Industry (Interactive Division) and a related one Consumer products. Disney Interactive contains video games and websites businesses. Disney Consumer products is simply the merchandising of Disney's Characters and stories.

The conglomerate grew phenomenally in each sector by acquiring and creating strategic businesses inside an industry.

In the movie production industry, it is now one of the "Big Six", the biggest

studios in Hollywood. In the amusement park industry Disney is the indisputable leader. And in the television networks industry it owns three of the best channels by audience size, ABC, ESPN and Disney Channel.

The diversification strategy seems to be a long-term win for the group as having revenue streams from independent industries dilutes risks.



Chapter10 Diamond Analysis

10.1 Factor endowments: Disney parks and resorts USA

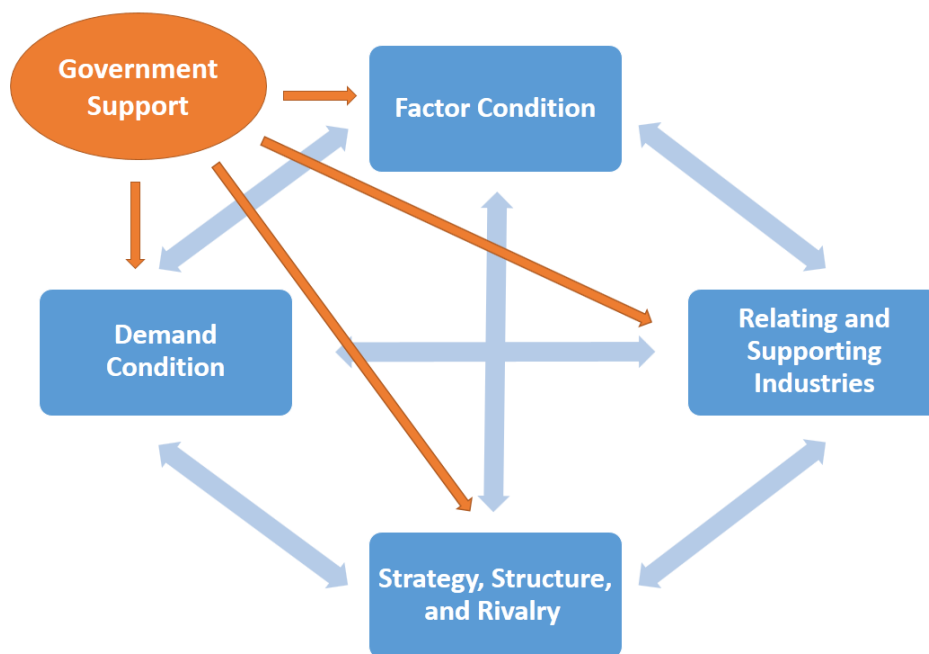


Figure 27 Diamond Analysis

10.1.1 Location

Area: United State is the fourth largest country by total area (After China, Rusia, Canada) and the third biggest population in the world, this is home for largest immigration people.

Location: The United States border with Canada to the North, Mexico to the South. It is also bounded by bounded by the Pacific Ocean on the west, the Atlantic Ocean on the east. Thus, United State have advantage to develop tourism and hospitality industry based on geography location. In detail, Disney park and resort has attractive and convenience while its neighborhood is developed countries, and its sea route is the basement for Disney Cruise Line.

10.1.2 Infrastructure

United State is one of the world biggest country, its infrastructure is also developed and modern. This is considered as one of advantages of USA's Disney Parks and Resorts, it is not only helpful for Disney construction but also convenient for local and international visitors who enjoy vacation in Disney park & resort in USA.

- Road system: The United State is the World's second – largest vehicle market with the highest rate of per-capital automobile ownership all over the world (76,5%) so its public road system is big enough to meet the demand which is 4 million miles of roads including 57000 miles of highway (the longest highway systems in the world).
- Public transportation systems: It also has metro and bus (Metro bus, metro express, metro rapid)
- Airport: United State has over 50 international airports with many domestic and international airstrip. It helps a lot for trade and tourism of America.

10.1.3 Hospitality well-educated employees:

Hospitality is a diverse field. Graduating qualified from hospitality degree can work in hotels and resorts, restaurants, amusement parks, casinos, cruise lines,... This department is very strong in United State with many qualified schools and programs which is accepted in big enterprises all over the world. So that Disney Park & resort here have abundant of well-educated labor force in this industry.

10.2 Demand Conditions

10.2.1 Standard Operating Procedures

Every department in Disney has Standard Operating Procedures to manage the whole process and employees such from recruiting, training, to marketing. With the SOP in company, they would operate step by step smoothly. Also, the corporate culture can be well present and deliver in Disney due to this complete process.

10.2.2 Economic scale

The average salary in the USA is higher than global average salary. The high-income group is about 56% of the population, which means they can spend more money in their daily life. When their living standard is higher, they have more possibility to pay for entertainment.

By a Global Standard, Majority of Americans Are High Income

% of the U.S. and global populations by income in 2011

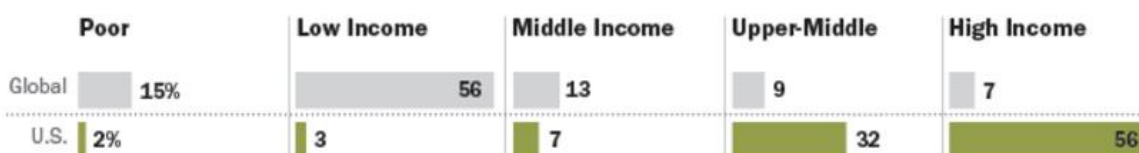


Figure 28. The U.S. and Global populations by income in 2011

Note: The poor live on \$2 or less daily, low income on \$2.01-10, middle income on \$10.01-20, upper-middle income on \$20.01-50, and high income on more than \$50.

[\(http://www.pewresearch.org/fact-tank/2015/07/09/how-americans-compare-with-the-global-middle-class/\)](http://www.pewresearch.org/fact-tank/2015/07/09/how-americans-compare-with-the-global-middle-class/)

10.2.3 Copy right

The copyright is strict in the USA, and the Americans place a high value on it. As the regulation in the US Constitution, which mention copyright is "to promote the

Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." They protect their innovation by patent and copyright. Thus, leading American industry to become stronger and stronger.

10.3 Related and Supporting Industries

10.3.1 Rides/Attraction Manufacturers

This industry outputs the attractions and rides of Disney Parks and Resorts, and provide maintenance service consistently to keep them functioning.

10.3.2 Transportation

Disney Parks and Resorts cover a large area of land, which would not be located in the city center, but more likely to be somewhere outside the city where people are harder to get to. In that case, public transport such as railways, subways, metros, buses, and etc, are moving Disney's guest to the parks. Good transportation system comes in aid.

10.3.3 Food

Disney Parks and Resorts provides its guests with delicious cuisines, which would be provided by contracted food companies, or Disney would purchase large bulks of ingredients and have Disney's own restaurant chefs deal with them. Either way, the food industry is closely working with Disney Parks and Resorts.

10.3.4 Tourism Industry

This industry would be both supporting and benefiting from Disney Parks and

Resorts. On one hand, Disney Parks are always a big selling point for travel agencies to promote their scheduled trips, on the other hand, travel agencies are where a large portion of ticket sales are attributed to. The two operate in symbiosis.

10.3.5 Consumer Merchandises

Disney Parks and Resorts also sell Disney merchandises in their many stores inside the park. Outside featured rides such as Space Mountain, there would be stores selling Star War themed souvenirs. It is a synergy created within Disney itself, and also between industries.

10.4 Firm strategy, structure, and rivalry

10.4.1 Firm strategy

Disney parks and resorts has a mission is that they would like to give their guests to create good memories with families, friends, and even their lovers. In Disney parks and resorts, they use their own story and character, and combine with the innovative technology to let the guests be addicted to it and come and visit more time. Disney want to make people happiness and sale happiness to people.

10.4.2 Firm structure

Disney has perfectly management mode, regularly staff training, the established history, for example: Disney engineer department is some of the technology development of the pioneer. Disney's characters are deeply rooted in the hearts of adults and children, parents have a common growth experience, so Disney's brand image has deeply rooted.

10.4.3 Rivalry

With the development of technology, the requirement of the quality of the recreation on leisure relatively upgrade, the theme parks which combine with modern technology and the overall marketing have replaced the traditional amusement park.

In this industry in USA, Disney has two basic competitors, one is Six Flags; the other is Universal. Six Flags operates all over in USA, with a total of 11 different locations; outside of USA, it also has park in China and Dubai. Six Flags are different to Disney Parks and Resorts, Six Flags is sensation-based amusement parks, almost no themes and stories into their rides. About the Universal, Universal has 4 locations in the world, which is California, Florida, Tokyo, and Singapore. Universal is distributed all over the world. Inside the Universal, there have sensation and theme parks. I think Disney Parks and Resorts and the Universal are competitor forever, because they have different rides and theme in their parks, so they will attract different visitors to enter the park.

10.5 Government

As the Walt Disney Company is related to different regulated industries such as Media, Cinema and Tourism new regulations can have a big impact on some of the company's activities.

This is why in 2016 the company spent \$2,890,000 on lobbying to influence new regulations to be favorable to its businesses.

Also, the company is working with local government. For example, cooperation with the Shanghai government who helped the group to open the Shanghai park and developed a whole tourism zone near the area to attract even more people by building new metro and road connections.

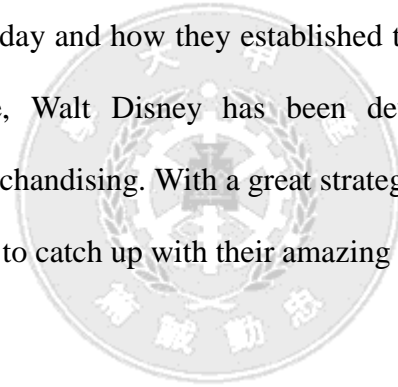
Chapter 11 Conclusion

Over the course of this semester, we studied The Walt Disney Company in great detail; for most of the analyses, we focused on Disney's theme park business: Disney Parks and Resorts. We learnt about Disney's history dating back to almost a century ago. We learnt about its founders, its ups and downs, to what it has become today as we know it: an entertainment empire. Through analyzing its strategies, we learnt that Disney has a vision that runs through its businesses, that is to create happiness for all, and has been realizing it through all kinds of entertainment. Disney's six theme parks all over the world brought happiness and joy to its millions of guests annually. The synergy that has been generated through collaboration of its different divisions was indeed enormous and effective. Even though there are some big theme park franchises out there competing with Disney, none even came close to threaten Disney's leading position.

We then analyzed Disney Parks and Resorts' capabilities and resources. Needless to say, Disney was both resourceful and capable. The level of vision and resource they have to make risky but rewarding acquiring decisions (eg. Marvel Studios, Lucasfilm), are just part of the reasons how Disney built its success. Unlike the more traditional manufacturing businesses, Disney sells "dreams" and "happiness" to its customers, the value of their products are beyond the material dimension. When we visit a Disney theme park or purchase a Mickey Mouse plushie, it is the meaning and stories behind them that is the most valuable thing to us. Through the BCG analysis, we discovered that most of Disney's businesses are quite successful, and will continue to succeed in the near future, only some that are in the media industry and consumer product industry that would require some strategic change for improvement.

Within the conglomerate, Disney is both diversified and vertical integrated; its businesses and product categories spread across multiple platforms, and they are all generated from the creativity of the human mind.

In conclusion, Walt Disney is the master of globalization. Besides the manufacturing industries, services industries are also a key factor which plays an important role in the economy. Walt Disney is the largest company in entertainment business, and they also create a big volume of revenues in worldwide top industries. By analyzing this company strategies, we get the general view on why/how Walt Disney achieved their goals today and how they established themselves to become as a global brand. Furthermore, Walt Disney has been developing and changing continuously as a result of merchandising. With a great strategy like this, it would be a long way for their competitors to catch up with their amazing cooperation.



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Appendix

2014 - 2016 US Animated Films Lifetime Gross

Film	Year of Release	Company	Lifetime Gross (in millions USD)
Big Hero 6	2014	Walt Disney Animation Studios	222.53
The Book of Life	2014	Reel FX, 20th Century Fox Animation	50.15
The Boxtrolls	2014	Laika	50.84
The Hero of Color City	2014	Exodus Film Group Toonz Animation India	0.03
How to Train Your Dragon 2	2014	DreamWorks Animation	177.00
Legends of Oz: Dorothy's Return	2014	Summertime Entertainment, Prana Studios	8.46
The Lego Movie	2014	Warner Bros., Animal Logic, Lego	257.76
Mr. Peabody & Sherman	2014	DreamWorks Animation	111.51
The Nut Job	2014	ToonBox	64.25

		Entertainment, Red Rover International	
Penguins of Madagascar	2014	DreamWorks Animation	83.35
Planes: Fire & Rescue	2014	DisneyToon Studios	59.17
Rio 2	2014	Blue Sky Studios	131.54
Rocks in My Pockets	2014	Locomotive Productions, Rocks In My Pockets LLC	0.03
Anomalisa	2015	Starburns Industries Snoot Entertainment	3.76
The Good Dinosaur	2015	Pixar	123.09
Hell & Back	2015	ShadowMachine	0.16
Home	2015	DreamWorks Animation	177.40
Hotel Transylvania 2	2015	Sony Pictures Animation	169.70
Inside Out	2015	Pixar	356.46
Minions	2015	Illumination Entertainment	336.05

The Peanuts Movie	2015	Blue Sky Studios	130.18
The SpongeBob Movie: Sponge Out of Water	2015	Paramount Animation, Nickelodeon Movies	162.99
Strange Magic	2015	Lucasfilm, Lucasfilm Animation, Industrial Light & Magic	12.43
The Angry Birds Movie	2016	Rovio Entertainment Sony Pictures Imageworks	107.51
Finding Dory	2016	Pixar	486.29
Ice Age: Collision Course	2016	Blue Sky Studios	64.06
Kubo and the Two Strings	2016	Laika	48.02
Kung Fu Panda 3	2016	DreamWorks Animation, Oriental DreamWorks	143.53
Moana	2016	Walt Disney Animation Studios	119.89
Norm of the North	2016	Assemblage Entertainment	17.06

		Splash Entertainment Telegael	
Ratchet & Clank	2016	Rainmaker Entertainment, Blockade Entertainment	8.82
Sausage Party	2016	Nitrogen Studios Canada, Annapurna Pictures, Point Grey Pictures	97.67
The Secret Life of Pets	2016	Illumination Entertainment	368.02
Storks	2016	Warner Bros. Animation	71.26
Trolls	2016	DreamWorks Animation	141.37
Zootopia	2016	Walt Disney Animation Studios	341.27

(Sorted from List of animated feature films of 2014/2015/2016 - Wikipedia; Box Office Mojo)