

Case study

Disneyland Resort Paris (abridged)¹⁰

In August 2006, the company behind Disneyland Resort Paris reported a 13 per cent rise in revenues, saying that it was making encouraging progress with new rides aimed at getting more visitors. *'I am pleased with year-to-date revenues and especially with third quarter's, as well as with the success of the opening of Buzz Lightyear Laser Blast, the first step of our multi-year investment program. These results reflect the group's strategy of increasing growth through innovative marketing and sales efforts as well as a multi-year investment program. This performance is encouraging as we enter into the important summer months'*, said Chairman and Chief Executive Karl L. Holz. Yet it hadn't always been like that. The 14-year history of Disneyland Paris had more ups and downs than any of its rollercoasters. From 12 April 1992 when EuroDisney opened, through to this more optimistic report, the resort had been subject simultaneously to both wildly optimistic forecasts and widespread criticism and ridicule. An essay on one critical Internet site (called 'An Ugly American in Paris') summarized the whole venture in this way. *'When Disney decided to expand its hugely successful theme park operations to Europe, it brought American management styles, American cultural tastes, American labor practices, and American marketing pizzazz to Europe. Then, when the French stayed away in droves, it accused them of cultural snobbery.'*

The 'magic' of Disney

Since its founding in 1923, The Walt Disney Company had striven to remain faithful in its commitment to *'Producing unparalleled entertainment experiences based on its rich legacy of quality creative content and exceptional storytelling'*. In the Parks and Resorts division, according to the company's description, customers could experience the 'Magic of Disney's beloved characters'. It was founded in 1952, when Walt Disney formed what is now known as 'Walt Disney Imagineering' to build Disneyland in Anaheim, California. By 2006, Walt Disney Parks and Resorts operated or licensed 11 theme parks at five Disney destinations around the world. They were: Disneyland Resort, California, Walt Disney World Resort, Florida, Tokyo Disney Resort, Disneyland Resort Paris, and their latest park, Hong Kong Disneyland. In addition, the division operated 35 resort hotels, two luxury cruise ships and a wide variety of other entertainment offerings. But perhaps none of its ventures had proved to be as challenging as its Paris Resort.

Service delivery at Disney resorts and parks

The core values of the Disney company and, arguably, the reason for its success, originated in the views and personality of Walt Disney, the company's founder. He had



Source: Corbis/Jacques Langevin

what some called an obsessive focus on creating images, products and experiences for customers that epitomized fun, imagination and service. Through the 'magic' of legendary fairytale and story characters, customers could escape the cares of the real world. Different areas of each Disney Park are themed, often around various 'lands' such as Frontierland, and Fantasyland. Each land contains attractions and rides, most of which are designed to be acceptable to a wide range of ages. Very few rides are 'scary' when compared to many other entertainment parks. The architectural styles, décor, food, souvenirs and cast costumes were all designed to reflect the theme of the 'land', as were the films and shows. And although there were some regional differences, all the theme parks followed the same basic set-up. The terminology used by the company reinforced its philosophy of consistent entertainment. Employees, even those working 'backstage', were called 'cast members'. They did not wear uniforms but 'costumes', and rather than being given a job they were 'cast in a role'. All park visitors were called 'guests'.

Disney employees were generally relatively young, often of school or college age. Most were paid hourly on tasks that could be repetitive even though they usually involved constant contact with customers. Yet, employees were still expected to maintain a high level of courtesy and work performance. All cast members were expected to conform to strict dress and grooming standards. Applicants to become cast members were screened for qualities such as how well they responded to questions, how well they listened to their peers, how they smiled and used body language, and whether they had an 'appropriate attitude'. Disney parks had gained a reputation for their obsession with delivering a high level of service and experience through attention to operations detail. All parks employed queue management techniques such as providing information and entertainment for visitors, who were also seen as

having a role within the park. They were not merely spectators or passengers on the rides, they were considered to be participants in a play. Their needs and desires were analysed and met through frequent interactions with staff (cast members). In this way they could be drawn into the illusion that they were actually part of the fantasy.

Disney's stated goal was to exceed their customers' expectations every day. Service delivery was mapped and continuously refined in the light of customer feedback and the staff induction programme emphasized the company's quality assurance procedures and service standards based on the four principles of safety, courtesy, show and efficiency. Parks were kept fanatically clean. The same Disney character never appears twice within sight – how could there be two Mickeys? Staff were taught that customer perceptions are both the key to customer delight, but also are extremely fragile. Negative perceptions can be established after only one negative experience. Disney university-trained their employees in their strict service standards as well as providing the skills to operate new rides as they were developed. Staff recognition programmes attempted to identify outstanding service delivery performance as well as 'energy, enthusiasm, commitment, and pride'. All parks contained phones connected to a central question hotline for employees to find the answer to any question posed by customers.

Tokyo Disneyland

Tokyo Disneyland, opened in 1982, was owned and operated by the Oriental Land Company. Disney had designed the park and advised on how it should be run and it was considered a great success. Japanese customers revealed a significant appetite for American themes and American brands, and already had a good knowledge of Disney characters. Feedback was extremely positive with visitors commenting on the cleanliness of the park and the courtesy and the efficiency of staff members. Visitors also appreciated the Disney souvenirs because giving gifts is deeply embedded in the Japanese culture. The success of the Tokyo Park was explained by one American living in Japan: 'Young Japanese are very clean-cut. They respond well to Disney's clean-cut image, and I am sure they had no trouble filling positions. Also, young Japanese are generally comfortable wearing uniforms, obeying their bosses, and being part of a team. These are part of the Disney formula. Also, Tokyo is very crowded and Japanese here are used to crowds and waiting in line. They are very patient. And above all, Japanese are always very polite to strangers.'

Disneyland Paris

By 2006 Disneyland Paris consisted of three parks: the Disney Village, Disneyland Paris itself and the Disney Studio Park. The Village was composed of stores and restaurants; the Disneyland Paris was the main theme park; and Disney Studio Park has a more general movie-making theme. At the time of the European park's opening more than two

million Europeans visited the US Disney parks. The company's brand was strong and it had over half a century of translating the Disney brand into reality. The name 'Disney' had become synonymous with wholesome family entertainment that combined childhood innocence with high-tech 'Imagineering'.

Initially, as well as France, Germany, Britain, Italy and Spain were all considered as possible locations, though Germany, Britain and Italy were soon discarded from the list of potential sites. The decision soon came to a straight contest between the Alicante area of Spain, which had a similar climate to Florida for a large part of the year and the Marne-la-Vallée area just outside Paris. Certainly, winning the contest to host the new park was important for all the potential host countries. The new park promised to generate more than 30,000 jobs. The major advantage of locating in Spain was the weather. However, the eventual decision to locate near Paris was thought to have been driven by a number of factors that weighed more heavily with Disney executives. These included the following:

- There was a suitable site available just outside Paris.
- The proposed location put the park within a 2-hour drive for 17 million people, a 4-hour drive for 68 million people, a 6-hour drive for 110 million people and a 2-hour flight for a further 310 million or so.
- The site also had potentially good transport links. The Channel Tunnel that was to connect England with France was due to open in 1994. In addition, the French autoroutes network and the high-speed TGV network could both be extended to connect the site with the rest of Europe.
- Paris was already a highly attractive vacation destination.
- Europeans generally take significantly more holidays each year than Americans (five weeks of vacation as opposed to two or three weeks).
- Research indicated that 85% of French people would welcome a Disney park.
- Both national and local government in France were prepared to give significant financial incentives (as were the Spanish authorities), including an offer to invest in local infrastructure, reduce the rate of value added tax on goods sold in the park, provide subsidized loans, and value the land artificially low to help reduce taxes. Moreover, the French government was prepared to expropriate land from local farmers to smooth the planning and construction process.

Early concerns that the park would not have the same sunny, happy feel in a cooler climate than Florida were allayed by the spectacular success of Disneyland Tokyo in a location with a similar climate to Paris, and construction started in August 1988. But from the announcement that the park would be built in France, it was subject to a wave of criticism. One critic called the project a 'cultural Chernobyl' because of how it might affect French cultural values. Another described it as 'a horror made of cardboard,' →

plastic, and appalling colours; a construction of hardened chewing-gum and idiot folklore taken straight out of comic books written for obese Americans'. However, as some commentators noted, the cultural arguments and anti-Americanism of the French intellectual elite did not seem to reflect the behaviour of most French people, who 'eat at McDonald's, wear Gap clothing, and flock to American movies'.

Designing Disneyland Resort Paris

Phase 1 of the Euro Disney Park was designed to have 29 rides and attractions and a championship golf course together with many restaurants, shops, live shows and parades as well as six hotels. Although the park was designed to fit in with Disney's traditional appearance and values, a number of changes were made to accommodate what was thought to be the preferences of European visitors. For example, market research indicated that Europeans would respond to a 'wild west' image of America. Therefore, both rides and hotel designs were made to emphasize this theme. Disney was also keen to diffuse criticism, especially from French left-wing intellectuals and politicians, that the design of the park would be too 'Americanized' and would become a vehicle for American 'cultural imperialism'. To counter charges of American imperialism, Disney gave the park a flavour that stressed the European heritage of many of the Disney characters, and increased the sense of beauty and fantasy. They were, after all, competing against Paris's exuberant architecture and sights. For example, Discoveryland featured storylines from Jules Verne, the French author. Snow White (and her dwarfs) was located in a Bavarian village. Cinderella was located in a French inn. Even Peter Pan was made to appear more 'English Edwardian' than in the original US designs.

Because of concerns about the popularity of American 'fast food', Euro Disney introduced more variety into its restaurants and snack bars, featuring foods from around the world. In a bold publicity move, Disney invited a number of top Paris chefs to visit and taste the food. Some anxiety was also expressed concerning the different 'eating behaviour' between Americans and Europeans. Whereas Americans preferred to 'graze', eating snacks and fast meals throughout the day, Europeans generally preferred to sit down and eat at traditional meal times. This would have a very significant impact on peak demand levels on dining facilities. A further concern was that in Europe (especially French) visitors would be intolerant of long queues. To overcome this, extra diversions such as films and entertainments were planned for visitors as they waited in line for a ride.

Before the opening of the park, Euro Disney had to recruit and train between 12,000 and 14,000 permanent and around 5,000 temporary employees. All these new employees were required to undergo extensive training in order to prepare them to achieve Disney's high standard of customer service as well as understand operational routines and safety procedures. Originally, the company's

objective was to hire 45 per cent of its employees from France, 30 per cent from other European countries, and 15 per cent from outside of Europe. However, this proved difficult and when the park opened around 70 per cent of employees were French. Most cast members were paid around 15 per cent above the French minimum wage.

An information centre was opened in December 1990 to show the public what Disney was constructing. The 'casting centre' was opened on 1 September 1991 to recruit the 'cast members' needed to staff the park's attractions. But the hiring process did not go smoothly. In particular, Disney's grooming requirements that insisted on a 'neat' dress code, a ban on facial hair, set standards for hair and finger nails, and an insistence on 'appropriate undergarments' proved controversial. Both the French press and trade unions strongly objected to the grooming requirements, claiming they were excessive and much stricter than was generally held to be reasonable in France. Nevertheless, the company refused to modify its grooming standards. Accommodating staff also proved to be a problem, when the large influx of employees swamped the available housing in the area. Disney had to build its own apartments as well as rent rooms in local homes just to accommodate its employees. Notwithstanding all the difficulties, Disney did succeed in recruiting and training all its cast members before the opening.

The park opens

The park opened to employees, for testing during late March 1992, during which time the main sponsors and their families were invited to visit the new park, but the opening was not helped by strikes on the commuter trains leading to the park, staff unrest, threatened security problems (a terrorist bomb had exploded the night before the opening) and protests in surrounding villages that demonstrated against the noise and disruption from the park. The opening day crowds, expected to be 500,000, failed to materialize, however, and at close of the first day only 50,000 people had passed through the gates. Disney had expected the French to make up a larger proportion of visiting guests than they did in the early days. This may have been partly due to protests from French locals who feared their culture would be damaged by Euro Disney. Also, all Disney parks had traditionally been alcohol-free. To begin with, Euro Disney was no different. However, this was extremely unpopular, particularly with French visitors who like to have a glass of wine or beer with their food. But whatever the cause the low initial attendance was very disappointing for the Disney Company.

It was reported that, in the first 9 weeks of operation, approximately 1,000 employees left Euro Disney, about one half of whom 'left voluntarily'. The reasons cited for leaving varied. Some blamed the hectic pace of work and the long hours that Disney expected. Others mentioned the 'chaotic' conditions in the first few weeks. Even Disney conceded that conditions had been tough immediately after

the park opened. Some leavers blamed Disney's apparent difficulty in understanding 'how Europeans work'. *'We can't just be told what to do, we ask questions and don't all think the same.'* Some visitors who had experience of the American parks commented that the standards of service were noticeably below what would be acceptable in America. There were reports that some cast members were failing to meet Disney's normal service standard: *'even on the opening weekend some clearly couldn't care less ... My overwhelming impression ... was that they were out of their depth. There is much more to being a cast member than endlessly saying "Bonjour". Apart from having a detailed knowledge of the site, Euro Disney staff have the anxiety of not knowing in what language they are going to be addressed ... Many were struggling.'*

It was also noticeable that different nationalities exhibited different types of behaviour when visiting the park. Some nationalities always used the waste bins while others were more likely to drop litter on the floor. Most noticeable were differences in queuing behaviour. Northern Europeans tend to be disciplined and content to wait for rides in an orderly manner. By contrast some Southern European visitors *'seem to have made an Olympic event out of getting to the ticket taker first'*. Nevertheless, not all reactions were negative. European newspapers also quoted plenty of positive reaction from visitors, especially children. Euro Disney was so different from the existing European theme parks, with immediately recognizable characters and a wide variety of attractions. Families who could not afford to travel to the United States could now interact with Disney characters and 'sample the experience at far less cost'.

The next 15 years

By August 1992 estimates of annual attendance figures were being drastically cut from 11 million to just over 9 million. EuroDisney's misfortunes were further compounded in late 1992 when a European recession caused property prices to drop sharply, and interest payments on the large start-up loans taken out by EuroDisney forced the company to admit serious financial difficulties. Also the cheap dollar resulted in more people taking their holidays in Florida at Walt Disney World. At the first anniversary of the park's opening, in April 1993, Sleeping Beauty's Castle was decorated as a giant birthday cake to celebrate the occasion; however, further problems were approaching. Criticized for having too few rides, the roller coaster 'Indiana Jones and the Temple of Peril' was opened in July. This was the first Disney roller coaster that included a 360-degree loop, but just a few weeks after opening emergency brakes locked on during a ride, causing some guest injuries. The ride was temporarily shut down for investigations. Also in 1993 the proposed Euro Disney phase 2 was shelved due to financial problems. This meant Disney MGM Studios Europe and 13,000 hotel rooms would not be built to the original 1995 deadline originally agreed upon by the Walt

Disney Company. However, Discovery Mountain, one of the planned phase 2 attractions, did get approval.

By the start of 1994 rumours were circulating that the park was on the verge of bankruptcy. Emergency crisis talks were held between the banks and backers with things coming to a head during March when Disney offered the banks an ultimatum. It would provide sufficient capital for the park to continue to operate until the end of the month, but unless the banks agreed to restructure the park's \$1bn debt, the Walt Disney Company would close the park, and walk away from the whole European venture, leaving the banks with a bankrupt theme park and a massive expanse of virtually worthless real estate. Michael Eisner, Disney's CEO, announced that Disney was planning to pull the plug on the venture at the end of March 1994 unless the banks were prepared to restructure the loans. The banks agreed to Disney's demands.

In May 1994 the connection between London and Marne La Vallée was completed, along with a TGV link, providing a connection between several major European cities. By August the park was starting to find its feet at last, and all of the park's hotels were fully booked during the peak holiday season. Also, in October, the park's name was officially changed from EuroDisney to 'Disneyland Paris' in order to *'show that the resort now was named much more like its counterparts in California and Tokyo'*. The end-of-year figures for 1994 showed encouraging signs despite a 10% fall in attendance caused by the bad publicity over the earlier financial problems. For the next few years new rides continued to be introduced. 1995 saw the opening of the new roller coaster, 'Space Mountain de la Terre à la Lune', and Euro Disney did announce its first annual operating profit in November 1995. New attractions were added steadily, but in 1999 the planned Christmas and New Year celebrations are disrupted when a freak storm caused havoc, destroying the Mickey Mouse glass statue that had just been installed for the Lighting Ceremony and many other attractions.

Disney's 'Fastpass' system was introduced in 2000: a new service that allowed guests to use their entry passes to gain a ticket at certain attractions and return at the time stated and gain direct entry to the attraction without queuing. Two new attractions were also opened, 'Indiana Jones et la Temple du Peril' and 'Tarzan le Recontre' starring a cast of acrobats along with Tarzan, Jane and all their jungle friends with music from the movie in different European languages. In 2001 the 'ImagiNations Parade' is replaced by the 'Wonderful World of Disney Parade' which receives some criticism for being 'less than spectacular' with only 8 parade floats. Also Disney's 'California Adventure' was opened in California. The Paris resort's 10th anniversary saw the opening of the new Walt Disney Studios Park attraction, based on a similar attraction in Florida that had already proved to be a success.

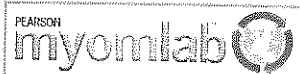
André Lacroix from Burger King was appointed as CEO of Disneyland Resort Paris in 2003, to 'take on the challenge' →

of a failing Disney park in Europe and turn it around'. Increasing investment, he refurbished whole sections of the park and introduced the Jungle Book Carnival in February to increase attendance during the slow months. By 2004 attendance had increased but the company announced that it was still losing money. And even the positive news of 2006, although generally well received still left questions unanswered. As one commentator put it, 'Would Disney, the stockholders, the banks, or even the French government make the same decision to go ahead if they could wind the clock back to 1987? Is this a story of a fundamentally flawed concept, or was it just mishandled?'

Questions

- 1 What markets are the Disney resorts and parks aiming for?
- 2 Was Disney's choice of the Paris site a mistake?
- 3 What aspects of their parks' design did Disney change when it constructed Euro Disney?
- 4 What did Disney *not* change when it constructed Euro Disney?
- 5 What were Disney's main mistakes from the conception of the Paris resort through to 2006?

Problems and applications



These problems and applications will help to improve your analysis of operations. You can find more practice problems as well as worked examples and guided solutions on MyOMLab at www.myomlab.com.

- 1 A company is deciding between two locations (Location A and Location B). It has six location criteria, the most important being the suitability of the buildings that are available in each location. About half as important as the suitability of the buildings are the access to the site and the supply of skills available locally. Half as important as these two factors are the potential for expansion on the sites and the attractiveness of the area. The attractiveness of the buildings themselves is also a factor, although a relatively unimportant one, rating one half as important as the attractiveness of the area. Table 1.7 indicates the scores for each of these factors, as judged by the company's senior management. What would you advise the company to do?

Table 1.7 The scores for each factor in the location decision as judged by the company's senior management

	Location A	Location B
Access	4	6
Expansion	6	5
Attractiveness (area)	10	6
Skills supply	5	7
Suitability of buildings	8	7
Attractiveness of buildings	4	6

- 2 A company which assembles garden furniture obtains its components from three suppliers. Supplier A provides all the boxes and packaging material; supplier B provides all metal components; and supplier C provides all plastic components. Supplier A sends one truckload of the materials per week to the factory and is located at the position (1,1) on a grid reference which covers the local area. Supplier B sends four truckloads of components per week to the factory and is located at point (2,3) on the grid. Supplier C sends three truckloads of components per week to the factory and is located at point (4,3) on the grid. After assembly, all the products are sent to a warehouse which is located at point (5,1) on the grid. Assuming there is little or no waste generated in the process, where should the company locate its factory so as to minimize transportation costs? Assume that transportation costs are directly proportional to the number of truckloads of parts, or finished goods, transported per week.
- 3 A rapid-response maintenance company serves its customers who are located in four industrial estates. Estate A has 15 customers and is located at grid reference (5,7). Estate B has 20 customers and is located at grid reference (6,3). Estate C has 15 customers and is located at grid reference (10,2) but these customers are twice as likely to require service as the company's other customers. Estate D has 10 customers and is located at grid reference (12,3). At what grid reference should the company be looking to find a suitable location for its service centre?