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Strategic Analysis- The Walt Disney Company

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" Mickey Mouse is, to me, a symbol of independence. He was a means to an end. He popped out of my mind onto a drawing pad twenty years ago on a train ride from Manhattan to Hollywood at a time when business fortunes of my brother Roy and myself were at lowest ebb and disaster seemed right around the corner. Born of necessity, the little fellow literally freed us of immediate worry. He provided the means for expanding our organization to its present dimensions and for extending the medium of cartoon animation toward new entertainment levels. He spelled production liberation for us."

- Walt Disney

Mickey Mouse is one of the most recognizable characters around the globe today. He is relatable, funny, and sympathetic and reminds us of childhood whims, dreams come true, and even sometimes stirs in us notions of the American dream. When Americans are asked to identify products that are simply “American,” Coca-Cola, the McDonald’s Golden Arches and Mickey Mouse usually headline the lists. But Mickey Mouse symbolizes more than a childhood era of yesterday. Mickey Mouse is backed by one of the most credible companies in the world. The Walt Disney Company is a media and entertainment behemoth, the second largest in the world.¹ This company has truly revolutionized the landscape of both American and global entertainment and has maintained their composure as a reputable, honest company. Through eighty years of operation, The Walt Disney Company has remained afloat through the Second World War, the Great Depression, multiple CEOs, and an ever changing industry and still manages to find its way into the hearts and minds of consumers on a daily basis. Disney’s unique strategy in their industry has afforded them the ability to excel where many other companies have failed. There are many reasons for this. Some of these reasons have to do with luck, but many are due to Disney’s strong business model and their ability to relate their mission statement and business vision to employees, customers and shareholders on a personal level. The company’s extreme dedication to these two documents drives all general management decisions. It is because of this that Disney has enjoyed the level of success that they have experienced over the years.

The Business Vision of the Walt Disney Company states,

¹ Hoovers.com

“The Walt Disney Resorts will always be dedicated to making dreams come true. In this magical world, fantasy is real and reality is fantastic. A wonderful sense of community awaits, where all are greeted as welcome Guests and become cherished friends. For all who work and play here, the Walt Disney Resorts will be a source of joy and inspiration.”²

This statement is truly telling of how the business wishes to relate to customers and what consumer’s of Disney entertainment can get out of visiting the parks. The Mission Statement on the other hand relates directly to the shareholders and speaks to Disney’s bottom line. It states,

“The Walt Disney Company's objective is to be one of the world's leading producers and providers of entertainment and information, using its portfolio of brands to differentiate its content, services and consumer products. The Company's primary financial goals are to maximize earnings and cash flow, and to allocate capital profitably toward growth initiatives that will drive long-term shareholder value.”³

The Disney Company is a great American business success story because it has stayed true to the principles that its founder, Walter E. Disney had for the company back in the 1920s. While Disney operations have decidedly grown since the 1920s, the core guiding principles of the company have remained the same. Because of this, employees, customers and shareholders alike have a clear understanding of what the company bases its decisions on. This clear company-wide mission has made it easy for key decision makers within the company to be guided by more than just a bottom line. The Walt

² The Walt Disney Company Business Vision. Accessed from Disney.com. April 5, 2008.

³ The Walt Disney Company Mission Statement. Accessed from Disney.com. April 5, 2008.

Disney Company is one of the few companies in the world that will acknowledge key company principles over the short term success of financial statements.⁴ Because of this integrity and commitment to the principled evolution of the business, customers have been attracted to the Walt Disney Company. This paper will set out to define, through case study of The Walt Disney Company, how a clear company vision and mission statement relate to the general management of a company and how a shared company vision contributes wholly to the effective management of an enterprise.

The history of the Walt Disney Company has been long and lively, all leading up to the success that it enjoys today. In their annual report, The Walt Disney company states,

“The Walt Disney Company has made its name preeminent in the field of family entertainment. From humble beginnings as a cartoon studio in the 1920s, to today’s major corporation, The Walt Disney Company continues to pursue the goal of providing quality entertainment and a world of magic for the entire family.”⁵

Walt Disney created the Walt Disney Company at the age of 21 in Hollywood, California in 1923. Equipped with little more than \$40 and high hopes and dreams, Disney set out to create a life as a cartoonist for himself far away from his family in Kansas City.⁶ While many of the Walt Disney Company’s Annual Reports and business papers will lead one to believe that imagination and dreams secured the early foundation of the company, the

⁴ Roy Disney, Resignation from the Board of Directors. Accessed from: <http://www.sec.gov/Archives/edgar/data/1001039/000119312503090215/dex991.htm>. April 4, 2008.

⁵ “The Walt Disney Company: A Brief History,” Annex to 2007 Annual Report.

⁶ Ibid.

truth of the matter is that Disney himself was a smart business man, motivated by diversification of business and constant growth.

In the early days of the Walt Disney Company, strategic general management was of key importance. Money was not inflowing at the rate the Disney Company experiences today. The immediate and unlikely success of Mickey Mouse, a cartoon, to a wide audience of people was surprising and refreshing for the company. What many people do not understand about Disney is that until the 1980s, finances were usually tight due to the frequent yet calculated risks the company made.⁷ Disney's first financial endeavor was the licensing of the Mickey Mouse image to the New York Stationery Company to print Mickey Mouse on note pads.⁸ This first \$300 in revenue proved to be the launching pad for a successful future in licensed products. While licensing images was not a common practice in the 1920s and 1930s Disney took this risk to gain capital to continue his animation studio.

Disney's next strategic decision was to create an animated feature film, "Snow White and the Seven Dwarfs." This feat had, up until this point, never been done before. A talking picture that was full length and animated would either be a huge disaster and the ruin of the company or could prove to be a huge success. Disney was willing to take that risk and poured all of the company's capital into the making of the film. In 1937, Snow White became the highest grossing film to date, earning the company \$8.5 million.⁹ The risk paid off. This gave the company ample room to grow and expand. Disney was

⁷ Gabler, Neal. "Walt Disney: Triumph of the American Imagination." Vintage Press. 2006

⁸ "The Walt Disney Company: A Brief History."

⁹ Ibid.

now able to purchase a fully operational animation studio and expectations were high that this would propel the company into a wealthy future in animated feature films.

Unfortunately, after the success of Snow White, World War II hit, and The Walt Disney Company was not able to capitalize on their recent success and had to adapt to survive. To be able to sustain business during war time, Disney decided to work in conjunction with the State Department to make patriotic cartoons that would inspire hope to the American people. Disney also created promotional and educational cartoons for the armed forces. This decision was not very profitable for the company and much of the company's value was sunk into minimally profitable work for the armed forces. After the war, Disney wanted to find his footing once again in feature films.

When the war subsided, the Disney Company had a hard time bouncing back from the financial losses that were incurred in the 1940s. Disney himself knew that the company would have to start diversifying to experience the success they had with Snow White. War time proved to be devastating to Disney's edge on the feature film market. While Disney was working for the State Department, competitors had the opportunity to catch up with the lead that Disney had gained with the release of "Snow White." To combat this, Disney decided to branch out into live action movies and television programming. It proved to be successful. Disney's "Disneyland" anthology series (later referred to as the "Wonderful World of Disney") was widely viewed and is still the longest running prime time television series to ever air in the United States.¹⁰

With the success of television and live film, Disney was sitting on another cushion of financial stability. This allowed the company room to dream up bigger

¹⁰ The Wonderful World of Disney. ABC Television. Accessed from Abc.com. Accessed March 21, 2008.

entertainment ventures. Disney decided to use his widely known characters as the basis of a themed amusement park. This park would be a place that would be centered on the family, which gave parents and children things to do together. After years of planning, development, designing and creating Disneyland opened in 1955 near Los Angeles, California.¹¹ The Walt Disney Company suffered a huge investment into this park and had to ensure the success of its television and film ventures while the park was being created so as to be a viable business during these years. Walt Disney was a smart business-man and constantly called for innovation among his employees. Because of the wide popularity of the park, Disney regained its investment by the 1960s, and the popular release of the film Mary Poppins propelled Disney past the \$100 million mark, launching it into a solid financial future.

Walt Disney passed away in 1966. Internally the company was devastated, but the foundations that he set, however, were definitely in place. The Disney Company was widely known as one that highly prized creativity and innovation, utilized efficient marketing techniques, created horizontal as well as vertical integration in the industry and took financially justifiable risks with shareholder money. Disney's legacy remains today and is apparent in all the ventures that company takes.

Since the 1960s The Walt Disney Company has continued to experience exponential growth holding stake in almost every corner of the entertainment and theme park industry. Disney boasts Tony award winning shows on Broadway, and ownership of two professional sports teams. Disney also boasts a record label as well as a radio station and two publishing houses – one for books and one for magazines. They have

¹¹ "The Walt Disney Company: A Brief History."

merchandising ventures from children's toys to upscale art galleries. The company also notes over five film production companies and an entire conglomerate of television stations that range from ABC to ESPN to the History Channel. On the resort side of operations, Disney owns hundreds of hotels worldwide, and multiple theme parks in five countries. To accommodate the growing theme park industry, Disney owns its own engineering company. The company also boasts the Disney Institute which offers classes in hospitality and tourism management as well as business management that attracts students from all over the world. Furthermore, Disney has recently branched out into a Cruise Line (with their own island), an adventure travel agency and a time-share vacation club. Managing this type of empire is clearly no easy task and creating synergy and consistency in companies that range from a travel agency to a television production company could be considered a daunting task.

The legacy that Walt Disney left behind has guided the decision making of employees. This shared dream of delivering exceptional customer service, quality products and innovative entertainment has driven all of the Disney employees from the 1920s until today. It can be argued that the Walt Disney Company is based on principles that identify their bottom line as a byproduct of creative innovation. It is clear that the Walt Disney Company does have the financial strength to enjoy the ability of seemingly unhindered growth. This has been used to their advantage and Disney's business model has been one of constant innovation taking reasonable financial risk where appropriate to continue this growth. Robert A. Iger, current CEO of The Walt Disney Company has stated,

“As an entertainment company, we face an ever-changing, often challenging environment; however, we know that nothing succeeds better or creates more value than quality. We are also aware that the dynamic nature of our business demands agility, adaptability and curiosity, the combination of which encourages active experimentation coupled with wise investment.”¹²

Many people may think that this commitment to development, innovation and dreaming big may just be pretty words said to investors in an annual report, however this is not the case. The Walt Disney Company is a solid example of how a clear mission and vision can steer a company to success. The legacy that Walt Disney left behind was not that of animated characters and flying elephants as many Disney fans may believe, but the legacy that Walt Disney left behind was a sound business proposition that clearly delineates the trajectory in which the company chooses to travel.

This business proposition is important from a general management perspective because it is the basis for all company decisions. In the early days of the company, Walt Disney identified five principles that he felt the company must abide by to stay true to the original mission statement and business vision of the company over time. To this day, the company still embodies these values and board members and managers turn to these guiding principles to fuel sound business judgment. These principles are (1) Quality, (2) Uniqueness (3) Value, (4) Understanding of the Audience and (5) Synergy. When these 5 factors combine, The Disney Company is able to deliver strong numbers to Wall Street, as it has since its initial public offering. Many Disney publications state that the driver of revenue to the company is the customer, and that by respecting the customer, Disney's financial strength only continues to grow. Through constant acknowledgement of the

¹² The Walt Disney Company, Annual Report. 2006. Page 5.

importance of these five factors in all of Disney's companies, Disney has become one of the world's foremost entertainment companies.

These five principles are especially demonstrated throughout Disney's Resorts and Parks Division. This division has been one of Disney's most profitable throughout the years, and incorporates all functional areas of business. By using these core principles to attract visitors to the parks year after year, Disney becomes more and more profitable. After reviewing how Disney stays true to these five principles in the theme park sector, it will become apparent how these principles affect the functional decisions that managers make throughout the Walt Disney Company. It is important to analyze how these five factors: quality, uniqueness, value, knowledge of the customer, and synergy affect Disney's Resorts and Theme Parks Division, and how the employment of these principles continues to drive the success of the company.

Quality

"When we consider a new project, we really study it - not just the surface idea, but have confidence in our ability to do it right. And we work hard to do the best possible job."

—Walt Disney¹³

¹³ All quotations of Walt Disney used in this paper were taken from: Disney Enterprises, "The Quotable Walt Disney," Walt Disney Publishing. 2001. Or Gabler, Neal. "Walt Disney: Triumph of the American Imagination." Vintage Press.

Disney is not a company that spares any expense when it comes to the quality of their theme parks. There is a distinct reason as to why Disney holds eight of the ten top global theme parks—their attention to the quality of the experience that they provide to the visitor. Disney is a company that pays attention to the details, which makes a visitor's experience that much more enjoyable. These small considerations make a big difference and are part of the reason why Disney-goers come back to the parks year after year, which contributes to the revenues of the company.

In a letter to employees in the 1970s, Roy Disney, successor to Walt Disney, wrote:

“At Disneyland and Walt Disney World, extraordinary efforts are made on a daily basis to be the best by maintaining the quality of our show...guest service, food, merchandise and the thousand other factors which together make up a Disney theme experience.”¹⁴

In creating their theme parks, Disney truly does strive to make the experience unique for their guests. They pay extreme attention to detail in everything that they do. Employees of Disney theme parks are not permitted to walk around the park in areas they do not belong. Uniforms for employees are based on the location where they work. Each location has different costumes. Disney parks have themed “lands” which delineate different areas of each park. If an employee were to be found outside of their respective land, their uniform would not match the décor, and the showmanship of the park would

2006.

¹⁴ Roy O. Disney, Letter to Imagineers. September 22, 1970.

diminish.¹⁵ Disney designers take these lands very seriously. For example, each land has a specific feel and culture. This is taken down to the most minute level, in that no walkway in two lands appears the same, nor does the lighting or landscaping. If Disney employs the use of one type of plant in a specific land, that plant will not be used anywhere else in the park.

This attention to detail was not something that Disney decided upon one day. This was a system that was decided upon before parks were even built. Walt Disney World, in Orlando, Florida, took this concept so seriously that when the park was being constructed it was actually built on two levels. The level of the parks that visitors see is actually the second level. The first level is a complex set of tunnels and walkways that are utilized so that visitors to the park do not see any ‘behind the scenes’ activities such as trash removal, employee migration or supply delivery throughout the parks.¹⁶

This extreme attention to minutia, however, would be lost if the park employees were not attentive to the little things as well. To ensure that Disney employees are attentive to details, it is imperative that the Walt Disney Company instills this value into its employees through their training processes. Since the employees of the parks are the ones who interface with the customer, they are the front line in delivering quality services to the park guests.

Disney has at any given time on average 37,000 employees on the clock in one resort. Many of these people are doing repetitive jobs for 8 hours a day. Training these employees to remain upbeat and positive throughout the day is of key importance. Disney

¹⁵ For instance, it would not make sense for a “cowboy” from Adventureland to be amongst the “astronauts” in Tomorrowland.

¹⁶ Interview, Carolyn Treadway. The Walt Disney Company, Guest Service Manager. April 1, 2008.

has its own “Disney Institute” to train employees in not only their job function but the quality that they expect from a Disney employee. There is a mandatory dress code within the organization, called “The Disney Look.” The “Disney Look” demands that employees appear uniform and clean-cut. Women are not allowed to wear dangling earrings and men are not allowed to have facial hair. The company is strict on the policy, but believes that it contributes to the overall ‘show’ that they are presenting.

After the “Disney Look” is taught to employees, they are required to attend a seminar entitled “Traditions I.” This day-and-a-half long seminar instills in the employees the legacy of Walt Disney. They are taught the language of Disney, and of the company’s past, present and future.¹⁷ Traditions I gives employees an understanding of the company’s vision and mission. The implementation of Traditions I for all employees is really telling of the company’s opinion that no one is more important than another. The sessions are limited to 45 participants per session and hourly workers are trained right alongside new management hires. The teaching that Disney employees receive during their first months of training are especially important to delivering quality in the parks, because all levels of employees are taught the exact same principles, and protocols. Park employees are forbidden to use the phrase, “It’s not my job,” and are encouraged to go above and beyond their basic job description.¹⁸

After Traditions I is completed, individual park employees move on to specific divisional training in the parks, which is done on the job. New hires work directly alongside training personnel until they are deemed ready to operate independently. After

¹⁷ A good example of the “Disney Language” is that Disney requires that all employees be referred to as “Cast Members.” Also, instead of being ‘on the job’ they are considered “on stage.”

¹⁸ Interview: E. Neal Diebold, The Walt Disney Company, Horticultural Specialist. March 3, 2008.

one month of operating independently of trainers, Disney employees are encouraged to teach Traditions I classes and help train fellow employees. This encourages togetherness in the company and further saves money in training costs for the theme parks division.

Because their powerful training program that focuses not only on the job at hand but the values and ideals of the company, many employees remain with the company for their entire career. Employees better understand the direction of the company and realize that new management won't necessarily mean massive restructuring. Disney employees are rewarded well for doing good work, as 70% of new positions are filled internally. It is not unlikely to find that those in high management positions once started out operating attractions or waiting tables in the parks such as John Lasseter, the current head of Imagineering and, Pixar Animation and Walt Disney Feature Animation, who started as a wise cracking Jungle Cruise skipper.¹⁹

The training that Disney implements truly defines quality within the parks. Loyal, hardworking employees are rewarded through promotion and the chance to be upwardly mobile within the company. This training system not only means quality customer service within the parks, but has a great effect on all functional areas as well. Grooming people already in the organization saves money in recruiting costs to attract qualified personnel to the company. When everyone in the organization experiences the same training experience whether they are an hourly employee selling tickets or the manager of a hotel, camaraderie is established that bonds employees together. This strong bond encourages retention of employees and boosts productivity.

¹⁹ The Walt Disney Company, Biography of John Lasseter. Accessed from Disney.com. April 3, 2008.

The unified front that the Disney employees deliver to the customers at the theme parks defines quality and has revolutionized the theme park industry. The Disney employees at the parks project a clean-cut and wholesome image to the public. This image drives home the idea that Disney parks are welcoming to the entire family no matter how young or how old. Because the idea of a wholesome employee never goes out of date, Disney is able to achieve a timeless quality of appearance in their theme parks that encourages visitors to revisit the resorts year after year.

Uniqueness

"You hate to repeat yourself. I don't like to make sequels to my pictures. I like to take a new thing and develop something. There's really no secret about our approach. We keep moving forward, opening up new doors and doing new things, because we're curious... and curiosity keeps leading us down new paths. We're always exploring and experimenting."

—Walt Disney

Innovation has driven the Walt Disney Company since the day of its establishment. The Walt Disney Company has made a plethora of advancements in studio entertainment creating new and exciting ways to produce films. Disney innovation did not end in the studio division. The Parks and Resorts division of The Walt Disney Company is one that is truly innovative as well. Continual innovation is imperative to the future success of the parks. Because Disney is an industry leader in theme park entertainment, innovation is not just encouraged, but mandatory so that they can retain their dominant position in the theme park industry.

In the theme parks industry technology that one company has soon become technology that everyone else has the next year. Because of this, Disney must remain on the forefront of innovation in order to remain the top player in the industry. If Disney were to miss even one year of progress, it is not out of the question that their parks could become outdated in only a few years of operation. The knowledge of this keeps Disney's technological staff creating new and exciting attractions that entice visitors to return to the parks every year.

The technological development at Disney is a unique process that has its own division called Disney Imagineering. Disney Imagineers are the creative driver behind the company and are constantly creating new concepts for rides, attractions, parades and all other aspects of park evolution. These Imagineers are charged with keeping Disney on the technological forefront of theme park development.²⁰

²⁰ The Walt Disney Company, Who We Are- Imagineering. Accessed from Disney.com. April 4, 2008.

A great example of developments that Disney has made in their theme parks is the use of Audio-Animatronic robots to enhance the experience in the theme parks. Audio Animatronics were created by Disney Imagineers and were debuted in 1963 in Disneyland's Enchanted Tiki Room.²¹ While robotic movements may not be impressive to park goers today, these were truly revolutionary in the theme park industry in the 1960s. Almost all theme parks, no matter how small, employ some type of animatronic technology today.

This is only one example of Disney not only staying ahead of the curve, but creating the curve itself. Throughout the years, Disney has constantly needed to be on the top of technological advancements so that they remain the premier theme park. Today, Disney has Audio Animatronics that are free standing and move under their own devices that also interact with park guests. While these characters remain in prototype and testing phases, they will be sure to become theme park staples in years to come.

The Walt Disney Company's best example of constant innovation however might be the EPCOT park at the Disney World Resort in Florida. EPCOT is an acronym that stands for the Experimental Prototype City Of Tomorrow. EPCOT is the embodiment of Disney innovation. It was Walt Disney's personal idea. When the parks were designed, the concept was that EPCOT would showcase new technology and create futuristic solutions to everyday problems that might one day be adopted by the average American family. Walt Disney himself described the venture:

"EPCOT will be an experimental prototype community of tomorrow that will take its cue from the new ideas and new technologies that are now emerging from the

²¹ United Custom Fabricating, Inc., Animatronics. Accessed from ucfab.com. April 1, 2008.

creative centers of American industry. It will be a community of tomorrow that will never be completed, but will always be introducing and testing and demonstrating new materials and systems. And EPCOT will always be a showcase to the world for the ingenuity and imagination of American free enterprise."

The concept of EPCOT plays directly into the idea of Imagineering. The two work hand in hand.

While the constant creation of ideas and technology that Disney promotes is fun for the visitor, it is also an excellent business strategy. If a theme park can create something that is new, never been done before and exciting, it will attract more and more people through the gates. This improves the financial situation of the Resorts and Parks division. This technological advancement also makes the job of marketing easier in that if your product is truly unique people don't need to be enticed to the park through marketing gimmicks because they are motivated to visit due to the individuality of your product.

Disney really does have the market on theme park technology cornered. They have their own branch of artistic and creative technicians that create and innovate daily. This business model certainly aids Disney in staying on top of the theme park industry.

Value

"We're not out to make a fast dollar with gimmicks. We're interested in doing things that are fun - in bringing pleasure and especially laughter to people...it's proven it's a good business policy. Give the public everything you can give them..."

—Walt Disney

When people travel to Disney theme parks, it is not like any other trip to amusement parks that they have ever made. The average park visitor comes from more than 100 miles away by car to visit any given park.²² Disney himself acknowledged this,

²² Interview, Carolyn Treadway.

“When they come here they're coming because of an integrity that we've established over the years. And they drive hundreds of miles. I feel a responsibility to the public.”

Knowing that people travel from so far away makes it that much more difficult to entice visitors to return time after time. To make their decision on visiting a second, third or fourth time easier, Disney makes it a point to make sure that customers get a good value when coming to the parks. In this sense, value should not be confused with being inexpensive. By many standards, Disney parks are not inexpensive, however, what Disney does is ensure that the money that guests invest into a trip to a Disney theme park is money well spent. Disney has complex schemes that ensure that revenues into the parks are reused within the parks to make sure that people are literally paying for their experience in the parks. As Carolyn Treadway, Disney employee states:

“The Walt Disney Company feels a responsibility to its guests to ensure an enjoyable visit that makes them want to come back time after time. Furthermore, prices are set at Disney so that visitors *can* come back time after time. Disney employs a no price gouging policy. Walt Disney himself wanted the parks to be a place for families to enjoy time together. If the prices at Disney were set so high that visitors could not return, we would betray Walt’s original purpose.”²³

Clearly, Mr. Disney’s vision is embodied in all functional decision making within the parks. Disney does have a no price gouging policy. The Walt Disney Company understands that the idea of Disney World holds a special place in American culture. Knowing this, The Walt Disney Company works very hard to keep ticket prices affordable and merchandise sold in the parks is priced in an efficient and objective way.

²³ Interview, Carolyn Treadway.

When Walt Disney World opened in 1971, a single day park ticket cost \$3.75, today it will cost a visitor \$71.00. Discounts are given to visitors who buy tickets to multiple days, with the tickets costing as little as \$22.00 per day.²⁴ Disney's financial structures are fully able to explain every raise in ticket price since the 1970s. First and foremost, Disney allows each individual division to sink or swim on its own. This means that the theme park division is financially responsible for meeting their own bottom line and staying out of the red. While all Disney employees are paid by the same parent company, each resort is responsible for maintaining responsible pricing strategies.

When purchasing a ticket at a Disney theme park, the amount of money paid can be broken down to be allocated to the needs of the park. On each one-day ticket sold, Disney creates minimal profit. The rest of the price of the ticket is used to pay the salaries of park employees and general overhead costs of running a theme park. This includes landscaping, utilities, and marketing costs, among many other things. To be able to pay for all of the attractions in the parks including rides, parades and shows, Disney uses the revenue generated from the sale of merchandise, and food and beverage.²⁵ Maintenance and upkeep of rides are paid for by these revenues as well as the creation and installation of new rides. This is a justifiable pricing scheme in that people truly do get what they pay for. Purchasing food and merchandise within the parks is completely voluntary, which is why Disney uses this money specifically for ride maintenance and innovation. If Disney does not have enough revenue coming in from these sales, they simply do not make additions or modifications to the parks until they do.

²⁴ The Walt Disney Company, Ticket Pricing. Accessed from: <http://tickets.disney.go.com>. April 2, 2008.

²⁵ Interview, Carolyn Treadway.

Disney however is not only looking out for their customers. It is very important to the company to provide value to their shareholders as well. In Disney's mission statement, it is stated that, "The Company's primary financial goals are to maximize earnings and cash flow, and to allocate capital profitably toward growth initiatives that will drive long-term shareholder value."²⁶ The way that Disney creates this long-term shareholder value is by reinvesting profits into the parks.

Disney theme parks employ cost cutting measures that allows it to be able to invest in the parts of the park that will cost the most amount of money. For example, many Disney parks feature rides and attractions that are copied multiple times across the globe in Disney's Tokyo, Paris and Hong Kong theme parks. By researching and developing a ride one time that is used in many places, it makes the value of the R&D multiple times what it was originally worth. Similarly, in their parks division, Disney uses mechanically generic prototypes for rides so that the money that they do invest goes into special effects and storylines, which are two things that set Disney rides apart from rides at other theme parks.

Lastly, Disney utilizes operating partners to cut the cost of prices for visitors. A huge example of this is entering foreign markets in joint ventures, such as they did in Hong Kong and Tokyo, which takes almost half of the financial burden off of the Walt Disney Company itself. A smaller example is within the EPCOT Park in Disney World. EPCOT offers a large amount of upscale fine dining options to patrons of the park in their World Showcase section. As critical as these restaurants are to the attendance at EPCOT (even warranting a special "Dinner Only" EPCOT Annual Pass), most of them are not actually operated by the Walt Disney Company. Instead, outside vendors run the day to

²⁶ The Walt Disney Company. Annual Report 2007

day operations and merely share a piece of the profits with Disney. The Restaurant Marrakech at the Morocco Pavilion is operated by E Brands, an Orlando based restaurant group the Pantina group operates Tutto Italia at the Italy Pavilion. Contracting out parts of the theme park business allows Disney to save money and pass that cost-savings on to customers.²⁷

Understanding the Audience

"Above all, we like to laugh together - even at our own shortcomings. I don't like to kid myself about the intelligence and taste of audiences. They are made up of my neighbors, people I know and meet every day. Folks I trade with, go to church with, vote with, compete in business with, help build and preserve a nation with."

-Walt Disney

The entire reason that Walt Disney decided to diversify his entertainment business into theme parks in the first place was that no one in the industry had identified a good target market yet. The parks were not especially family oriented and were oftentimes run down and unclean. When Disneyland opened, Walt recounted a conversation that he had

²⁷ Interview, Brian Lloyd. The Walt Disney Company, Guest Information Services. March 27, 2008.

had with his wife when he told her of his idea: "When I started on Disneyland my wife use to say, but why do you want to build an amusement park? They're so dirty. I told her that was just the point- mine wouldn't be."

Walt Disney had two daughters and grew tired of going to carnivals and amusement parks that had fun things for children to do, but nothing for adults to do but sit on benches while watching their children have fun. Walt Disney described the impetus for Disneyland, "It all started from a daddy with two daughters wondering where he could take them where he could have a little fun with them too." Knowing that he had the money to create a place for families to have fun together, Disney decided to invest in theme parks

Since the very beginning, Disney parks have been very careful to cater to their target market- the average family. Through all functional fields of business Disney does this. Disney employee Brian Lloyd commented on this by stating,

“ Disney focuses so much on the culture of the family in the parks. From cast member training to the customer service we deliver to advertising strategies and the “Disney Look” it all rotates around the family. There is no other theme park in the world that can deliver an experience that parents and children equally enjoy.”²⁸

Disney maintains its parks so that everyone can enjoy them. Unlike other amusement parks, Disney does not focus on ‘thrill rides’ such as roller coasters. Disney focuses on rides that everyone can enjoy. While some rides at Disney parks may have a height requirement for safety reasons there is no ride in all of Disney’s worldwide repertoire that has a maximum age, height or weight limit. There is no area in any park that is

²⁸ Interview, Brian Lloyd.

specifically designated for children and likewise no area of the park that is specifically adults only. If a family cannot enjoy an attraction together, The Walt Disney Company will not invest in it.

When it comes to attracting visitors to the parks, it is also clear that Disney theme parks are a place for the whole family. In current advertising campaigns, Disney points out that Disney vacations are affordable for the whole family. Marketing campaigns are directed at kids as well as adults. Disney himself once said, “You're dead if you aim only for kids. Adults are only kids grown up, anyway.” Disney places magazine ads in places from *Boys' Life* to *Good Housekeeping*. Disney merchandise, another way that marketing for the company is done, also runs the gamut of consumers. Children's toys and apparel are as big of a hit as the Disney couture wedding gown collection.²⁹ By merchandising and advertising to the whole family, it becomes hard for anyone to ‘grow out of’ Disney.

Park statistics state that the average makeup of people in the park is four adults to one child.³⁰ This number is heightened substantially during the wintertime when kids are in school. By making Disney a park for all ages, everyone feels free to enjoy the park for what it is. Disney's ability to cater to diverse crowds is phenomenal. An example of this is how Disney publishes official guides to their parks. These guides range from “Disney on a budget,” to “The luxury guide to Disney Parks,” from “Disney without kids,” to “Disney for couples.” Disney's ability to capture the family audience, no matter what that family looks like, is a great way to attract people from all over to their parks, thereby increasing their shareholder value.

²⁹ Please see DisneyBridal.com

³⁰ Gabler, Neal. “Walt Disney: Triumph of the American Imagination.” Vintage Press. 2006.

Disney also has audiences outside of the United States. Instead of going into a country and bombarding it with American culture, Disney takes many cultural considerations into account when designing theme parks abroad. A good example of this is Hong Kong Disneyland. When entering the Chinese market, Disney made sure to modify the parks to cater to the Asian family. The parks were designed following the rules of feng shui to ease the mind of the Asian traveler. Specific attractions were also created especially for Hong Kong, such as Disney's Fantasy Gardens. These were created because the Asian traveler on average spends more time enjoying plants and scenery than their counterparts in the United States. On top of this, Disneyland Hong Kong also offers many 'celebrations' in the parks that are specific to China such as the Chinese New Year celebration. This individual consideration based upon the country in which the park is located makes a huge difference.³¹ Instead of Disney being viewed as an American company, they become more accepted and assimilated into the host country's culture. This makes them a fierce competitor even in the most difficult markets to enter.

³¹ Hong Kong Disney. Hong Kong Disney. Accessed at hongkongdisneyland.com. April 2, 2008.

Synergy

“I never called my work an 'art' It's part of show business, the business of building entertainment”

-Walt Disney

Synergy is probably one of The Walt Disney Company's greatest core strengths. All of Disney's four financial divisions rely on the others to continue to fuel its growth. The Walt Disney Company has truly developed a company where the whole is greater than the sum of its parts. The Walt Disney Company began as a small animation studio that eventually diversified from animation to expand into live film studios, Broadway entertainment, radio broadcasting companies, theme parks, fashion and sports teams. While some of these divisions and companies remain somewhat free of the influence of the rest of Disney culture (ESPN is a good example), many of the companies overlap and reinforce each other so as to increase the value of the parent organization.

When The Walt Disney Company started out in 1920, it created animated characters that struck a chord with the population of the US. These characters were simple and above all human, which made them relatable to the everyday American. When Walt Disney had the idea of opening up his first theme park in the 1950s, he decided that the park would be largely based around the same characters that made his animation studio so successful. Because large populations were already aware of the characters that Disney created, they were more intrigued by the park and had a greater understanding of what the park was all about before they arrived. Disney had an image of being a wholesome family brand that customers could depend on in the park as well as on their TV screens. This is the simplest example of Disney synergy. Today this type of synergy becomes even more extreme. “High School Musical,” which Disney aired on their own TV station became an instant hit and now has become the basis for multiple parades in parks around the world. Likewise, the popularity of the TV Reality show “American Idol” has motivated imagineers to create an American Idol attraction in the parks, which is expected to be operational in late 2008.³² The reverse of that is the money that Disney grossed from the blockbuster trilogy “Pirates of the Caribbean.” The movie was based solely off of an attraction in the theme parks that was given a story line adopted by Disney’s film studios. This mutual reinforcement between the theme parks and the media companies that Disney owns is strong. It should also not be taken for granted. The value of this synergy to the company is great. For example, Walt Disney World’s Pirates of the Caribbean attraction became three times more visited after the

³² The Walt Disney Company, Letter to Investors. January 2008.

movie was released. The popularity of the movie was directly attributable to spikes in park attendance directly after each of the movies hit the theatres.³³

Conclusion

"I think by this time my staff, my young group of executives, and everyone else, are convinced that Walt is right. That quality will win out. And so I think they're going to stay with that policy because it's proved that it's a good business policy. Give the people everything you can give them. Keep the place as clean as you can keep it. Keep it friendly, you know. Make it a real fun place to be. I think they're convinced and I think they'll hang on after...as you say...well...after Disney."

-Walt Disney

In the realm of general management, it is important to have set of goals to drive a company. Without distinct vision and direction, general management becomes much more difficult. In the process of creating Disneyland, Walt Disney himself said, "Of all the things I've done, the most vital is coordinating those who work with me and aiming

³³ Interview, Brian Lloyd.

their efforts at a certain goal.” Walt Disney defined a set of standards that he wanted his company to work by. Today, in 2008, The Walt Disney Company is certainly larger than Walt himself could have ever imagined. Disney owns hundreds of brands, has license to thousands of movies and launches the careers of dozens of celebrities every year.

Managing a company of this size is a phenomenal responsibility. These guiding principles unify the company and provide for good checks and balances upon those who are in leadership positions.

These checks and balances have definitely been tested within The Walt Disney Company. Michael Eisner was the CEO of The Walt Disney Company from 1984 until 2005. Many believed that Eisner’s first ten years as CEO truly set the company up to be a true media empire. However, in 1994, his unchecked leadership of the company deviated from the Disney principles and caused much internal turmoil for the company. In 1994 COO of Disney Frank Wells died tragically in a helicopter crash. This gave Eisner more freedom to operate on his own. Eisner began to digress from the Disney Way and frequently violated many of Walt Disney’s core principles. This became apparent in the ways that he made decisions that sacrificed quality for price in the openings of theme parks abroad, deviated from some values of knowing the audiences in the theme parks, and in acquiring companies that did not meet Disney’s family standards. Roy Disney, a board member and nephew of Walt Disney described Eisner as “rapacious and soul-less.”³⁴ While many outsiders may not have realized what was happening internally at Disney, employees were starting to notice the company’s deviation from values that were important to the majority of the company. Furthermore, shares in the company were

³⁴ Roy Disney, Resignation from the Board of Directors. Accessed from: <http://www.sec.gov/Archives/edgar/data/1001039/000119312503090215/dex991.htm>. April 4, 2008.

losing value. Eisner's deviation from the Disney Way was hurting the company's reputation, therefore diminishing its value. Realizing that Eisner's leadership was no longer following the core principles that Disney himself strived to define and therefore betraying the company itself, shareholders of the company rallied for his ouster at their shareholder meeting in 2005. Eisner was asked to resign, and officially did so on September 30.

While Eisner did prove to be a competent CEO in the first 10 years of his tenure, once he started to deviate from the principles of the Disney Company, his position fell under question. When customers begin to expect a certain quality standard from any specific company, it is hard to justify forgoing these standards for the name of change. Traditional values of successful companies can drive their revenue and profits. Since Eisner's resignation in 2005, the company has seen improvements in almost all segments of investor relations. The current CEO, Robert Iger, has been congratulated on his ability to stay true to the Disney Way of running the company.

General Management of one of the world's largest media companies can be no easy task. Disney has had in its history 4 CEOs and multiple different boards of directors. However, the Disney Company itself has been able to remain true to its traditional values since the 1920s. At the same time, Disney is still able to innovate and create. Disney grows with the time and evolves with the wants and needs of the people, but has a corporate culture that remains unchanged. The Walt Disney Company operates by five main principles: quality, uniqueness, value, understanding the customer and synergy. These five principles are able to help general management in making decisions that will be beneficial for the company in the long run while at the same time ensuring that the

company does not deviate from its original purpose. Customers and shareholders alike value consistency. Through the guidance of traditional values, The Walt Disney Company has been able to remain consistent in its 80 years of operations.

All companies should employ principles by which to operate. These principles make the tasks of the management team easier in that they constantly have a guideline with which to direct the company into the future. Evolution of a company's assets and competencies is important. When a company evolves, rather than changes, it provides a consistent front to consumers that allow them to understand what they will be receiving when they invest in that company. Because of The Walt Disney Company's ability to project these principles to the consumer and shareholder, they have remained one of America's premier media enterprises.