Marketing Strategic Change in Expansion of Disneyland:
Cases Study of Disneyland’s Overseas Expansion in Shanghai

Master Thesis in Business Administration
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Abstract

Problem: The international theme park industry is growing but is also facing a series of bottleneck problems. Disneyland as one of the most famous theme parks, is trying to expand its kingdom to China. With the success and failure of the three previous oversea Disneyland, marketing strategic changes are becoming crucial and critical in the expansion of theme parks. Recognizing the elements that lead to strategic changes and generate proper strategies are preconditions of any successful expansion of theme parks, especially to Shanghai Disneyland.

Purpose: The purpose of this thesis is to identify the main factors affecting Shanghai Disneyland’s marketing strategic changes. Through the empirical study, we are going to describe the strategic changes made in all oversea Disneyland and try to identify “the main drivers and motivations of strategic change for the future Shanghai Disneyland”.

Method: In this thesis we have adopted the case study approach. Disneyland is one of the most famous theme parks over the world. The data was collected with the help of open ended interviews from high-level managers to ordinary employees in different Disneyland.

Results: Disneyland is a successful example in its efforts to expand overseas. However, Paris Disneyland and Hong Kong Disneyland are not as profitable as expected. In the year 2012, Shanghai Disneyland is going to open. Based on the analysis of strategic changes Disney made in Tokyo, Paris, Hong Kong and Shanghai, authors will get the main drivers and motivations for these strategic changes.
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1 Introduction

In the introduction chapter, the background related to the subject is presented firstly; problems which will be researched in this thesis are explained secondly, as well as the purpose is followed.

1.1 Background

Theme park presented a radical refinement and departure from the traditions of the amusement park. (Margaret, 2004) According to Tourism Research and Marketing (TRM, 1995), historically, marking a precise definition of the concept of theme park has been avoided due to the existence of multiple similar formats that hinder such a task. By now, many definitions that have been made are incomplete or inaccurate. In our thesis, we will try to form a comparatively objective overview of modern theme park through specific cases study.

The first theme park, Disneyland, was built in the year 1955 in Los Angeles, USA. The fancy world of cartons absorbed hundreds of millions of customers every year. Following Disneyland’s great success, theme parks were like mushrooms after the rain. In past decades, the theme park industry had undergone remarkable expansion worldwide (S. Anton Clavé, 2007). However, with the rapid growth of the number of theme parks, competition of theme parks is also growing. Given an increasing number of parks and the expanding of their activities, the survival of theme park has become a serious problem. In Europe, the theme park business keeps on declining due to a graying population, visitors that demand higher quality and visitors that are more thoughtful and discriminating about how the available resources of free time and disposable income are used (Kemperman, 2000). The 2008 economic crisis drove theme parks in Western Europe to reach its saturation point and the parks have to cater for visitors who are getting more and more experienced and demanding. Under the harsh environment, most theme parks are considering remarkable strategic changes to regain customers.

The data from Economics Research Associates (ERA, 2003) showed that in 2005 there were 362 theme parks in the world. They are mainly located in Asia (35%) and the USA and Canada (31%). However, by 2009, the population of China is 1,331 millions and USA has 307 millions. (PRB, 2009), which means theme parks in Asia, especially in China, still have a good prospect.

China is a country, which has attracted an enormous amount of foreign investment and international trade from a large number of foreign countries from all over the world. (Michella, Staffan & Annina, 2006) From being a poor country in the 1970s China has developed into being on its way to become one of the economic super-powers of the world (Selmer, 1998). According to Lieberthal & Lieberthal (2003) on average, China’s real GDP has grown with about 9% a year since 1978; this is an aggregate increase of approximately 700%. The growth of foreign trade has a yearly average of approximately 15% during the same period, which make a total of more than 2,700%. Since 1978, thanks to the reform and opening-up policy, a group of foreign companies invested in Chinese market. By now, 30 years after, we can see their success. For example, Nokia established
trade relations with China in the 1950s. In 1985, Nokia set up its first office in Beijing, kicking off its development in China for the first stage. In the mid-1990s, Nokia set up its joint venture in China to localize its production and developed it into the global manufacture centre for its business around the world. In the new century, Nokia enhances its cooperation with China in the latest telecommunication technology, and deepened its participation in the development of China's information industry. It is also taking efforts to develop its Chinese establishment into the global personnel base for Nokia. (CRI online)

In Chinese entertainment industry, experts also hold the positive point of view. Global accounting firm PricewaterhouseCoopers forecasts, “China’s entertainment and media industries will see a 25.2 percent compound annual growth rate through 2009, and surpass Japan to become No.1 in Asia in 18 months.” (Jeremy Goldkorn, 2005)

Disneyland is also taking part in the gold rush in Chinese entertainment. The sixth Disneyland is going to open in Shanghai in the year 2012. Shanghai, as we known, is fast developing nowadays. It has become one of the largest international cities. This city presented the economics liftoff of China. As people’s living standard rises, they ask for high-quality entertaining activities. For Disneyland, it is a good chance to enter Shanghai with its world famous brand. As an increasing number of foreign companies are establishing in China today, they are faced with the problem of how to reach the Chinese consumer. The same problem also exists between American Mickey Mouse and Chinese people. Since the culture difference always exists between China and western countries, some relevant strategic changes are unavoidable when Disneyland comes into Chinese market. Thus, Chinese people are willing to accept their exotic entertaining products.

A successful global expansion is not a simple duplication of the original version. By now, there are five Disneyland located in California, Florida, Tokyo, Paris and Hong Kong. During Disneyland’s global expansion, they made success as well as failures. Take the three oversea Disneyland, Tokyo Disneyland proved to be a great success, while France and Hong Kong Disneyland keep on losing money. (SMG, 2009) The reasons are various both from outside and from Disneyland itself. Walt Disney Company has international strategies for each Disneyland theme park, but not all of them are successful. In this thesis, authors will study the Walt Disney Company’s specific marketing strategies for each Disneyland theme park home and abroad. Based on the success and failure of the strategies of the previous three oversea Disneyland, authors want to find out the main elements affecting strategic changes in theme park industry and study Shanghai Disneyland’s strategic changes according to the characteristics of Chinese entertaining market.

In this thesis, authors will focus on marketing strategic change in Disneyland, but not strategies which will be used, because there must be some reason to change original successful strategies used in US or other countries. What’s more, as one of the most aspects in top management, marketing strategies affect directly the profit and development of a company. For Shanghai Disneyland, marketing is also one of biggest problems; Since Chinese market is different from US, Japan and Europe. If Shanghai Disneyland would like to reach Chinese market like other successful theme parks, it should realize Chinese market clearly. Thus successful marketing strategies can be applied in Shanghai. In this case, in the following whole thesis, when authors mention strategies or strategic changes, we mean marketing strategies or marketing strategic changes in most of time.
This thesis will apply several relative strategic theories and framework to analyze the empirical study. Firstly, authors will present clearly what strategy is. It is an important step before strategic change. Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations. Strategic change is defined as the process of “changes in the content of a firm’s strategy as defined by its scope, resource deployments competitive advantage, and synergy”. (Höfer & Schendel, 1978) Secondly, The PESTEL framework is used to analyze macro-environment. Disneyland was successful in US, which are because, the environment in US can accept Disneyland, but we are not sure whether Chinese market will accept this US culture. That’s why authors need this PESTEL framework to be a guide when we are analyzing Chinese macro-environment. The following framework is Porter’s five forces framework, which is used to analyze the attractiveness of industries or sectors. Thirdly, authors apply CAGE framework for analyzing market characteristics. When Disneyland goes into Chinese market, it will face a totally different market from USA. It is necessary to realize Chinese market characteristics. Lastly, there are four types of strategic change: adaptation, reconstruction, revolution and evolution. Also changes might require different approaches: time, scope, preservation, diversity, capability, capacity, readiness and power. Many elements have to be under consideration when thinking about strategic changes. Take culture for example, Europe Disney’s attempt to replicate the success of the Disney theme parks in the USA was termed “cultural imperialism” in the French media and has experienced difficulties, which resulted in a decline in visitors of 0.3% a year between 1999 and 2005. Assuredly, the same situation will occur in Shanghai Disneyland. In a comparatively new market of China, the marketing strategic changes of the old-brand Disneyland are going to attract great attention in the global entertaining industry.

1.2 Research Questions

Depending upon the problem authors have defined, one research question which is as follows,

*What are the main drivers and motivations of strategic changes for Shanghai Disneyland?*

1.3 Purpose

The purpose of this thesis is to identify the main factors affecting the strategic change of Shanghai Disneyland in marketing function. Through the empirical study, authors are going to describe the strategic changes made in all oversea Disneyland and try to identify “the main drivers and motivations of strategic change for the future Shanghai Disneyland”.

1.4 Outline of Thesis

In order to provide an overview of the structure of the thesis, authors briefly introduce each chapter as following.

**Chapter 1 “Introduction”**
This chapter provides the background that familiarizes the reader to the subject. The thesis’s research problem is formulated and defined, and followed by purpose. Authors gave a description of the previous theoretical researches. Furthermore, authors introduced general information about the industry and market of theme park, especially Chinese market.

**Chapter 2 “Theoretical Framework”**

This chapter will present a theoretical review on the current literature on strategies and strategic change, as well as frameworks that has been chosen as a base for the empirical study.

**Chapter 3 “Methodology”**

This chapter will present an explanation of the method chose and used for the research. Then authors introduce how the information and data has been collected to fulfill the purpose.

**Chapter 4 “Empirical Study on Chinese Theme Park Market and Disney Cases”**

Authors presented Chinese theme park market in this chapter, which is important data prepared for next chapter “analysis”. The second part of this chapter is about the interview result of Disney Cases. Authors introduced the general situation and development of three oversea Disney. Also, the most important part is about marketing strategies are used or to be used in those Disney.

**Chapter 5 “Analysis”**

This chapter demonstrated the retrieved empirical findings. The theoretical framework of chapter 2 helps to analyze and compare the results between different Disneyland; the methodology part (chapter 3) is served as a base for conducting the study.

**Chapter 6 “Conclusions”**

The chapter presents the results of this study. Readers will realized which aspects will affect the marketing strategic changes in Shanghai Disneyland. Meanwhile, authors suggest future research in the same field.
2 Theoretical framework

This chapter will present a theoretical review on the current literature on strategies and strategic change, as well as frameworks that has been chosen as a base of empirical study.

Strategy as a subject of study has come a long way in the fifty or so years it has existed. (Gerry, Kevan & Richard, 2008) Thus, a large number of models have been presented during the years to facilitate strategic choices and strategic change. In next several years, Walt Disney Company will open their 6th Disneyland theme park in Shanghai, China. The situation Walt Disney Company will face is a totally different market from western countries and a group of Asian customers. Although it had successful experience in Japan, it still needs to consider more about Chinese market, which is somehow different from Japanese market.

To analyze Chinese mainland market, and why some certain strategies will be changed, one or more framework will be referenced. Firstly, the definition of strategy is introduced. From thousands of definitions of strategy, author will take Mintzberg (1987)’s “five ps” as a guide. Secondly, when top managers start to develop strategies, usually they would follow three different points of view, the competitive forces view, the strategic conflict view and resource-based view. Here, author will just briefly introduce what the three different points of view are, so it helps authors to analyze Shanghai Disneyland standing which one of these. Thirdly, author will bring out PESTEL framework and Porter’s five forces framework to analyze the macro environment which Disneyland will enter into and strategic position in an industry. Then due to our empirical study, Disneyland go into Chinese market which must be some certain distance from US market, authors will introduce CAGE framework to analyze the differences between two markets. Last but not least, authors will introduce marketing strategy, because this thesis will focus on the strategic change on marking function. Lastly, some theory of strategic change will be provided, although author will not research when and how the strategies will be changed in Shanghai Disneyland. In order to analyze why the strategies is changed, it is necessary to study what is strategic change and some relative theory, but here authors think it is not necessary to dig it deep, it can be left for future studies.

2.1 Definition of strategy

The word strategy has been around for a long time. Managers now use it both freely and fond. For this reason, many scholars studied strategy for about two decades. (Henry, Bruce, & Joseph, 2005) From the view of “top managers”, Wright (1992) provided the strategy is top management’s plan to attain outcomes consistent with the organization’s missions and goals. However, Alexander & Campbell (1997) see strategy as a tool that a company uses to reach the universal objective of all firms: to develop and to sustain competitive advantage. Hawawini, Subramanian & Verdin (2003) presented the strategy was about positioning: finding spots in the market where competition was at a low level, whether it was with a low-cost advantage or a differentiation advantage. In our text book, Strategy is the direction and scope of an organization over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations. (Gerry, Kevan & Richard, 2008)
Mintzberg (1987) mentioned the field of strategic management cannot afford to rely on a single definition of strategy, indeed the word has long been used implicitly in different ways even if it has traditionally been defined formally in only one. So he presents five definitions of strategy---as plan, ploy, pattern, position, and perspective---and considers some of their interrelationships. The following is explanations by Mintzberg (1987) of 5ps.

Strategy is a **plan**---some sort of consciously intended course of action, a guideline (or set of guidelines) to deal with a situation. By this definition, strategies have two essential characteristics: they are made in advance of the actions to which they apply, and they are developed consciously and purposefully. Strategy as a plan will be recorded into company’s formal documents; obviously, some of them are secret and controlled by top managers. (MBA lib)

As plan, a strategy can be a **ploy** really just a specific “maneuver” intended to outwit an opponent or competitor. For example, a clothes design company published that they will have a new collection, but indeed not; its competitor may be threatened if they are going to have a new collection. Then its competitor will think about to public the new collection later. Here the real strategy (as plan, that is, the real intention) is the threat, not the expansion itself, and as such is a ploy.

Organizations develop plans for their future and they also evolve **patterns** out of their past. Pattern is realized strategy; however, plan is intended strategy (Henry, Bruce, & Joseph, 2005). Whether as general plans or specific ploys, strategies is intended, so we need a definition that encompasses the resulting behavior. Strategy is a pattern - specifically, a pattern in a stream of actions. Strategy is consistency in behavior, whether or not intended. The definitions of strategy as plan and pattern can be quite independent of one another: plans may go unrealized, while patterns may appear without preconception. Plans are intended strategy, whereas patterns are realized strategy; from this we can distinguish deliberate strategies, where intentions that existed previously were realized, and emergent strategies where patterns developed in the absence of intentions, or despite them.

The fourth definition is that strategy is a **position**---specifically, a means of locating an organization in what organization theorists like to call an “environment.” By this definition, strategy becomes the mediating force between organization and environment, that is, between the internal and the external context. Note that this definition of strategy can be compatible with either (or all) of the preceding ones: a position can be preselected and aspired to through a plan (or ploy) and/or it can be reached, perhaps even found, through a pattern of behavior. As a position, strategy can dispose company’s recourse according to environment, so that, company will get powerful competitiveness.

While the fourth definition of strategy looks out, seeking to locate the organization in the external environment, the fifth looks inside the organization, indeed inside the heads of the collective strategist. Here, strategy is a **perspective**, its content consisting not just of a chosen position, but of an ingrained way of perceiving the world. This fifth definition suggests above all that strategy is a concept. This has one important implication, namely, that all strategies are abstractions which exist only in the minds of interested parties---
those who pursue them, are influenced by that pursuit, or care to observe others doing so.

Mintzberg says that one perspective does not rule out another in this model. They are all useful in a sense of adding width to the concept of strategy and to create a discussion around it. Meanwhile, they can be seen both as complements and alternatives to each other. (Mattias & Daniel, 2005)

2.2 Strategy developing

By now, we have already made a clear view of the definition of strategy, and then we need to know how to develop a successful strategy. Since Shanghai Disneyland will change its strategies, it is better for us to know how the new strategies are developed, and then it is easier to analyze this action.

However, while there seems to be an endless amount of theories regarding strategy there are only three different groups of models that are really applicable to reality. (Teece, Pisano & Shuen, 1997) These are the competitive forces view, the strategic conflict view and the resource-based view.

The competitive forces view promotes that it is essential for a company to understand the environment since it is the industry that sets the rules of the competitive game on market. The environment with its competition gives a company a choice of strategies that can be used to create a position that is superior to the one of the competitors. (Burnes, 1996) Michael E. Porter holds this perspective. Porter claims that there are three competitive forces for a company: low-cost, differentiation, and specialization. This point of view is based on Porter’s five forces framework, which will be introduced in the following sections.

The strategic conflict view presents a company’s strategic actions will influence a whole market environment, since every action made by the company leads to different actions taken by competitors. (Teece, Pisano & Shuen, 1997)

The last view, resource-based view, sets focus on the internal resources in a company and puts the internal management as determinant of a company’s performance. (Teece, Pisano & Shuen, 1997)

2.3 The PESTEL framework

2.3.1 Global marketing environment

Global marketing environment is defined as those variables, largely out of the organization’s control but which it must account for, within which it conducts its business globally. (Kiefer & Steve, 2005)

Kiefer and Steve (2005) also argued the global marketing environment comprises the intermediate environment and the macro environment. In this section, authors mainly focus on macro environment. The macro environment is made up of those factors which are generally uncontrollable, for example cultural and economic factors. Thus PESTEL framework is introduced.
2.3.2 Introduction of PESTEL framework

A company’s strategies or strategic change should base on its strategic position. The strategic position is concerned with identifying the impact on strategy of the external environment, an organization’s strategic capability (resources and competences) and the expectations and influence of stakeholders. (Gerry, Kevan & Richard, 2008) The PESTEL framework helps managers to understand the strategic position of an organization in a macro-environment.

PESTEL framework can be used to identify how future trends in the political, economic, social, technological, environmental (“green”) and legal environments might impinge on organizations. The PESTEL framework provides a comprehensive list of influences on the possible success or failure of particular strategies. The PESTEL framework categorizes environmental influences into six main types: political, economic, social, technological, environmental and legal. Politics highlights the role of governments; Economics refers to macro-economic factors such as exchange rates, business cycles and differential economic growth rates around the world; Social influences include changing cultures and demographics, for example ageing populations in many western societies; Technological influences refer to innovations such as the Internet, nanotechnology or the rise of new composite materials; Environmental stands specifically for ‘green’ issues, such as pollution and waste; and finally Legal embraces legislative constraints or changes, such as health and safety legislation or restrictions on company mergers and acquisitions. (Gerry, Kevan & Richard, 2008)

2.3.3 The importance of accounting for the global environment

According to the competitive forces view, realizing environment clearly is necessary for a company to develop strategies; also, it is important to authors to analyze strategic change. Industrial environment is changing all the time, the competitive forces of an organization can be influenced by macro-environment. Proponents claim that the industry sets the rules of the competitive game and indirectly therefore influence the range of strategies available to the competitors (Burnes, 1996)

There are numerous reasons for taking the marketing environmental factors into account. These include the following:

- Reduces risk of failure;
- Isolates the most important environmental variables to concentrate on those which need little or no attention;
- Aids international/global strategy planning decision-making;
- Aids decision-making on strategy implementation, which markets to enter and the appropriate marketing mix, hence saving time and money;
- Enables potential global businesses to assess the risk of conducting business between and within different countries.

2.3.4 Review of PESTEL framework

A number of checklists have been developed as ways of cataloguing the vast number of possible issues that might affect an industry. A PEST analysis is one of them, merely a framework that categorizes environmental influences as political, economic, social and technological forces. Sometimes, two additional factors environmental and legal will be
added to make a PESTEL analysis … (Byars, 1991; Cooper, 2000). However, some studies don’t need all the elements to analyze. PESTEL framework varies to PEST, PEST-E, SLEPT and others as such (Kotler & Armstrong, 2004).

When a company decided to enter its business operations into new markets and new countries, it is necessary to analyze the macro-environment. As Tsiakkiros (2002) claims, the radical and ongoing changes occurring in society create an uncertain environment and have an impact on the function of the whole organization. In analyzing the macro-environment, it is important to identify the factors that might in turn affect a number of vital variables that are likely to influence the organization’s supply and demand levels and its cost (Kotter & Schlesinger, 1991; Johnson and Scholes, 1993). Thus PESTEL framework is used to analyze the macro-environment. The use of PEST analysis can be seen effective for business and strategic planning, marketing planning, business and product development and research reports. PEST also ensures that company’s performance is aligned positively with the powerful forces of change that are affecting business environment. (Porter, 1985) Also, Kotler (1998) claims that PEST analysis is useful strategic tool for understanding market growth or decline, business position, potential and direction for operations.

- **Advantages of PEST**
  - Simple and only costs time to do.
  - Provides an understanding of the wider business environment.
  - Encourages the development of strategic thinking.
  - May raise awareness of threats to a project.
  - Can help an organization to anticipate future difficulties and take action to avoid or minimize their effect.
  - Can help an organization to spot opportunities and exploit them.

- **Disadvantages of PEST**
  - Usually a simple list and not critically presented.
  - The rapid pace of change in society makes it increasingly difficult to anticipate developments that may affect an organization in the future.
  - Collecting large amounts of information may make it difficult to see the wood for the trees and lead to "paralysis by analysis."
  - The analysis may be based on assumptions that prove to be unfounded.
  - PEST analysis only covers the external environment and the results need to be considered in conjunction with other factors, such as the organization itself, competitors and the industry in which it is operating. (Duncan)
2.4 Porter’s five forces framework

Following macro-environmental analysis, the industry itself should be concerned. An industry is a group of firms producing the same principal product or service (Porter, 1980). Porter’s five forces model was first published in the Harvard Business Review in 1979. The model considers the competition within a line of business and how this competition is meeting.

Michael (1980) further described deeper, the nature and degree of competition in an industry hinge on five forces: the threat of new entrants, the bargaining power of customers, the bargaining power of suppliers, the threat of substitute products or services (where applicable), and the jockeying among current contestants. (See Figure 1) To establish a strategic agenda for dealing with these contending currents and to grow despite them, a company must understand how they work in its industry and how they affect the company in its particular situation.

Figure 1-The five forces framework (Porter, 1980)

2.4.1 Competition within the industry

Standing the centre of the five forces, the rivalry among competitors is diversity and intensely. Porter (1980) classified some commonly used factors:

- Number of and diversification between competitors
The more companies that compete for a customer, the more competition there is (Karl & Christoffer, 2006).

- **Product differentiation**
  Competition within an industry is not only affected by the number of competing companies, but also by how similar they offered products are. The more similar they offered products or services are, the more competition exists between companies (Karl & Christoffer, 2006).

- **Low switching costs**
  The easier it is for a customer to switch from one product/service to another, the wider the market gets (Karl & Christoffer, 2006). Customers can choose a new product or service freely with little cost. Thus, competition within an industry increases.

### 2.4.2 Threat of new entrants

New entrants to an industry bring new capacity, the desire to gain market share and, often, substantial resources (Michael, 1980). The entrenched companies, of course, will be threaded by new entrants, so before it will be affected from harmful side, it must take some reactions which are barriers to entry to new entrants. The seriousness of the threat of entry depends on the barriers present and on the reaction from existing competitors that the entrant can expect. If barriers to entry are high and a newcomer can expect sharp retaliation from the entrenched competitors, obviously he will not pose a serious threat of entering (Michael, 1980).

Threat of entry depends on the extent and height of barriers to entry. Apparently, the higher barriers to entry, the more competitors are there. In another words, more competitors means more profits (See table 1). For an organization, to entry into an industry, it is necessary to weight whether it is profitable to pay the cost of barriers.

<table>
<thead>
<tr>
<th>Exit Barriers</th>
<th>Low</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low Barriers</td>
<td>Low, stable returns</td>
<td>Low, risky returns</td>
</tr>
<tr>
<td>High Barriers</td>
<td>High, stable returns</td>
<td>High, risky returns</td>
</tr>
</tbody>
</table>

There are six major sources of barriers to entry: (Michael, 1980)

- **Economies of scale.** These economies deter entry forcing the aspirant either to come in on a large scale or to accept a cost disadvantage. Some companies entered into industry earlier usually enlarge scale of economies in production, research and devel-
oping, marketing, and service to cut down cost of each product. Thus they have a stronger pricing competitive force than the companies who entry later and who don’t have strong financial support to enlarge scale economies in a short time.

- **Product differentiation.** Brand identification creates a barrier by forcing entrants to spend heavily to overcome customer loyalty. Advertising, customer service, being first in the industry, and product differences are among the factors fostering brand identification.

- **Capital requirements.** The need to invest large financial resources in order to compete creates a barrier to entry, particularly if the capital is required for unrecoverable expenditures in up-front advertising or R&D. Capital is necessary not only for fixed facilities but also for customer credit, inventories, and absorbing start-up losses. Some companies can’t avoid huge capital requirement for starting-up, such as theme park.

- **Cost disadvantages independent of size.** Entrenched companies may have cost advantages not available to potential rivals, no matter what their size and attainable economies of scale. These advantages can stem from the effects of the learning curve (and of its first cousin, the experience curve), proprietary technology, access to the best raw materials sources, assets purchased at good prices, government subsidies, or favorable locations. To a new entrant it takes time and cost to reach these advantages.

- **Access to distribution channels.** As an industry developing intensively, many supply or distribution channels have been controlled over by previous entrants. Porter argued the more limited the wholesale or retail channels are and the more existing competitors have these tied up, the tougher entry into the industry will be. Sometimes this barrier is so high that, to surmount it, a new contestant must create its own distribution channels, as Timex did in the watch industry in the 1950s.

- **Government policy.** The government can limit or even foreclose entry to industries with such controls as license requirements and limits on access to raw materials. Especially to a foreign company, government prefers to protect local companies, so that it may create higher barriers to a new entry foreign company.

### 2.4.3 Threat of substitutes

Substitutes are products or services that offer a similar benefit to an industry’s products or services, but by a different process. It can reduce demand for a particular ‘class’ of products as customers switch to the alternatives (Gerry, Kevan & Richard, 2008).

Managers put most of their time on the competitive advantage, but they neglect the threat of substitutes. There are two important points to beat in mind about substitutes:

- **The price/performance ratio is critical to substitution threats.** Nowadays, with raising quality of life, price is not the first thing people will consider when purchasing. They care more about quality and performance of products and services. By placing a ceiling on prices it can charge, substitute products or services limit the potential of an industry. Unless it can upgrade the quality of the product or differentiate it somehow (as via marketing), the industry will suffer in earnings and possibly in growth (Michael, 1980).

- **Extra-industry effects are the core of the substitution concept.** Manager should not only focus on their own industry, but also follow new information from other industries to prevent the threat of substitutes. (Gerry, Kevan & Richard, 2008)
2.4.4 Bargaining power of buyers

Buyers are the organization’s immediate customers, not necessarily the ultimate consumers. (Gerry, Kevan & Richard, 2008) We had experience that the stronger bargaining power of buyers, the less profit the producers will attain. Here, a company may be a supplier in one industry, but it may be a buyer in another industry, which means there are not subjective buyers and suppliers. However, in one industry, a company plays one role, either buyers or suppliers. Buyers likewise can force down prices, demand higher quality or more service, and play competitors off against each other—all at the expense of industry profits. (Michael, 1980)

Buyer power is likely to be high when some of the following conditions prevail:

- **Concentrated buyers and large-volumes buyers.** The bargaining between concentrated buyers or large-volumes buyers and suppliers cut off the profit of products or services, which mainly attain from variable costs, in condition of the industry of heavy fixed costs. In other words, the larger volumes suppliers sell, the less profit he will get.
- **Low switching costs.** Where buyers can easily switch between one supplier and another, they have strong negotiating position and can squeeze suppliers who are desperate for their business. Buyers sure that they can always find alternative suppliers with little cost.
- **Buyer competition threat.** Buyers do not depend on supplier’s special facilities, but they can also develop their own (Gerry, Kevan & Richard, 2008). Unfortunately sometimes the special facilities take the main cost of suppliers, but buyers are willing to purchase selectively to save more money.

Consumers tend to be more prices sensitive if they are purchasing products that are undifferentiated, expensive relative to their incomes and of a sort where quality is not particularly important (Michael, 1980).

2.4.5 Bargaining power of suppliers

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).

Supplier power is likely to be high where there are:

- **Concentrated suppliers.** Only a few companies offer the products or services. Buyers do not have many choices; suppliers of course can rise up price.
- **High switching cost.** It doesn’t allow buyers to switch between one supplier or another. The products or a service is unique but popular among buyers. Sometimes, a company cooperates with a supplier many years in one industry, where good relationship was built up. If the company changes a supplier, it takes more time and cost to switch.
- **Supplier competition threat.** Suppliers’ control some facilities that others don’t know (Gerry, Kevan & Richard, 2008).
2.4.6 Positioning the company

Porter’s five forces framework helps strategists to position the company in an industry based on the existing competition. The first approach takes the structure of the industry as given and matches the company’s strengths and weaknesses to it. Strategy can be viewed as building defences against the competitive forces or as finding positions in the industry where the forces are weakest (Michael, 1980).

2.4.7 Review of Porter’s five forces framework

Porter’s five forces framework emphasizes the importance to choose the optimal position in the line of business based on the existing competition. The model further emphasizes that the company or organization needs to widen the competition concept and not only include the competition within the industry, between companies, but also include the variables suppliers, customers, substitutes and threat of new entrants (Karl & Christoff, 2006).

Michael Porter’s five force framework is used to understand what the attractiveness of particular industries or sectors are and where potential threats from the set of competitors lie. Awareness of these forces can help a company stake out a position in its industry that is less vulnerable to attack (Michael, 1980).

🔹 Advantage

Porter’s five forces framework describes the state of competition in an industry. These forces assist in identifying the presence or absence of potential high returns. The weaker are Porter’s five forces, the greater is the opportunity for firms in an industry to experience superior profitability (Fathi, 2009). By analyzing these forces influence in an industry, managers can make clear the position of organization and make an effective strategic decision in its specific position. The model is easy to use at the same time as it gives the company a powerful tool to understand the line of business it operates in (Grant, 1995).

Porter (1980) brings up three strategic questions:

- Identify key success factors--- these factors are the key to success and thus also survival.
- Predict the profitability in the line of business and thus knowing where and how much to invest and how much the company has to diversity itself from the competition.
- To identify if the company can influence the line of business it operates in to minimize the competition and maximizing the own profitability.

Porter’s five forces framework can help to answer these strategic questions.

🔹 Disadvantage

The model is too static---the company forms the industry it operates in, the industry is thus under constant change and no equilibrium can thus ever be achieved. Porter’s five forces model is too static and that it does not take into account the fact that the environment the company operates in is under constant change. (Grant, 1995)
The model is too simple—it only looks at the relationship between the buyer and the seller (Frankelius, 2001).

Other factors exist—other factors exist in the companies’ environment that have great influence on the company and thus are more important to identify and observe (Frankelius & Rosén, 1993).

2.5 Market difference---CAGE framework

2.5.1 Introduction of CAGE framework

Since this thesis focus on strategic change in marketing function, it is necessary to analyze the differences between new market and original one to see if there is some influence to strategic change from marketing distance problem. The larger the distance between the countries, the greater the uncertainty and the costs firms will face in overcoming and integrating these distances will be (Shavin, Sivakumar & PengCheng, 2009). Market uncertainty is often described as a perceptual phenomenon derived from the inability to assign probabilities to future event, a lack of information about the cause and effect relationship and the inability to predict the outcome of a decision (Milliken, 1987; Miller and Shamsie, 1999). More specifically, Robert & Michael (2001) defined market uncertainty as the state of not knowing or a lack of knowledge about the future direction of a given market.

A company, especially, a foreign company who will enter into a new market must face market uncertainty. For example, advertisement, target group and pricing. Usually these market uncertainties come from the foreign companies are not familiar with the local market, which is market differences. However, distance between two countries can manifest itself along four basic dimensions: cultural, administrative, geographic, and economic (Ghemwat, 2001). Ghemawat (2001) offers a ‘CAGE framework’, which helps managers identify and assess the impact of distance on various industries. (See Table 2) The upper portion of the table lists the key attributes underlying the four dimensions of distance. The lower portion shows how they affect different products and industries.
<table>
<thead>
<tr>
<th>Cultural Distance</th>
<th>Administrative Distance</th>
<th>Geographic Distance</th>
<th>Economic Distance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Different languages</td>
<td>Absence of colonial ties</td>
<td>Physical remoteness</td>
<td>Differences in consumer incomes</td>
</tr>
<tr>
<td>Different ethnicities; lack of connective ethnic or social networks</td>
<td>Absence of shared monetary or political association</td>
<td>Lack of a common border</td>
<td>Differences in cost and quality of:</td>
</tr>
<tr>
<td>Different religions</td>
<td>Political hostility</td>
<td>Lack of see or river access</td>
<td>- Natural resources</td>
</tr>
<tr>
<td>Different social norms</td>
<td>Government policies</td>
<td>Size of country</td>
<td>- Financial resources</td>
</tr>
<tr>
<td></td>
<td>Institutional weakness</td>
<td>Weak transportation or communication links</td>
<td>- Human resources</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Infrastructure</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Intermediate inputs</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Information or knowledge</td>
</tr>
<tr>
<td>Products have high linguistic content (TV)</td>
<td>Government involvement is high in industries that are:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industries or products affected by distance</td>
<td>- Producers of staple goods (electricity)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Producers of other “entitlements” (drugs)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Large employers (farming)</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>- Large suppliers to government (mass transportation)</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>- National champions (aerospace)</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>- Vital to national security (telecommunications)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Exploiters of natural resources (oil, mining)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Subject to high sunk costs (infrastructure)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Products affect cultural or national identity of consumers (foods)</td>
<td>Products have a low value-to-weight or bulk ratio (cement)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Products are fragile or perishable (glass, fruit)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Products carry country specific quality associations (wines)</td>
<td>Nature of demand varies with income level (cars)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product features vary in terms of:</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>- Economies of standardization or scale are important (mobile phones)</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>- Labor and other factor cost differences are salient (garments)</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td>- Local supervision and operational requirements are high (many services)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Distribution or business systems are different (insurance)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Companies need to be responsive and agile (home appliances)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2.5.2 Review of CAGE framework

In the past several years, scholars used to apply cultural and geographic measure to illustrate international difference. These useful studies cannot be denied; however, thinking deeper, we can find that they do not offer a comprehensive and more insightful perspective of different types of inter-country distances; therefore, they may overemphasize the importance of geographic and cultural distances in their models. (Mitra and Golder, 2002; Ojala and Tyrvainen, 2007) Frankel and Rose (2002), based on a large data of economic and geographic variables for over 200 countries, found that while a 1% increase in inter-country physical distance decreases international trade by 1.1%, a common currency and a common membership in a trading block increases trade between countries by as much as 340% and 330% respectively. Other distance factors may even be more important than geographic distance. Thus, Ghemawat (2001) provides CAGE framework is relative comprehensive.

CAGE framework can be used to measure the differences between countries and to help users understand which differences matter the most in their particular industry. The types of distance influence different businesses in different ways (Ghemawat, 2001). The CAGE framework can also be used to accomplish specific objectives, namely: making differences more visible, understanding the liability of being a foreign entity in a local market, comparing foreign competitors, comparing markets, and assessing markets taking into account the impact of distance(Ellen).

2.6 Marketing strategy

“Marketing is merely a civilized form of warfare in which most bottles are won with words, ideas, and disciplined thinking.”

-------Albert W. Emery

Since this thesis will focus on strategic change in marketing function mainly, authors introduce what marketing strategy is as a part of theoretical framework. American Marketing Association defined what marketing is in 1985. Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchange and satisfy individual and organizational objectives (AMA, 1985). In its strategic role, marketing focuses on a business’s intentions in a market and the means and timing of realization those intentions. Within a given environment, marketing strategy deals essentially with the interplay of three forces known as the strategic three Cs: the customer the competition, and the corporation. Marketing strategies focus on ways in which the corporation can differentiate itself effectively from its competitors, capitalizing on its distinctive strengths to deliver better value to its customers. (See Figure 2) (Subhash, 1999)
Figure 2---Key Elements of Marketing Strategy Formulation (Subhash, 1999)

Three Cs which form the marketing strategy triangle are dynamic, living creatures with their own objectives to pursue. If what the customer wants does not match the needs of the corporation, the latter’s long-term viability may be at stake. Positive matching of the needs and objectives of customer and corporation is required for a lasting good relationship. But such matching is relative, and if the competition is able to offer a better match, the corporation will be at a disadvantage over time. In other words, the matching of needs between customer and corporation must not only be positive, it must be better or stronger than the match between the customer and the competitor. Marketing strategy, in terms of these three key constituents, must be defined as an endeavour by a corporation to differentiate itself positively from its competitors, using its relative corporate strengths to better satisfy customer needs in a given environmental setting (Subhash, 1999).
2.7 Strategic change

Strategic change is often considered as a necessity for companies to survive in a turbulent environment (Hamel & Prahalad, 1994). According to Nandini & Gretchen (1996), the literature on strategic change can be classified into two schools of thought. Researchers in the first school, the “content” school, have focused on the antecedents and consequences of strategic change, utilizing large samples and statistical methods (e.g., Gibbs, 1993; Ginsberg & Buchholtz, 1990; Oster, 1982). In contrast, researchers in the second school, the “process” school, have focused on the role of managers in the strategic change process, utilizing in-depth case studies spanning several years (e.g., Webb & Dawson, 1991; Whipp, Rosenfeld, & Pettigrew, 1989).

2.7.1 Definition of strategic change

Strategic change is defined as the process of “changes in the content of a firm’s strategy as defined by its scope, resource deployments, competitive advantage, and synergy” (Höfer and Schendel, 1978). Strategic change can also be defined as a difference in the form, quality, or state over time (Van de Ven & Poole, 1995) in an organization’s alignment with its external environment.

2.7.2 A theoretical framework of strategic change

Nandini & Gretchen (1996) provided a comprehensive review of the strategic change literature from the perspective of three theoretical lenses: the rational, learning, and cognitive lenses. The framework they worked out provided a more comprehensive understanding of strategic change than any perspective by itself, called a multi-lens framework (see figure 3).

Figure 3 --- Strategic Change: A Multi-Lens Framework
(Nandini & Gretchen, 1996)
In the rational lens perspective, changes in strategy must match the requirements of a firm’s external and internal context (Links 1&2) in order to be successful (Link 3). Thus, the rational lens perspective reflects a crucial aspect of the reality facing managers, namely, that changes in strategies must match the requirements of a firm’s environmental and organizational contexts in order to be successful. However, when changes in strategy do not match the requirements of the context or do not lead to positive organizational outcomes (economic and/or noneconomic) the rational lends perspective is of little help. … The cognitive lens perspective indicates that gaps between “objective reality” and managerial cognitions (Links 12 & 13) can result in firms choosing not to change their strategies and/or making inappropriate choices that may ultimately lead to organizational decline. These managerial cognitions form the theoretical basis for the managerial actions (Link 14) emphasized in the learning lens perspective. Furthermore, the learning lens perspective is used to identify the crucial role played by managerial actions in creating an organizational (Link 7) and environmental (Link 5) context, which is more conducive to the context of the firm’s new strategies (Link 8) and thus maximizes the likelihood that implementation of the strategic change is effective (Link 10). Although the rational lens perspective is used to link changes in the content of strategy alone to organizational outcomes (Link 3), we draw upon the learning and cognitive lens perspective to highlight that the effectiveness of such changes in the content of strategy may also depend on that environmental (Link 20) and organizational (Link 21) changes that precede or accompany changes in strategy. Finally, Nandini & Gretchen identified how managers learn during the strategic change process. Managerial learning occurs in a continuous reshaping of cognitions as changes in strategy are implemented (Link 16), as organizational outcomes begin to emerge (Link 17), and as managers make sense of the effects of their actions (e.g., bargaining, negotiating, and coalition building) (Link 15). These learning links are crucial because they not only affect outcomes during a discrete change process, but they also affect the future adaptive capability of organization. (Nandini & Gretchen, 1996)

### 2.7.3 Types of strategic change

According to Julia (2001), there are four main types of strategic change. Change can be classified by the extent of the change required, and the speed with which the change is to be achieved: the speed of change is about the way that change is implemented. It ranges across a continuum from an all-at-once, big bang type of change to a step-by-step, stage-by-stage incremental kind of change. The extent of the change required ranges across a spectrum from transformation to realignment. (See Table 3) (Julia, 2001)

<table>
<thead>
<tr>
<th>Speed of change</th>
<th>Extent of change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Incremental</td>
<td>Transformation</td>
</tr>
<tr>
<td>Evolution</td>
<td>Realignment</td>
</tr>
<tr>
<td>Big bang</td>
<td>Revolution</td>
</tr>
<tr>
<td></td>
<td>Reconstruction</td>
</tr>
</tbody>
</table>

**Table 3-Four types of strategic change (Julia, 2001)**

Combining these two axes suggests four types of strategic change:

- Adaptation is change that can be accommodated within the current culture and oc-
cur incrementally. It is the most common form of change in organizations.

- **Reconstruction** is change that may be rapid and involve a good deal of upheaval in an organization, but which does not fundamentally change the culture.
- **Revolution** is change that requires rapid and major strategic but also culture change. This could be in circumstances where the strategy has been so bounded by the existing culture that, even when environmental or competitive pressures might require fundamental change, the organization has failed to respond.
- **Evolution** is change in strategy that requires culture change, but over time. (Gerry, Kevan & Richard, 2008)

### 2.7.4 The importance of context

Following the theories of strategic change above, the implement of strategic change come. Johnson et al. provided top managers and readers the context of strategic change, which helped top managers and readers to realize when the change shall be started; what should be done or what should be avoided.

**Figure 4- The importance of context (Johnson et al., 2003)**

As we seen in the figure 4, the context of strategic change include time (how quickly change is needed?), scope (how much change is required?), preservation (what organizational resources and characteristics need to be maintained?), diversity (how homogeneous are the staff groups and divisions within the organization?), capability (what is the managerial and personal capability to implement change?), capacity (what is the degree of change resource available?), readiness (how ready for change is the workforce?), and power(what power does the change leader have to impose change?). (Gerry, Kevan & Richard, 2008)
Since this thesis focus on the influence of market change on strategic change, authors don’t have to dig deeper on the theory and the process of strategic change.

2.8 Theme park

“Sightseeing is substitute for religious ritual. The sightseeing tour as secular pilgrimage. Accumulation of grace by visiting the shrines of high culture. Souvenirs as relics. Guidebooks as devotional aids.”

--- David Lodge, 1991

“They are temples to modernity, our secular churches in which the values of play, health, fun, travel, leisure, and the American way are sanctified in a painless liturgy that draws together entertainment, information, and an effortless hint of instruction.”

--- B. J. Barber, 1996

“The aim of a theme park is to offer a unique experience to each of its effective consumers. This experience is constructed on the basis of the existence of tangible elements like attractions, shops and restaurants, service activities supplied by the staff of the park, each visitor’s own expectations, behavior and attitudes and a set of other factors that condition the experience at the time it takes place, ranging from the number of visitors at the part at the time it is visited by an individual consumer to the weather or characteristics of the place where the park is located and its accessibility.”

--- Clavé, 2007

2.8.1 Definition of theme park

In this chapter, authors will introduce the definition of theme park to the readers, in order to build an understanding on the subject in generally. To study the driving forces of strategic change in theme parks, it is needed to understand the definition of theme park.

Historically, marking a precise definition of the concept of theme park has been avoided due to the existence of multiple similar formats that hinder such a task. By now, many definitions that have been made are incomplete or inaccurate. In this thesis, authors are going to list several representative definitions of theme park and then to compare them, thus readers can build a comprehensive idea about definition of theme park.

The concept of themes is crucial to the operation of the parks. Pearce (1988) summarizes this by defining theme park as “extreme examples of capital intensive, highly developed, user-oriented, man-modified, recreational environment”. Theme park is a construction of virtual environment which has the purpose of meeting the diversified recreational needs of tourists. Theme park is different from natural landscape and historical heritage. It comes out of people’s mind and attracts tourists with its creativity and unique experience (Bao, 1994). Theme parks are expected to have different themes to create an environment of another place and time. Different themes are orchestrated by different architecture, landscape, rides, shows, food services, etc. (Kemperman, 2000). Margaret J. King (2004) states that theme park presented a radical refinement and departure from the traditions of the amusement park. The environment, architecture and landscaping of different section present different themes. A single themed attraction is not enough for a theme park.
2.8.2 Development of theme parks

The type of theme parks nowadays available to the public covers a wide variety of businesses ranging from the well known large scale theme or leisure parks with ‘whiter knuckle’ rides, to historic properties, museums and art galleries, religious sites, industrial plants, zoos, and wildlife parks. (Kemperman, 2000)

According to Kemperman, there are three different origins for the type of theme parks that are always available to the public: (1) parks that are updated versions of the old amusement parks; (2) commercial theme parks that are totally new leisure centers, specially designed by big businesses for the mass tourism market; and (3) historic parks or outdoor museums that have origins in the interests of conservation, preservation and public education groups.

Forerunners of theme parks were the amusement parks, which were developed at the beginning of 20th century and consisted of a mixture of entertainment, rides, games, and tests of skill provided at fairs, carnivals, circuses, and frequently they had an outdoor garden for drinking (Pearce, 1988). In 1930’s, the traditional amusement park began its declining due to the impact of economic depression, the rise of movies, and the advent of World War Two. (Kemperman, 2000)

In 1955, with his extraordinary creativity, Walt Disney established the first theme park Disneyland in Los Angeles, California. Different entertaining activities were combined to create a dramatic and fancy world, which attracted numerous tourists from all around the world. An image was presented where attention was paid to cleanliness, visitor comfort and quality. This was all reinforced by the famous Disney cartoons. (Kemperman, 2000)

With the success of Disneyland in LA, from 1980s, the number of theme parks began to increase all over the world. By 1980, there were 18 theme parks in the U.S.A, which accepted 60 million tourists per year. In the year 1983, Tokyo Disneyland opened. The theme park industry began its prosperous period in the next ten years. By 1990, Japan had 14 large-scale theme parks. (Wang, 1994) However, after 1980s, the theme parks grow slowly in the U.S.A.

In 1990s, theme parks got popular in Asian countries. According to Zoltak (1998), many of the Asian countries such as China, Thailand and Malaysia are now actively promoting the construction of major theme parks. And many international theme parks have aimed at these potential markets.

Due to the differences of the economies, social, culture, consumer behaviors, and other factors from different countries, the development of theme parks has been different in every country. As authors mentioned above, US started this industry, but Asian countries fall behind almost 50 years. Swarbrooke (1995) pointed out the differences in a number of factors including:

- The level of economic development and the distribution of wealth;
- The transport system;
- The natural culture and built heritage;
- The national culture;
- The degree to which tourism is a matter of incoming foreign visitors rather than domestic demand.
2.8.2.1 Internationalization of theme parks

For most giant players, internationalization is usually a good choice. Back to 1980s, the development of theme parks became internationalized. The following table 4 (Clavé, 2007) illustrates different processes of evolution being experienced of theme parks under the internationalization trend.

Table 4- Dynamics of theme park development by world region

<table>
<thead>
<tr>
<th>Year</th>
<th>USA-Canada</th>
<th>Europe</th>
<th>Asia/the Pacific</th>
<th>Rest of the world</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>Start</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1960</td>
<td>Development</td>
<td>Start</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1970</td>
<td>Expansion</td>
<td>Development</td>
<td>Start</td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>Maturity</td>
<td>Expansion</td>
<td>Development</td>
<td>Start</td>
</tr>
<tr>
<td>1990</td>
<td>Concentration</td>
<td>Adaptation</td>
<td>Expansion</td>
<td>Development</td>
</tr>
<tr>
<td>2000</td>
<td>Diversification</td>
<td>Repositioning</td>
<td>Selective growth</td>
<td>Expansion</td>
</tr>
</tbody>
</table>

According to Clavé (2007), in USA and Canada, the maturity of the market has brought about the concentration of a great many of the theme parks in the hands of just a few operators and the rise of diversification and international expansion strategies among the main corporations. In Europe, where a state of market maturity has not yet been attained, there currently exists a dynamic of adjustment and repositioning of the system of theme parks which is linked to its population singularity, social singularity and economic singularity. In Asia, an intense expansion process is being produced in which only certain areas and certain park formats are participating. In the rest of the world, the development process is not yet significant and though expanding, its scale will be minimal during the next decade. Even so, tendencies hint at significant growth in countries like China, India, Mexico and Brazil and the most dynamic in the Indochina peninsula and Indonesia. (Clavé, 2007)

Currently, the development of theme parks is being shaped by a mixture of global and local influences. Asia/the Pacific is a clear example of how globalization allows a mixture of strategies, capital and know-how of multiple origins (Clavé, 2007). In fact, consultants have to take into account the specificities that are characteristic of Asiatic consumers (Kazdoy, 2005).

2.8.3 The importance of theme parks

Theme parks are star players in the tourism industry, and play a special and an important role in generating tourism demand. They are also one of the main motivators for tourism trips to many destinations and core elements of the tourism product (Kemperman, 2000). In recent decades, the theme park industry has undergone marked expansion worldwide.

The changes in productive processes that took place during the last decades of the 20th century have led to significant changes in the ethics of the population of developed
countries in such a way that it has ceased to focus on the world of work and its attention has shifted to play, leisure and culture (Rifkin, 2000). A new social and cultural order has been forming; one of whose main traits are the commercialization of leisure time and the production of specific places for its consumption (Miller et al., 1999). And, as one of the factors of this new society is the development of theme park. Theme park industry has become a contributable part of modern economy.

The contribution made by theme parks to regional economy is significant. Clavé (2007) summarized the significance as following:

- **Rational allocation of resources.** The investment and management of theme park should be based on the need of local market. In order to provide visitors with high-quality service and achieve sustainable development, the existing resources could be rationally allocated according to different time periods and areas. Scientific and rational allocation of resources could play a positive role in local market through stimulating market reaction and improving market efficiency.

- **Enhancing regional core competitiveness.** Competition occurs since the first day tourism came into existence. Theme park is playing a more and more important role within the competition of tourist industry. Many cities have established a good tourism reputation for owning famous theme parks, which could further enhance the core competitiveness of these cities.

- **The formation of new regional industrial chain.** For a city or a region, theme park does not only mean a new entertaining product or service, but a highly intensive industrial management model. In this model, theme park is a leader for a brand new industrial chain, which can be a driving force for a large number of related industries. What is more, the industrial structure could be optimized.
3 Methodology

This methodology chapter will exam different research methods, such as qualitative versus quantitative, and explain the reason of choosing one of them. Then authors introduce the research study process, especially on interview.

3.1 Qualitative and Quantitative methods

The two basic approaches to research can be classified in qualitative and quantitative studies (Nyberg, 2000). The difference between the two pure approaches is understandable; as the qualitative approach implies general guiding questions for the study, a loosely structured design and that the data does not get prestructured (Punch, 1998). On the other hand, the quantitative approach implies ‘prespecified research questions, tightly structured design and prestructured data’ and the results would often be presented in numerical form (Punch, 1998). James Neill (2007) compares the features of two methods as following: (see Table 5)

Table 5- Features of Qualitative & Quantitative Research (James Neill, 2007)

<table>
<thead>
<tr>
<th>Qualitative</th>
<th>Quantitative</th>
</tr>
</thead>
<tbody>
<tr>
<td>The aim is a complete, detailed description.</td>
<td>The aim is to classify features, count them, and construct statistical models in an attempt to explain what is observed.</td>
</tr>
<tr>
<td>Researcher may only know roughly in advance what he/she is looking for.</td>
<td>Researcher knows clearly in advance what he/she is looking for.</td>
</tr>
<tr>
<td>Recommended during earlier phases of research projects.</td>
<td>Recommended during latter phases of research projects.</td>
</tr>
<tr>
<td>The design emerges as the study unfolds.</td>
<td>All aspects of the study are carefully designed before data is collected.</td>
</tr>
<tr>
<td>Researcher is the data gathering instrument.</td>
<td>Researcher uses tools, such as questionnaires or equipment to collect numerical data.</td>
</tr>
<tr>
<td>Data is in the form of words, pictures or objects.</td>
<td>Data is in the form of numbers and statistics.</td>
</tr>
<tr>
<td>Subjective - individuals interpretation of events is important, e.g., uses participant observation, in-depth interviews etc.</td>
<td>Objective seeks precise measurement &amp; analysis of target concepts, e.g., uses surveys, questionnaires etc.</td>
</tr>
<tr>
<td>Qualitative data is more ’rich’, time consuming, and less able to be generalized.</td>
<td>Quantitative data is more efficient, able to test hypotheses, but may miss contextual detail.</td>
</tr>
<tr>
<td>Researcher tends to become subjectively immersed in the subject matter.</td>
<td>Researcher tends to remain objectively separated from the subject matter.</td>
</tr>
</tbody>
</table>
For the empirical study, authors need a complete and detailed description of the strategies and strategic changes in Shanghai Disneyland. The data needed is not only numbers and statistics, but also words and pictures from managers of Disneyland, visitors and government officers, such as what they have done in Disneyland or what they have changed for some special strategies, so that the data is subjective. Authors cannot judge the strategies are right or wrong. The only thing authors can do is catching as much information as we can.

Besides, the purpose of this thesis is to find the drivers and motivation of strategic change in Shanghai Disneyland, so that authors need the views of managers from Disneyland which only can be done through interview. Based on the above comparison, authors chose qualitative research as main guide in this thesis. According to Walker, Cooke and McAllister (2008), the qualitative research methods are rich and help in analyzing the complexities and in analyses and understanding of the concepts holistically. Lundahl and Skärvad (1999) further argue that the qualitative research method is used to understand the respondents’ view and perspectives, which is not necessarily and objective truth.

### 3.2 Research Strategy: case study

Qualitative researchers generally agree upon the assumptions attached to constructivism and interpretive, but there are many nuances, traditions and specifics which cause the qualitative research practice to be very diverse. Some traditions the fall within this category are ethnography, phenomenology, biographical research, grounded theory, narrative analysis, case-studies and participatory research. (Hennie, 2010)

The purpose of this thesis is to find out the main drivers and motivations of strategic change in Shanghai Disneyland. Obviously, authors choose case study as the research method. The case study is one of many different approaches to research strategy just as experiment, history and survey strategies are, and the boundaries between these strategies are not always sharp (Yin, 1994). Case study is the best strategy when questions like “what”, “why” and “how” is asked for any event (Chetty, 1996) Chetty (1996) also states case study as a very natural and suitable option when the exploration of an issue is required. Although authors haven’t gone to Shanghai Disneyland, authors traveled to US Disneyland and Pairs Disneyland. Based our own experience and feelings, authors also interviewed some key positions in Walt Disney Company, visitors, government officers to got the primary useful information. Saunders, Lewis and Thornhill (2007) also support the idea that case study strategy has natural ability to generate answers to the research questions in detail.

The case study can be performed either as single-case or as a multiple-case study (Mattias & Daniel, 2005). They both have their strengths and weaknesses and where the single-case study is more appropriate to use when going deeper into a special case, the multiple-case study is often argued to be more robust and able to provide more compelling evidence (Yin, 2003). For this reason, he further states, that if a research have to choose one of them, the multiple-case study is preferred, even though it is asking for more time and resources. For Shanghai Disneyland, the strategies change is not only based on Disneyland in US, but also on other three overseas Disneyland theme parks. Authors have to treat every Disneyland as a single case (There will be three total.), so that authors could get more data than if authors only treat Walt Disney Company as a single case.
3.3 Research Process

First of all, authors defined the research field which is theme park. Nowadays, the demand of entertainment industry is increasing. With the increasing living standard, people ask for not only the quantity of entertainment, but also the quality of entertainment activities. Theme park as one of new industries can be researched deeper and be improved a lot. As we know, the most famous and representative theme park in the world is Disneyland, so authors chose Disneyland as the research object. Then authors thought about strategic change as our topic, because the 6th Disneyland will be opened in Shanghai. Due to the different culture and market and others reasons, the strategies must not be the same as those in US or other countries. However, authors thought it is meaningless to research what the strategies should be used, because the company must have decided the strategies and they should not be wrong though a lot of marketing research. Authors’ research narrowed to the drivers and motivations of strategic change in Shanghai Disneyland. Meanwhile, it will be cost time if authors research all strategies, so the marketing strategic change is finally decided as the topic. By then, the first step is completed. Authors clarify the research questions of this thesis, which is what is the main drivers and motivation for Shanghai Disneyland.

The second period is literature review, which is to collect previous research and to find out the model which is suit for this research. Authors read a lot of previous research articles and theories from scholars in different time and different schools. Finally, authors decided some theory and model, and secondary data to support this research.

The third period is empirical study. Authors interviewed some key positions in Walt Disney Company, visitors and government officers to get the primary data. These will be introduced more in following. Then combining authors’ theoretical framework, authors analyzed the cases and got the final result as conclusion.

3.4 Data Collection

Data are necessary in empirical research to give evidence or justification for everything you present later on as your findings, such as descriptions, new ideas, relationships between subjects, interpretations and explanations (Hennie, 2010). In qualitative research, there are many ways in which data may be collected. To make it easier, authors gathered and applied both primary and secondary data.

3.4.1 Secondary data

When authors built our own theoretical framework, secondary data from previous researches, articles, books and internet is mainly used. Then, according the needs for the Disneyland cases, authors chose some suitable theories and frameworks and built them logically to support the empirical study. Some part of Chinese theme park industry data is secondary data from previous studies as well as. These secondary data saved authors a lot of time during the whole process of research.
3.4.2 Interviews

This thesis is mostly inspired by and dedicated to the qualitative interviewing. Though interviewing with some managers in different Disneyland theme parks, as well as with visitors and government officers, authors gathered the primary data for the research. Maso (1987) provided a definition of an interview which is … a form of conversation in which one person --- the interviewer --- restricts oneself to posing questions concerning behaviors, ideas, attitudes, and experiences with regard to social phenomena, to one or more others --- the participants or interviewees --- who mainly limit themselves to providing answers to these questions. (Hennie, 2010) The origin of the interview is sometimes traced to the journeys of Herodotus (Bailey 1995, 7) or the dialogues of Socrates (Kvale 1996, 21) However, nowadays the interview is widely used in many times and many situations. Darlington and Scott (2002) explain that interview study gives deeper understanding of the subject and in-depth interview is the most used technique for data collection in the qualitative approach and takes the belief that people are specialists in their own experience. Yins (1994) also has considered interview to be most suitable to qualitative and case study based researches.

Interviews may be conducted face-to-face, over the telephone (Shuy, 2002), or on the internet (Mann and Stewart, 2002) Due to the real limitation, author can’t face-to-face interview those managers of Disneyland and Shanghai government officers. It is impossible to fly to US, Japan, HK, France and Shanghai to interview them one by one. Even if authors can go to Walt Disney Company, it is still hard to find a key position who knows strategies and strategic change to interview. So authors chose internet based interview. Internet-based interviews may be synchronic (the researcher and respondent use the connection simultaneously) or asynchronous (the connection is used at a different time) (Carol & Tracy, 2010). This characteristic provided us more flexible time frame.

However, in this research, authors prefer semi-structured interview. Ryan (2004) described the semi-structured interview we will have a frame of main questions and a comprehensive theme, but with a number of openings for more detailed and spontaneous questions as the interviews advance. Asking open-ended questions where the respondents will answer in both terms of facts as well as own personal reflections, is the essence of the semi-structured interview (Yin, 2003).

3.4.2.1 Interview process

The interview process is keeping developing. A lot of scholar provided their opinion on interview process. Here authors quoted Darlington and Scott (2002)’s idea: the interview process consists of five different stages: 1) Finding and selecting participants, 2) Making a connection (establishing rapport), 3) The initial contact, 4) The interview and 5) Ending.

Preparation

This stage included two: 1. Finding and selecting participants; and 2. Preparing interview questions. Obviously, authors have to find someone realizes the strategies issue in Disneyland, but they must be top managers who are hard to be contacted. Fortunately, we have a friend who is a supervisor in Hong Kong Disneyland. He is responsible for authors to reach some key positions in both US Disneyland and Hong Kong Disneyland. On the other hand, our parents know an officer in Shanghai government, so he can be our interviewee of Shanghai Disneyland program which is cooperated by Shanghai gov-
ernment and Walt Disney Company. However, due to the sensitiveness of strategies issue, all of them prefer us not to mention their name. Moreover, we promised not to disclose this content to other business organizations. Some interviewees are generously willing to publish their position and name, thus authors believe their words could make empirical study more powerful and trustful.

As soon as authors found the right persons, authors started to prepare interview questions. Authors would adopt internet-based and semi-structured interview which means authors contact interviewees by e-mail, therefore, we have to pose the questions as detail as we can, then we can get enough information not just only a simple sentence. The following is our interview questions:

Questions to Walt Disney Company:

Disneyland in Tokyo, Paris and Hong Kong:

1. What is the motivation of Disneyland to decide to expand overseas?
2. Why Tokyo is the first oversea city to join Disney Empire?
3. What is the difference of strategies between Tokyo Disneyland and the previous two in America? And why?
4. What is the most important factor affecting the development of new strategies of Tokyo Disneyland?
5. Have any new strategies introduced to Euro Disneyland? Why?
6. What is the main reason of failure of Euro Disneyland?
7. What are the rescue strategies of Paris Disneyland after it kept on losing money?
8. Why chose Hong Kong as the second Asian destination?
9. What strategies Hong Kong Disneyland take to attract visitors from mainland China?
10. Is there any lessons can be learnt from Tokyo and Hong Kong Disneyland?

The 2012 Shanghai Disneyland:

11. Since HK Disneyland is not as good as expected, why do you decide to go into China mainland market and chose Shanghai?
12. Is there going to be significant strategic changes when Mickey Mouse enters this exotic culture?
13. What is the main concern when you make new strategies for Shanghai Disneyland?
14. Comparing the former Disneyland international sites, is there any problem in Shanghai Disneyland? Such as culture distance, managing style?
15. How can you deal with the political and legal problem with Shanghai government?
16. Who will be your competitor in Shanghai? How will you face them?
17. As a new entrant of entertainment industry of Shanghai, what are your advantages and how can you present your strong competitive forces?
18. Who will be your marketing target and who will be your suppliers for equipment? Is there any difference between US?
19. Based on cultural web, could you provide some stories, symbols and so on for us?
20. What’s the expectation on SH Disneyland?

Making a connection and interview
Thanks to the convenience of e-mail and internet call, we don’t have to spend too much time on asking questions, just send the list to the interviewees. However, we spend a lot of time on making a connection. In the end of April, 2010, it is the first time authors contacted the officer of Shanghai Government, let’s call him Mr. Zhang. Before that he told my father, it would not be any problem to help me to do an interview about Shanghai Disneyland program, but when we call him, he said he is too busy to prepare Shanghai Expo 2010 those days, which means he don’t have time to interview until the end of May. During this period, we sent several e-mails to him, and we explained why we were doing this research, what we had then, and what else we would need to do in the future. Till mid of July, he replied us with some useful information and answers of our questions which are from two persons, because we tried to be objective.

For the Hong Kong aspect, in the middle of June, we got the e-mail address of the man who was a supervisor in Hong Kong Disneyland. Let’s call him Edward. Like the same with Shanghai Government, we told him why we were doing this research, what we had then, and what else we would need to do in the future. Also we sent our questions to him and asked for more than two versions of answers from top managers of Disneyland. After that, we waited one and a half month, sometimes he said his manager is out of office for business trip, sometimes he said his managers is unwilling to answer these sensitive questions. But he never said no to us, as he was very kind and nice to help us. Luckily, we got the answers from US Walt Disney Company in the beginning of August.

The interviews with visitors are contacted by those friends author meet in Disneyland. At that time, we change both email. At first, we just tried to contact them with a lot of uncertainty. Some of them are willing to answer our questions, but some are not. To visitors’ interview, the questions we mainly prepared are about their own experiences and feelings. By now, we got all the first hand data from interviews.

**Ending and interview report**

After a long period of email interview, we built a nice rapport with Mr. Zhang and Edward, we knew before we finished our research we still need them to help us, because they were the only channel we connected with our cases directly or indirectly.

It is good for us that we didn’t have to write interview report just like face-to-face interviewers did. They have to take a record during interview and then to transfer voice data into text. However, the e-mails we received were clear enough; we can use them directly when we need to do empirical analysis. When we started to clear up interview e-mails, we arranged them by time, but later we didn’t think it was a good method, because those email didn’t follow the logic as we wanted to, we must rearrange them logically based on our own research. Then, we classified them by different Disneyland theme parks. Tokyo goes first, then Paris, Hong Kong and Shanghai. Based on this primary information, we wrote Disneyland cases directly which is in Chapter 4.

### 3.5 Empirical Analysis

Qualitative analysis requires a large quantity of thickly descriptive data, good organizational skills and interpretive ability. Unlike quantitative data, that condense huge amounts of information into files that can be maintained, analyzed, and summarized numerically, qualitative data generate pages and pages of text, images, or video (Carol & Tracy, 2010).
On the one hand, qualitative analysis will not be right or wrong, but quantitative analysis will be. For example, in quantitative analysis, a little mistake of number will affect the final result, and then the researcher may find something wrong and do it again. But for qualitative analysis, if there is some data turns to be a little subjective, researcher are difficult to discover, then unfortunately the final result will not be so objective and accurate.

So facing a lot of qualitative data, like text, images and video, we will need a logical way to order; and then it must be very helpful to our analysis.

3.5.1 The Analysis Process

A useful first step in the process of analysis is to have some idea where you want to end up (Carol & Tracy, 2010). In the beginning of our research, we thought about our purpose as “what strategies will be suitable for Shanghai Disneyland”, with tutor’s suggestions, we realized that it is impossible to work out the strategies, because we are not CEO of Disneyland and we can’t control what will happen before Shanghai Disneyland opening. Thus, it turned out meaningless to us to research what strategies will be used. Somehow, we change our topic to strategic change. We would get the strategies from interview, so we just need to know why they change strategies for Shanghai Disneyland.

Then we needed to find out a logical way to order all of our data. As we did in theoretical framework, we firstly analyzed the macro-environment for Shanghai Disneyland also included the Chinese market description. Secondly, we analyzed the amusement park and theme park industry itself, combining Porter’s five force framework and some previous research. Thirdly, what is the most important part, we analyzed strategies of five existing Disneyland and compared these strategies. The least but not last, we listed the possible strategies of Shanghai Disneyland which are got from interviews. We analyzed one by one why the strategies of Shanghai Disneyland is changed or not, based on the previous environmental and industrial analysis. At last, we gave our result of the question which showed in the introduction.
4 Empirical Study on Chinese Theme Park Market and Disney Cases

In this Chapter, authors will introduce the current theme park industry situation in Chinese market for entertaining consumption, which helps to better understand why Disneyland chose Shanghai as their next member. As well as these are the most important empirical study base for the analysis why Walt Disney Company change their strategies for Shanghai.

4.1 The theme park industry in China

Due to the large population and increasing living standard of Chinese people, there is a huge potential market for entertainment in China. Many international companies take the chance to enter into this total new market. However, the international society is not so familiar with Chinese domestic market. In this section, authors will specially give a general introduction of the theme park industry in China, including the data from previous studies and interview with Jingwang Liu, the vice president of Chinese Amusement Parks Association.

4.1.1 The growth of theme parks in China

Since the beginning of the 1990s, Asia/the Pacific have become the theme park sector’s main market of the future (Robertson, 1993). This is both due to the spending power and patterns of consumption in countries with a notable implantation of such facilities like Japan or South Korea and due to the possibilities of expanding into other markets like China and a series of counties in southern Asia. In 2005, Asia/the Pacific as a whole had over 125 facilities receiving more than 500,000 visitors a year. This figure is even higher than for the USA. During this period, visitor figures to parks in the region increased from 188 million to 233 million, and world market share increased from 34.5% to 38.4% in 2005. (Clavé, 2007)

The theme park industry is relatively new in China, with some of the early parks developed only in the mid-1980s. By 1998, however, there were estimated 2,000 to 2,500 amusement or theme park attractions (Zhang, 2002). According to Yue (2000), the 1990s experienced veritable theme park development ‘fever’ in China. During the first half of the decade, over 300 parks were constructed. In China, during the second half of 1990s, over 2000 recreational attractions were built, ranging from children’s theme parks. Emmons (2002) reported that in China there were approximately 400 parks at the start of the new millennium at an average cost of $12 million. Most are built and operated by means of a one-sided agreement between the Communist Party of China and foreign capital, principally coming from Europe and the USA.

The types of themes adopted in Chinese theme parks included folk customs and legends (e.g., Journey to the West), history and culture (e.g., sea worlds and wildlife safari parks), sports and competitions, science, technology, and fantasy/amusement (e.g., Happy Valley) (Xu, 1998). The main development areas are the Pearl River Delta (Guangzhou, Zhuhai and Shenzhen) and the outskirts of Hong Kong (where in 2005 Disney’s Chinese
park was started up), Shanghai (where Disney is going to set up a new park) and Beijing (where Universal Studio is planning to enter into). There are also a variety of initiatives in continental China. Thus, significant projects have already been developed in Beijing (World Park and Chinese Ethnic Culture Park), Chengdu (World Landscape Park and Wonderland of the Southwest) and Kunming (Yunnan Nationalities Villages), all of a marked cultural nature (whether dealing with Chinese ethnic minorities or world heritage). Beijing Amusement Park has been running since 1987. It was a result of a Sino-Japanese joint venture. They are parks receiving between 0.5 and 1.5 million visits a year. According to some analysts, China is turning into ‘the market of theme parks of the new millennium’ (Zoltak, 1998).

In terms of life cycle, tourism in China is still at a relatively early stage. Thus, China has a lot of catching up to do to become more attractive and competitive. In trying to catch up, one common tactic has been to copy theme parks that have been successfully developed either elsewhere in the country or internationally. Splendid China in Shenzhen is one such example.

Ma Zhimin, President of China Travel Service, visited to the Miniature City of Madurodam in the Netherlands, he pursued the development of a similar attraction based upon the major scenic and man-made attractions of China. Splendid China opened in 1989. In the first year, it received 3.1 million visitors. The Overseas Chinese Town Group, Ltd., which had developed Splendid China in collaboration with China Travel Service, LTD., subsequently developed more theme parks, such as the China Fold Culture Villages in 1991 and Windows of the World in 1995 (Lang, 2007). Both of these were successful ventures. The phenomenal success of Splendid China and China Folk Culture Villages heralded the beginning of the boom in theme park development that spread rapidly across the country.

4.1.2 Marketing environment of theme parks in China

The huge growth in the number of theme parks in Asia/the Pacific region today is being fomented by growing consumer purchasing power. According to Hannigan (1998), the economic situation of Asia/the Pacific may be characterized as follows: an expanding economy, increased free time and a growing middle class. The situation is the same in China.

It is a good chance for international theme parks to enter China. China has the largest population in the world with 1.3 billion people. Hence it is the largest consumer market in the world. By 2011, more than 40 million Chinese households are likely to earn more than 48 000 RMB per year, which is equivalent to $24 000 in terms of purchasing-power parity. That is enough to qualify them as middle class households by U.S. standards (McKinsey Quarterly, 2004). Meanwhile, the interest in urban space for leisure and the use of leisure as a generator for adaptation and renewal is significant. In the marketing field of urban locations for new investment, the quality of the leisure environment has been emphasized since people are paying more attention of the quality of life. The urban Chinese consumer-market is growing rapidly and numerous western companies have already identified the opportunity to expand their business to the east. The growing middle-class is ready to consume western products and service sold by western companies.

However, for those international theme parks, China is a promising potential market as well as a big challenge. China is still a developing country. Per capita income at existing
parks in China is currently at a third of what is usual at parks in North America. Per capita expenditure stands at between $3.5 and $12.3. Admissions are the main generator of revenue, representing between 80% and 90%. However, investment per park is estimated at being far lower than in Japan and the USA, standing at between $12 and 74 million.

For all of the reasons above, the development is not leading to the emergence of China’s own entertainment industry (Yoshii, 2002). Thus, Emmons (2002) made clear that the theme park market in China is characterized by:

- The misconception by investors that merely constructing theme will guarantee a successful transaction.
- The common practice of copying theme parks that have enjoyed success.
- Excess supply.
- The scarce consideration of the capacity of innovations to provide the parks with distinction and uniqueness.
- The limited understanding of customers’ expectations.
- Low rate of quality and price, which restricts return visits – most parks only receive the one visit.

Besides economics, policy is also one of important aspect which investors should be considered. In US and Europe, the establishment of a theme park is based on commercial benefits. Before making the decision to build a theme park, the planners have to have complete business estimation. They need to make detailed analysis of visitors’ consuming behavior, their consuming motivation and their disposable income, etc. After all the analysis, the planners should decide a marketable theme. Take Disneyland for example, the two domestic Disneyland are varied on their contents and themes, which make theme to be good complements, while not competitors. The market conditions in China are quite different from other countries. In China, both domestic and foreign companies have to operate under governmental control, which is quite different from the western counties. The international theme parks in China have a lot of issues to do with government. Traditionally, Chinese governments provide the land to investors who provide capital to build a theme park. But the land is forever belonging to China, which means investors can’t save it for future plan. They should plan as detail as they can before they start a new theme park in China.

Another problem with Chinese government is inefficiencies of a laissez-faire approach. For local governments, they hope that a new theme park can improve local economy; for investors, they do not need to have too much expectation on the future investment. What attract them most are the preferential policies they can enjoy when they make investment into local market. All decision makers only care about their own profit; neither there is a long-term managing or investing plan for others. It is not surprising that not many theme parks can survive for a long time. One could argue that the failure of so many poorly planned parks demonstrated the success of liberal market economics in weeding out inefficient business activities. But in a developing country such as China, the inefficiencies of a laissez-faire approach to major infrastructure development are ill afforded.
4.1.3 The existing problems of Chinese theme park industry

Most existing theme parks in China have quite the same life cycle. Up until now, 70% of all the theme parks are at a loss, 20% can keep a balance, and only 10% can make a profit. (Xu, 2008) As a result, billions of RMB in investment has either been lost or put at serious risk. The spate of theme park failures in the 1990s has led to much soul searching by government officials, developers, industry operators, and academics in China as they try to determine why the failures occurred and how to build a promising theme park industry.

In Western Europe, the theme park market is reaching its saturation and the parks have to cater for visitors who are getting more and more experienced and demanding. People are getting more selective not only in the destinations where to visit but also what activities they want to undertake. Given these trends of growing theme park supply, environmental constraints and increasingly discriminating consumer demand, it can be concluded that theme parks need to make their long-term strategy to survive in this competitive market. The same situation happened in China (Wang, 2000).

Competition in Chinese theme park industry is getting increasingly furious. Not only in terms of an increasing number of theme parks and other amusement parks, but also relative to other uses of leisure time such as movies and internet bar. Moreover, the competition of space and accessibility has never stopped. According to Kemperman (2000), the occupation of space that theme parks require increases due to the need for more spectacular attraction and the need for more space to exploit economic scale advantages. Thus, theme parks invest substantially in new entertainment and facilities, and in relatively unexplored areas.

Beside external problems, Chinese theme parks are not as creative as foreign ones, but the demand of Chinese consumers are increasing rapidly. The success of the early theme parks was quite achievement and they quickly became a model for theme park development throughout China. Their initial success created false and unrealistic expectations about theme park development, which included the following (Wang, 2000):

- Theme parks guarantee high returns on investments.
- Simply operating a park will earn profits.
- Capital investment would be recouped within two to three years.
- Replication or copying a successful theme park will ensure success.
- Consumer demand for theme park attractions is unlimited.
- All theme parks are equally attractive.
- The larger the park is, the better it will be.
- Having admission fees regarded as relatively high compared to the income level of most Chinese (Bao 1995).

These misconceptions were typical of the “supply-led” mentality that prevailed for much of the 1990s where the maxim was “build it and the people will come.” However, China’s consumer market was changing; people were becoming increasingly sophisticated and demanding the rate of quality and price. Marketing and management, however, were not recognized as important factors influencing successful theme park operations.

Despite the success of some parks and tremendous growth in the number of theme parks and amusement attractions in China since the mid-1980s, the industry has been
fraught with problems. Yangtze River Delta is a typical example. In the late 1990s, Yangtze River Delta began its investing rush into theme parks. Different theme parks were built with various types of entertaining activities, such as Froebel, American Science Fiction Paradise and Xiqi Theme Park. However, most of them did not last long due to furious competition. According to Jingwang Liu, the Vice president of Chinese Amusement Parks Association, repeated investment is a big problem in the Chinese theme park industry. Most of the theme parks in Yangtze River simply imitate foreign theme parks, while in lack of their unique themes and professional managing teams. Without scientific managing system and unique culture, these theme parks got bankruptcy one after another in a few years time.

To summarize, Zhang (2009) argued there are mainly five existing problems in China’s theme park industry, which can be a conclusion somehow:

- **Excessive competition.** Following the success of the early theme parks, local governments take theme parks a gold mine. They were simply driven by the profit while neglected the environmental elements of developing theme parks. In the end, numbers of similar theme parks were built in a short time, most of which were duplications of others.
- **Lack of market knowledge and research.** In general, the role and importance of marketing is not well recognized in China because it has been a supply-led economy (driven by government edicts) for so long. Consequently, most theme parks did not undertake a comprehensive market research study to identify customers, target segments, identify their needs and preferences, nor assess market feasibility.
- **Poor design planning.** The common aspect of many failed theme parks was poor design and layout, with long distance between attractions. Without an efficient and relatively compact layout, it can be difficult to generate a lively atmosphere.
- **Lack of effective control.** A frequent comment about them park development in China in general has been the lack of effective government control and coordination at the macro level, which has allowed the unchecked development of theme parks. Consequently, identical parks were locating in close proximity to one another and the oversupply situation was not addressed.
- **Single point of growth.** For those famous theme parks, the profit comes from admission, entertaining programs, catering and accommodation service. Admission fee only accounts for 30% in Disneyland’s total revenue. While most Chinese theme parks only live on admission fee. The expensive admission fee discourages many potential visitors.
4.2 Disney cases

With reading a lot of materials on theme parks, author found most theme parks are built and developed as private sector companies, and are commercial enterprises. The original theme park and archetype of the term is Disneyland in California, U.S.A. The famous Disney parks have always been good examples when studying theme parks. In this thesis, authors also take Disneyland as cases to represent other theme parks.

This section will present authors’ empirical study on Disneyland, including the interview with Walt Disney Company, Shanghai government officers and visitors of Disneyland, and second hand data from previous research.

4.2.1 Disneyland in USA

There first two Disney theme parks locate in America – Disneyland Park in California which was built in 1955 and the Walt Disney World Resort (Walt Disney World’s Magic Kingdom) in Florida which was built in 1971. Many companies throughout the United States and beyond are enthusiastic about expanding their business abroad. This is due to many factors such as the ability to cut costs and expanding their market, etc. The Walt Disney Company was one of those many American organizations to expand on foreign soil. Since the cases study is about strategic changes of Disneyland’s oversea expansion, authors are not going to make detailed analysis about these two domestic theme parks, but mainly focus on the three oversea Disneyland.

4.2.2 Disneyland in Japan

4.2.2.1 Introduction

Tokyo Disneyland opened in 1983. It was primarily modeled on Walt Disney World in US. However, it differs from the previous two US domestic Disneyland. Tokyo Disneyland, at 46 hectares, is about as well as 1.5 times of size of Disneyland Park in California, US, almost the same as Walt Disney World’s Magic Kingdom in Florida, US. One of visitors who had been to Tokyo Disneyland said, there are six theme areas – Adventure land, Critter Country, World Bazaar, Fantasyland, Western land, and Tomorrow land, in the center of which stands Cinderella’s Castle. Later, there would be the seventh theme area Toon Town. Now, Tokyo Disneyland is the Number One Asian theme park. In 2001, Tokyo Disneyland also built a new ocean park to attract more Japanese visitors as well as Asian visitors.

Tokyo Disneyland located in the Tokyo Bay area, near Maihama, about 20 minutes by train from the central Tokyo station, which is owned by a Japanese company and operated by Japanese personnel (Raz, 1999). The convenient transportation helped Tokyo Disneyland to attract more visitors. In 2008, the number of visitors of Tokyo Disney is total 25.42 million, accounting for 63.7% of the most popular theme parks of Japan (Lou, 2010). The Figure 5 was taken from 2009 Annual Report of Oriental Land, Co, Ltd.
In the overall view, we can see that in the past decade, the number of visitors to Tokyo Disneyland keeps rising, which made the highest record in 2009 with 27.22 million visitors; thanks to the open of Ocean Park in the year 2001, the number of visitors remarkably increased in 2002. In the year 2005 and 2006, the number of visitors decreased, which is due to the cold weather in winter and the 2005 World Exposition in Japan attracted people’s attention; 2007 was the fifth anniversary of ocean park of Tokyo Disneyland. Meanwhile, new entertaining activities were introduced. Therefore, in 2007, the visitors got increased by 4.2% comparing with the year 2006. The year 2009 was the 25th anniversary of Tokyo Disneyland, and the visitors increased by 7.1% comparing with 2008.

More visitors come, more profit Tokyo Disney get. Tokyo Disneyland’s profit comes from ticket, commodity and food and beverages. In 2009, per capita consumption in Tokyo Disneyland was 9,720 yen (approximately US $112.8), of which 4,222 yen (approximately US $49) came from tickets, 2,128 yen (approximately US $24.7) came from food and beverage, and 3,770 yen (approximately US $43.7) came from commodity sales (Lou, 2010). Figure 6, taken from 2009 Annual Report for Oriental Land. Co, Ltd. illustrates the per capita consumption in Tokyo 2007-2009:
Just like other theme parks, entrance fee of Tokyo Disneyland is the largest part of profit resources. But the combine of food and consumer goods consumption is increased entrance fee in Japan. Especially consumer goods consumption takes a big rate of all consumption.

4.2.2.2 Strategies in Tokyo Disneyland

- **Language**

In order to adapt to the new culture, all the handbooks and sign stands are written in both English and Japanese.

- **Culture**

Tokyo Disneyland which is a simulated “America” is showed by and for the Japanese rather than be an agent of Americanization. “Revolve on a carousel through time and relive Japan’s fascinating encounters with other cultures,” states the blurb for Meet the World in Tokyo Disneyland’s guidebooks. Moreover, the choice of plants and design of entertaining activities have remarkable Japanese characteristics, for example, Main Street USA was taken place by World Bazaar; the Mystery Tour was designed into Tokyo Disneyland’s version of the Japanese ghost-house. One visitor enters the show through a round anteroom. A digital clock above the door counts the minutes remaining until the end of the show currently running inside. The arched ceiling features a map of the world, which digital clocks showing the time in various cities, such as New York, Beijing, and Moscow. Sightseeing films taken at these metropolises are shown on television screens placed in the walls. The visitor is therefore surrounded by a truly cosmopolitan ambiance. The
guides’ uniforms, in contrast, are distinctively Japanese. All of them wear a kimono-like costume for women, which resemble traditional Japanese. Looking around this anteroom, you can feel that something is missing. There is nothing Disney here. No Mickey, no Goofy, no Pixie Dust. Meet the World is a show about and for the Japanese. (Raz, 1999)

- Climate

Different from America’s continental climate, Japanese has a humid climate, which is a big concern to outdoor activities. Japanese managers built eaves and corridors in the park. People not only can take the shelter from rain, but also can enjoy the Japanese atmosphere. Detailed weather forecast has been an important part of the management of Tokyo Disneyland, which can help to estimate the number of visitors.

- Cooperation

Another distinguishing strategy is that Tokyo Disneyland is willing to cooperate with other companies. Other companies are welcome to make advertisement in the park. As a payback, they have to provide public facilities to Tokyo Disneyland, which is a double-win strategy for all of them. Tokyo Disneyland saved a lot due to this kind of cooperation and got good reputation.

- High quality of products and services

Tokyo Disneyland is famous for its high quality service. Visitors are willing to stay longer in the park, which helps to created more business opportunities. As authors mentioned in Figure 6, consumer goods and food consumption is the biggest profit resources of Tokyo Disneyland.

4.2.3 Disneyland in France

4.2.3.1 Introduction

The first oversea Disneyland was opened in Tokyo, Japan, on April 15, 1983. Tokyo Disneyland became an instant hit. Because of the success of Tokyo Disneyland, the Walt Disney Company believed Mickey Mouse would be popular in Europe. Located outside Paris, France, Euro Disneyland is the second oversea Disneyland of the Walt Disney Company.

Thanks to Disney film success, the Western European audience already was familiar with Disney entertainment and merchandise (Burgoyne, 2007). From 1983 through 1987, the company searched for sited in the United Kingdom, France, Germany, Spain, and Italy. In the end, the choices were narrowed down to Costa del Sol in Spain and Paris in France. Although Spain had more favorable climate, France had a larger population and a spectacular transportation network (Burgoyne, 2007). Since Tokyo Disneyland, which located in a cold-weather climate and virtually the same latitude as Paris, was a success, the company believed that it would also work in Paris. Thus, Paris was selected to be the site of their fourth theme park.
On March 23, 1987, the Walt Disney Company signed a contract with the French government. According to the agreement, Disney could have favorable loan terms and the railway and high-speed transportation system would be extended to the park. Unlike the Walt Disney Company’s wholly-owned American theme parks, and Tokyo Disneyland where Disney receives license fees from Muisui and Oriental Land Corporation, Euro Disneyland is a public company with 51% of equity owned by EC individuals and institutions. The other 49% of the shares are owned by the Walt Disney Company who maintains management control of the company (Burgoyne, 2007).

The site for Paris Disneyland is a parcel of prime suburban real estate in a mushrooming region called Marne-la-Vallée. The 4,400-acre (1,943-hectares) site is one-fifth of Paris itself. Marne-la-Vallée is located in an ideal geographic location since it is 20 miles due east of the center of Paris and is halfway between the two international airports of Orly and Roissy-Charles-de-Gaulle. More than 17 million of 350 million Europeans can go to the Paris Disneyland within two hours by car and 310 million can fly creating a “denser market that the Untied States” (Burgoyne, 2007). Due to the convenient transportation system, Paris offers Euro Disneyland large potential guests and employees. What’s more, by that time, Europe was suffering high unemployment. Euro Disneyland was welcomed by local people since they offered 12,000 new positions.

4.2.3.2 Strategies in Paris Disneyland

- Integration

After the fourth Disneyland located in Paris, the executives began their work on integrating American risk management techniques into a French environment. The Walt Disney Company has been known for their strict construction and risk management requirements. Thus, a great deal of time, patience, understanding, education and willingness to accept and compromise are needed from all parties involved. Moreover, they have to deal with language barriers and an unfamiliar French legal framework (Forman, 1992).

This integration involved a lot of efforts. Both sides had to work out a system which would work for Euro Disneyland. Stephen M. Wilder, director of corporate risk management at the Walt Disney Company said “the result of compromise and learning is a program that is far superior to what an American company or a French company would have done in isolation”. There are two examples to illustrate their integration.

One is blending two different insurance law systems. According to French law, a ten-year owner/contractor insurance policy that covers property damage and third-party claims stemming from construction-related defects was required. The Walt Disney Company would have preferred to purchase a three-year contract as would be allowed by American standards, but could not since they were developing in another country (Forman, 1992). At last, the Walt Disney Company had to follow the French laws.

The other example is about sprinklers in the hotels. Usually, French did not like the idea of the installation of sprinklers in the hotels (McIntyre, 1990). And such an installation is
not mandated by French law. However, the Walt Disney Company believed that it was necessary to install sprinkler and embarked on an education program to persuade the French contractors. After Disney Company’s explanation, the French approved the installation of the sprinklers.

Besides those necessary integrations, Walt Disney Company did not improve special strategies for Euro Disneyland, since they thought the culture and custom of Europeans are similar Americans. Thus, it turned out that, the fourth Disneyland was not as successful as they anticipated. Although Euro Disneyland’s target of 11 million guests in the first year was met, but revenues did not roll in as had been planned. (Burgoyne, 2007) In 1990s, Euro Disneyland reported great loss. In order to rescue such a bad situation, Walt Disney Company introduced some new strategies to Euro Disneyland.

- **Financial help**

The new Euro Disneyland brought nothing but debt in the first years. On March 14, 1994, Walt Disney Company proposed a rescue plan to decrease the debt. The centerpiece of the plan is a 6 billion Francs (US $1.25 billion) rights issue where 51% would be underwritten by 61 banks and the rest taken up by Walt Disney, which has a 49% stake in Euro Disneyland (Burgoyne, 2007). A rights issue is an offering which allows rights to purchase shares, usually at below market prices, to existing shareholders in the same proportion as their present ownership.

- **Changing name**

In order to adapt to European tastes and turn around continued loses and reported slumping attendance, Euro Disneyland was changed into Disneyland Paris.

- **Saving costs**

Disneyland Paris cut 950 administrative posts in order to hold down costs and increase revenues (Greenhouse, 1991).

- **Promotion**

They also offer a lower-priced ‘After 5’ evening entrance ticket. Responding to complaints regarding high entrance fees and hotel prices, Disneyland introduced cut-rate entry and room rates for the off-season (Greenhouse, 1991).

- **Expanding market**

Disneyland Paris tried to expand their market to countries near Europe, such as African countries. Disneyland Paris also marketed it as one of many stops on a month-long European itinerary rather than a vacation destination for a period of time.
4.2.4 Disneyland in Hong Kong

4.2.4.1 Introduction

Hong Kong is the second choice of a new home for Mickey Mouse in Asia after Tokyo Disneyland. Disney executives are fascinated by Hong Kong’s cosmopolitan disposition: “Hong Kong’s international character was a key reason to be the site of the first Chinese Disneyland.” Judson C. Green, the chairman of Disney’s theme part division takes Hong Kong as “always an incredibly exciting city” regardless of the regional financial crisis. Another reason for Hong Kong to stand out among Asian cities lies in its built environment: “Mr. Green said Disney was also attracted by Hong Kong’s infrastructure. With a spectacular year-old airport and a gleaming network of roads, railways, tunnels and bridges, Hong Kong is one of Asia’s easiest cities to get to and get around in.”

On November 1999, Hong Kong attracted the spotlight on the international stage with its decision to join the kingdom of Disney. After 6 years, in September 2005, Hong Kong Disneyland opened. Hong Kong International Theme Parks Limited (HKTP), an entity jointly owned by the Walt Disney Company and the Hong Kong Government, raised HK $ 3.3 billion (approximately US $ 425 million) in the syndicated loan market to finance part of the construction and operation of its Hong Kong Disneyland Theme Park & Resort (Esty, 2001).

Lantau Island, a big island west of Hong Kong, was chosen to be the location of the new Disneyland. Lantau Island is conveniently situated between central Hong Kong and the new airport of Hong Kong and it is one of the few places in Hong Kong that remains less commercialized and globalized.

Hong Kong’s tourism commissioner, Mike Rowse, sees this as a golden opportunity to revitalize the declining number of tourists since 1997. “We kind of faded out of the spotlight after 1997, and everybody wrote us off… This project tells the world that we are alive and kicking”. Mike Rowse voices the official account of the urgent need to get the visitors back to Hong Kong. It is estimated that in the next 40 years after Hong Kong Disneyland’s completion, there will be 20,000 job opportunities, and HK $ 148 billion (approximately US $ 19 billion) revenue will be created. (Zhang, 2009)

However, visitors were not satisfied with such a large investment. Liang Ning, an engineer from Guangzhou, China, is quite disappointed by Hong Kong Disneyland after his visit with his family. “There are only 16 attractions and not quite different from other amusement parks”, Liang complained. Among our interview of the visitors, most of them complained that the park is too small and too localized. Take the food for example, most food tastes too “Hong Kong”, which are not welcomed by visitors for mainland China.

Hong Kong Disneyland’s American operational style also gets criticized. In the beginning, the number of visitors was set to be 30,000 per day and no more visitors would be accepted. Many visitors were kept out of the door, which is quite unusual for Chinese
people. China has a large population, thus the refusal of visiting was quite a serious problem for them.

Hong Kong Disneyland, the smallest Disneyland in the world (126 hectare), has been into operation for five years. The economic return does not seem so good. According to the Annual Report of the Global Theme Park Attendance, from 2005 to 2008, Hong Kong Disneyland has been meeting sustained losses. According to Hong Kong Tourism Commission, among the 10 million visitors from mainland China, only 10% would go to Disneyland when they go to Hong Kong.

4.2.4.2 Strategies in Hong Kong Disneyland

- **Language**

  Most employees are local people. They are not only excellent performers but also master Chinese, Cantonese and English. They are able to guide visitors from the entire world, especially those from China who are not familiar with Disneyland.

- **Culture**

  In the Disney Empire, Euro Disneyland is a negative example due to ignorance of local culture. Hong Kong Disneyland tries to combine Chinese culture into the American theme park, such as the Chinese Gazebo and Mickey’s Chinese gown. The entertaining activities are not simply duplication of other Disneyland. “Journey in the Forest” and “Festival of the Lion King” is two special programs in Hong Kong Disneyland. In order to avoid the food and beverage problems in Paris, there are supplies of different kinds of food from Asian countries like China, Thailand, Philippines, India and Singapore. The menus are different on festivals.

- **Cooperation**

  Like Tokyo Disneyland, Hong Kong Disneyland has cooperation with other companies. The famous jewelry producer Chow Sangsang design special jewelry featuring Disney characters and sell them in Hong Kong Disneyland. Hong Kong Disneyland also allows Meixin Company to sell Chinese food inside the park.

- **Government support**

  There is strong support from Hong Kong government. As we mentioned previously, Hong Kong Disneyland is jointly developed by Walt Disney Company and Hong Kong government. Disneyland has enjoyed many preferential strategies. On December 2004, Hong Kong Disneyland and Hong Kong Tourism Commission conducted a series of promotion in 26 mainland cities in China; in 2005, the first special train to Disneyland was put into operation; Hong Kong government make a lot of efforts on the negotiation with Shenzhen government to open the west ports of Shenzhen; On September 12th 2005, Chinese Vice president and Chief Executive of Hong Kong attended the grand opening ceremony of Hong Kong Disneyland. In the next few years, the infrastructure
of Hong Kong - hotels, an airport, and a network of inland transportation – has been built and rebuilt to fit into the Disneyland Hong Kong.

● **Promotion**

Hong Kong Disneyland planners keep on consolidating operations. The Hong Kong Disneyland planners have a clear marketing strategy since the beginning. There are three major consumption groups – Hong Kong residents, visitors from mainland China and South East Asia. In order to attract their target visitors, Disneyland not only offers various kinds of service in the park but also different promoting campaigns in different areas.

● **Advertisement**

Hong Kong Disneyland has complete and long-term plans of every project and activity. They also pay great attention on advertising. Hong Kong is well known of its developed entertaining industry. Disneyland takes the advantage of mass media and different celebrations to market the fascinating Mickey Mouse.

4.2.5 **Disneyland in Shanghai**

4.2.5.1 **Introduction**

Michael Eisner, CEO of Walt Disney Company, has been thinking of the huge Chinese market ever since the completion of Hong Kong Disneyland. In July, 2002, Walt Disney Company started to consider building up a Disneyland theme park in China. In October, 2002, as one of officials in Shanghai government, Mr. Zhang told us, the negotiation between Disney and Shanghai government almost broke up because of some different ideas on cooperation. Walt Disney Company almost gave up the plan of Shanghai Disneyland. Three years later, in July, 2005, problems have been solved, but authors did not get the details about this solution. Finally, Walt Disney Company chose Shanghai for the 6th Disneyland theme park. In February, 2006, Walt Disney Company started to meet Shanghai government about theme park project. Though exploring and considering in a long period, finally Walt Disney Company and Chinese government picked up Chuansha town in Pudong district as the address of Shanghai Disneyland Resort which covers 116 square kilometers. In January, 2009, Walt Disney Company has officially published the 6th Disneyland Resort. Meanwhile, it submitted an application to China Central Government. In November it has been approved. Public cares about opening date, but unfortunately, both parties gave an uncertain answer------between 2012 and 2016. Once the construction is finished, they can decide the opening date.

Shanghai Disneyland Resort will be the 6th Disneyland Resort in the world, which has been approved by Chinese Central Government on 4th November, 2009. This project will be invested by both Walt Disney Company and China Company. Authors interviewed one of managers from Walt Disney Company who was one of team members of Shanghai Disneyland project. “Shanghai is just like a road junction of western culture and eastern culture, so it is easier for Shanghai to absorb foreign culture.
4.2.5.2 Statistic information of Shanghai Disneyland

Table 6 and Table 7 are some static information taken from Lopez’s case study of Shanghai Disneyland. The following statistic is comparison between Shanghai and Hong Kong, which showed that Walt Disney Company put more capital and expectation to Shanghai than to Hong Kong.

<table>
<thead>
<tr>
<th>Phase</th>
<th>Shanghai</th>
<th>Hong Kong</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2005</td>
<td>2005</td>
</tr>
<tr>
<td>Magic Kingdom Theme Park</td>
<td>220 acres</td>
<td>140 acres</td>
</tr>
<tr>
<td>Hotels</td>
<td>50 acres (1800 rooms)</td>
<td>30 acres (1400 rooms)</td>
</tr>
<tr>
<td>Retail and Entertainment Center</td>
<td>30 acres</td>
<td>20 acres</td>
</tr>
<tr>
<td>Roads and Support Facilities</td>
<td>50 acres</td>
<td>40 acres</td>
</tr>
<tr>
<td>Total</td>
<td>350 acres</td>
<td>230 acres</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Phase</th>
<th>Shanghai</th>
<th>Hong Kong</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2010</td>
<td>2010</td>
</tr>
<tr>
<td>EPCOT Theme Park</td>
<td>200 acres</td>
<td>120 acres</td>
</tr>
<tr>
<td>Hotels</td>
<td>40 acres (1500 rooms)</td>
<td>10 acres (1000 rooms)</td>
</tr>
<tr>
<td>Convention Center</td>
<td>40 acres</td>
<td>25 acres</td>
</tr>
<tr>
<td>Retail and Entertainment Center</td>
<td>30 acres</td>
<td>15 acres</td>
</tr>
<tr>
<td>Roads and Support Facilities</td>
<td>40 acres</td>
<td>30 acres</td>
</tr>
<tr>
<td>Excess</td>
<td>300 acres</td>
<td></td>
</tr>
<tr>
<td>Total Phase I + II</td>
<td>1000 acres</td>
<td>430 acres</td>
</tr>
</tbody>
</table>
Table 7 --- Disney in Asia - Financing Costs and Visitor Market Data

<table>
<thead>
<tr>
<th>Phase I</th>
<th>Shanghai</th>
<th>Hong Kong</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Costs (Total)</td>
<td>$1.2 billion</td>
<td>$1.8 billion</td>
</tr>
<tr>
<td>Disney Portion</td>
<td>$150 million</td>
<td>$300 million</td>
</tr>
<tr>
<td>Capacity of Magic Kingdom Theme Park – Phase I Plan</td>
<td>50,000 per day, 18,250,000 per year</td>
<td>35,000 per day, 12,775,000 per year</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Phase II</th>
<th>Shanghai</th>
<th>Hong Kong</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction Costs (Total)</td>
<td>$.9 billion</td>
<td>$1.5 billion</td>
</tr>
<tr>
<td>Disney Portion</td>
<td>$150 million</td>
<td>$250 million</td>
</tr>
<tr>
<td>Capacity of EPCOT Theme Park – Phase II Plan</td>
<td>40,000 per day, 14,600,000 per year</td>
<td>25,000 per day, 9,125,000 per year</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Most Probable Expected Attendance (Phase I) (2005)</th>
<th>Shanghai</th>
<th>Hong Kong</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mainland China</td>
<td>9 million</td>
<td></td>
</tr>
<tr>
<td>Local Hong Kong Area</td>
<td></td>
<td>1.8 million</td>
</tr>
<tr>
<td>Visitors to Hong Kong</td>
<td></td>
<td>3.4 million</td>
</tr>
<tr>
<td>Total Visitors</td>
<td>9 million</td>
<td>5.2 million</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Most Probable Expected Attendance (Phase II) (2011)</th>
<th>Shanghai</th>
<th>Hong Kong</th>
</tr>
</thead>
<tbody>
<tr>
<td>7 million</td>
<td>5 million</td>
<td></td>
</tr>
<tr>
<td>Total Visitors</td>
<td>7 million</td>
<td>5 million</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Disney Royalties and Licensing Fees in each location</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>10% of Entrance Fees</td>
<td></td>
</tr>
<tr>
<td>5% of In-Park Expenditures</td>
<td></td>
</tr>
<tr>
<td>3% of total revenues (management fee)</td>
<td></td>
</tr>
<tr>
<td>Plus: 35% of Profits or losses in Shanghai</td>
<td></td>
</tr>
<tr>
<td>40% of profits or losses in Hong Kong</td>
<td></td>
</tr>
</tbody>
</table>
4.2.5.3 Strategies in Shanghai Disneyland

Shanghai Disneyland is actually something in the future. This time they are going to play it steadily rather than being in a harsh. Therefore, Walt Disney Company makes careful plan for the development of this new park.

The following strategies authors got though interviews between Walt Disney Company and Chinese government. Since Shanghai Disneyland has not opened, strategies will change anytime for any reason. The following ones can represent a part of strategies will be done in Shanghai Disneyland, but not all.

- **Climate**

Since Beijing is the capital of China, which is also listed in consideration of 6th Disneyland. But for climate reason, Beijing is really cold in winter, so for theme parks which are almost outside, it must be low season”. Walt Disney Company also did research on Beijing, and the result showed revenue of all amusement parks in summer holiday occupies more than 40% of the whole year, but in winter the number goes down sharply. Thus, to make more profit, Shanghai is a better choice than Beijing for Disneyland theme park.

- **Location**

Firstly, Chunsha town connects Puxi, Huning and Huhang, three major highways, which will bring visitors from Yangtze River Delta. Secondly, Passengers who will take connecting plane in Pudong airport can go to Disneyland theme park without visa in 48 hours. Thirdly, Disneyland Resort wants to provide a perfect environment for visitors, so there should neither be high buildings around, nor plane pass. Chunsha town is 6 kilometers away from Pudong airport and it far away from Shanghai downtown.

- **Language**

Not all of Chinese people speak English, so Chinese language in Shanghai Disneyland is necessary.

- **Culture**

Do in China as China does. Chinese and American are quite different in their culture. European culture is similar to American. However, Euro Disneyland was not a success. Therefore, culture adaption is still an important part. Like what Disney did in the previous cases, there is going to be some new attractions in Shanghai Disney; Western and Chinese food will be well combined - Chinese like the so called “Chinese style American food”, which should be American food but not totally American. Not only the food, Chinese are curious about American culture, while they cannot accept the total original thing, which is a big consideration in the designing of new programs. Since the programs and activities are not decided yet, authors are not able to provide examples as culture strategies.

- **Media**
In order to popularize the brand image of Shanghai Disneyland, Walt Disney Company is planning to set a Disney Channel in China, which is still under negotiation now. Disney has known about China’s market potential for a long time. Just like Viacom, AOL and Time Warner, Disney has entered Chinese market for several years. As a big player in media industry, Disney cartoons have been quite popular among Chinese children. In the year 1994, the Dragon Club, a Disney program, has been broadcast in 49 TV stations in China. In the same year, ESPN, Entertainment Sports Programming Network, held by Disney started to cooperate with Shanghai TV. By the end of 2002, 33 Chinese TV stations broadcast ESPN’s programs. Thanks to the past successful experience on Disney, Disney Channel in China must be popular as well.

- **Local resources**

It is a wise choice to take advantage of local resources and technologies. After the failures in Paris, Disney executives are not so assertive and proud. They are ready to use local resources. Shanghai is the focal point of China’s national development policies and is designated as the engine to drive economic development in Yangtze River region. Shanghai Disneyland can get the most advanced supporting technology and high-quality employees.

- **Larger scale**

Hong Kong Disneyland got more and more complain, mainly due to the small size. China has 1/5 population all over the world and a huge territory area. Meanwhile, there are hundreds of domestic theme parks all over the country. The first thing to be sure is that Shanghai Disneyland should not be a mini play ground.

- **Lower attendance fee**

Another factor that should be taken into consideration is the incoming gap between Chinese and Americans. Shanghai Disneyland is going to be the first Disneyland locating in developing country. The Disney executives are thinking of setting a lower price of the ticket, which can assure the number of visitors in the future.
5 Analysis

5.1 Macro-environment analysis

As authors mentioned in theoretical framework chapter, PESTEL framework is just suitable for analyzing macro-environment, and it helps managers to understand the strategic position of an organization in a macro-environment.

This section is going to analyze Chinese macro-environment for Shanghai Disneyland.

- Political

In China, both domestic and foreign companies have to operate under governmental control, which is quite different from the western counties. The international theme parks in China have a lot of issues to do with government. Shanghai Disneyland faced the problems with Chinese government in 2002. Although authors don’t know what the problem is, it must affect the decisions which were related with Chinese government the company made later years.

The land in China is always belonging to government, but companies can use it. The policy is if the companies paid the rent, it should be used totally. There should not be free land for future ideas. But in US, if the companies paid the land, it is belonging to the company. In Florida, the Disneyland keeps a large uncivilized area which is even larger than the original Disneyland now for future plan and development. In this case, Shanghai Disneyland should be planned as detail as they do now.

In all Disney international operations, support from the local government is critical to the Disney Company. However, the inefficiencies of a laissez-faire approach can also affect the marketing strategies of Shanghai Disneyland. Shanghai project is cooperated by government, so what the government hope is to improve local economy, Disneyland must have some strategies to satisfy government, in order to keep good cooperation relationship.

- Economic

Authors mentioned in Chapter four, Chinese economics is increasing rapid nowadays, which attract more and more foreign investment, like Disneyland. However, it is still a developing country. The average incoming per capita is much lower than US, Japan and Europe, so Shanghai Disneyland must set lower entrance fee to catch more Chinese consumers.

- Social

Disneyland’s main target group is kids all over the world. But in China, kids have huge pressure from schools, unfortunately, a part of them are not allowed to have too much
fun in vacation. Shanghai Disneyland must prepare some activies for young couples, young families.

Chinese consumer behaviour will affect also. Although we know Chinese people have more free time to pursue entertainment, as their traditional mind, they are not willing to spend more than one days in Disneyland, instead they prefer have a trip outside of city. But in US, when authors visited there, usually people spend three days there to have more fun. Obviously, the US Disneyland’s three day trip is not suitable for Chinese consumers.

- **Technological**

In a theme park, high quality entertainment equipment is the most important thing. As a fast developing country, China can offer technologies as good as US. Local resources and suppliers can save more time and money for the company. Cooperation with local companies can build good relationship and good reputation in the industry. That is why Shanghai Disneyland will use local resources and suppliers. Tokyo Disneyland was also a successful example of cooperation.

- **Environmental**

From Tokyo Disneyland’s success, we realized one of reasons is it adapt Japanese climate. As we interviewed, Walt Disney Company has two choices in China about the place, Beijing and Shanghai, but Beijing’s winter is not suitable for outside climate. If the Disneyland in Beijing, it must loss a large group of visitors in winter.

- **Legal**

The regulations and rule are varied from countries to countries. Euro Disneyland once had the problem on different legal, but at last they solved. Though interview, authors didn’t get any problem what would happen on legal issue. Managers didn’t mention Chinese legal will bring them inconvenience on marketing, so we don’t think legal will affect the marketing strategies.

### 5.2 Theme park industry analysis

Porter’s five forces framework is used to analyze the theme park industry in Shanghai, China for Shanghai Disneyland.

- **Competition within the industry**

Since 1990, Chinese theme park industry has been developing faster and faster. Obviously, those Chinese theme parks will be competitors of Shanghai Disneyland, even if some of them are not as famous as Disneyland. Some of them have already caught a group of visitors. For example, in Suzhou, the city beside Shanghai, there is a theme park
“Suzhou theme park and water world” with a slogan “Disney is too far. Come to here”. Suzhou local people like to spend their leisure time there.

To Shanghai Disneyland, competitors are not only those Chinese theme parks, but also some amusement parks that provide various entertainment activities. Jingjiang amusement park is also a good choice for visitors in Shanghai, which can be achieved in one hour by car. To customers or visitors they are all entertainment; it is easily for customers or visitors to switch among them.

Theatres, cinemas, and internet bars are all competitors of Shanghai Disneyland in the entertainment industry. When customers have a huge number of choices, they are willing to choose the one who has special activities.

On the one hand, Shanghai Disneyland should strengthen its brand image; however, on the other hand, it should be creative in Chinese entertainment industry to attract more visitors. That why the company decided to set a Disney Channel in China.

- **Threat of new entrants**

  Michael (1980) stated six major sources of barriers to entry. Economies of scale, product differentiation, capital requirements, cost disadvantages independent of size, access to distribution channels, and government policy. In the theme park industry, larger theme park can attract more visitors because they must have more equipment and activities then small ones, thus the large scale can bring strong competitive capability in the industry. However, large scale usually requires large capital, which is also a barrier to new entrants. Hong Kong Disneyland is failed mainly because of the small scale, so in table 6, 7 readers can find Shanghai Disneyland has a really large scale to solve this kind of problem.

  As a new entrant, Shanghai Disneyland will cooperate with local resources, because it is not familiar with Chinese suppliers. Cooperation with local resources can avoid such of barriers, “cost disadvantages independent of size and access to distribution channels”.

  When we were analyzing macro-environment, we found policy is an aspect of affecting strategies. Here is the similar situation. Although Shanghai Disneyland is cooperated by Shanghai government and Walt Disney Company, government, of course, wants to get some benefit, but on the other hand, Shanghai government will also protect Shanghai local theme park not to be affect too much by Shanghai Disneyland. To survive in Shanghai entertainment industry, Shanghai Disneyland must have some good relationship with government. But in this thesis, we focus on marketing strategies, so this kind of strategies related with government will not affect our analysis.

- **Threat of substitute**

  Authors have mentioned before, theatres, cinemas and others are also considered by customers when they need entertainment. Shanghai Disneyland needs excellent equipment, service, and activities with appropriate prices to attract visitors; otherwise people can choose other entertainment to relax. People who live in Shanghai have huge pressure.
They are willing to overtime work to get promotion, so when they need to have a rest, they can choose a movie or KTV, which only spend their a few hours. However, if they choose Disneyland, they must spend the whole day in the park. If Disneyland can provide them good price/performance ratio, it is worth to spend their time. Disney Channel is a good way to do advisement. To avoid be substituted, Shanghai Disneyland can be substitute in other industry first, so the Disney Channel will be set soon to share media market.

- **Bargaining power of customers**

  Chinese students are usually organized by schools. To Disneyland, a group of students means discount entrance fee and low consuming capability. So it must have other strategies to get profit back, like food and tools.

- **Bargaining power of suppliers**

  Shanghai Disneyland is not familiar with local supplier, so it will cooperate with local company, just like Tokyo Disneyland did. This strategy can get a win-win. Shanghai Disneyland will not affect by bargaining power of suppliers, and local company who take responsibility to this issue can make profit through this business.

### 5.3 Market differences

Shanghai market is quiet different from others. Here authors are going to analysis the differences between markets with Ghemwat (2001)’s CAGE framework, which is culture distance, administrative and political distance, geographical distance and economic distance.

- **Cultural distance**

  Culture has a significance impact on the lifecycle of a theme park. First of all, language is one of the biggest problems in Shanghai Disneyland. By now, most of Chinese people don’t speak English, so like Tokyo Disneyland; the language in Shanghai Disneyland must use both English and Chinese.

  Secondly, Asian people are not scared by monsters, but by ghost. Tokyo Disneyland did a good example to have a ghost, which is Japanese taste, so Shanghai Disneyland must have some change on the activities to meet Chinese taste. For example, costume on Mickey can be changed to Chinese Tang costume. And also Chinese food will appear in Shanghai Disneyland.

  Thirdly, due to lack of social networks, Shanghai Disneyland will not contact local suppliers directly; instead it will cooperate with local companies.

- **Administrative distance**

  The difference on law between China and US has been analyzed in the macro-environment analysis. Since authors haven’t got any information showed this distances will affect marketing strategies, here we won’t analyze again.
Shanghai Disneyland is built by both Walt Disney Company and Chinese government. To get benefit and keep a good relationship with US, Shanghai government will give Disneyland some convenience. But to protect local theme park, government will also build some barriers to Disneyland. To solve this problem with government, it is not wise to negotiate with government directly. Disneyland itself must be attractive enough to compete with Chinese theme parks.

- **Geographic distance**

A successful theme park should contain several factors. Geographic factor is one of them, which plays an important role in the success of theme park. Geographic factors include location, size of market and transportation condition. Generally speaking, Chinese theme park is usually located in developed cities with a high degree of population mobility, which can ensure a large and profitable consuming market. That is why Walt Disney Company chose Shanghai as their Chinese mainland theme park location. According to a study of Washington Urban Land Institute, consuming market can be divided into three classes:

- The first class consuming market is within 80 kilometers’ distance from the theme park, with a population more than 2 million;
- The second class consuming market is within 240 kilometers’ distance, with a population more than 2 million;
- The third class consuming market is between 200 and 300 kilometers. (Zhang, 2002)

The impact of the distance of consuming market is usually connected with local transportation conditions. On one hand, the city which a theme park located in should have convenient accessibility to other cities; on the other hand, the internal city traffic is ought to well-developed. Shanghai is a city with more than 10 lines of subways and public buses to every district. What’s more, to get more consumers, Shanghai Disneyland is built in Chuansha town near Pudong airport, so travelers can have 48 hours visa free time to visit Shanghai Disneyland during their connecting plane time.

- **Economics distance**

Regional economic development influences consumption capacity of visitors. Theme park is a high investment project. Usually well-developed cities have the capability to make such kind of investment. Otherwise local government has to make concentrated investment with limited financial income or attract foreign investment. When the first Disneyland opened in 1955, the GDP of USA was 397.5 billion US dollars, with an average GDP per capita of 2,419 US dollars. In the year 1983 when Tokyo Disneyland ran into business, the GDP of Japan was 258.6 billion US dollars, with an average GDP per capita of 9,894 US dollars. The economic condition can explain why most famous theme parks located in West Europe, USA and Japan (Clavé, 2007). In recent decades, China has emerged as a potential consuming market. Although, China’s GDP and GDP per capita still lag behind USA and Japan, with the fast developing speed, China will soon catch up developed countries. Before that, Shanghai Disneyland has some strategies to solve this economics distance, such as lower entrance fee. On the other hand, the low cost of resources in China saves lot for Shanghai Disneyland, such as lower human resources cost and lower infrastructure cost. It is wise to cooperate local company as one of strategies in Shanghai Disneyland.
5.4 Marketing strategic change analysis of all overseas Disneyland

In the end of this chapter, authors will analyze the strategic change of all overseas Disneyland, and what is learned through the success or failure of these existing Disneyland. Moreover, the influences on these strategic changes will be illustrated.

5.4.1 Tokyo Disneyland

The language, culture and climate strategies of Tokyo Disneyland are developed based on the competitive forces view. Because Tokyo Disneyland understand the environment of Japan totally before have these strategies. Japanese language makes Tokyo Disneyland stand the same level with other Japanese theme parks to compete. Japanese style in Disneyland can attract more visitors who are interested in both Disney and Japanese culture. Climate consideration helps visitors well arrange their trips.

Cooperation strategy is developed based on the strategic conflict view. If Tokyo Disneyland just purchases public facilities by itself like other theme parks do, it will cost much. So it is a wise strategy to cooperate with other companies to get win-win.

The high quality of products and services strategy is developed based on the resource-based view. The high quality of products and services is only related to Tokyo Disneyland itself. High quality of products and services gives Tokyo Disneyland strong competition advantages in the industry.

According to Julia (2001) authors mentioned in theoretical framework, the type of strategic change in Tokyo Disneyland is revolution, because the environment is fundamental changed compared with US environment. Moreover, the change did rapid, because it must be applied as soon as Tokyo Disneyland opened. The most important aspect is culture changed due to culture distance between Japan and US.

Because the similarity of Asian countries, there are many lessons we can learn from Tokyo Disneyland’s success for Shanghai Disneyland.

First, themelization is the core of product differentiation of them parks. For a theme park, themes are the symbols of the park, which can help to distinguish from other competitors and stand out in the market; thematization also helps to build the harmony between product and service in the park. All facilities and activities are based on the same theme. A harmonious environment can better interoperate the theme; thematization is a way of marketing, which can largely promote the sales of service as well as commodities. If visitors are impressed by the fantastic experience, they would be willing to buy the themed products and services. Tokyo Disneyland does not simple copy form US Disneyland, but it has its own Japanese style and it themelization to the whole theme park to
keep a harmonious environment. Otherwise, Tokyo Disneyland will be half of Japanese style and half of US style.

Second, mixed consumption can optimize the profit model. Mixed consumption is based on the verification of themes. Different themes are unified under a harmonious environment while not mechanically duplicate each other. Therefore, visitors would like to experience and buy different commodities. Ticket sales are not the main and only way of making profit any more. Other services and commodities can bring more profit. What is more, the industrial chain of theme park is extended. The running of theme park is not the only way of doing business. Hotels, transportation, food and beverages can also provide great business opportunities.

Third, commercialization not only promotes the brand of theme park, but also bring avenue. Most famous cartoon figures in Disneyland have been commercialized. Tokyo Disneyland is especially successful on commercialization. Among Tokyo Disneyland’s total revenue, the sales of commercialized commodities accounts for 32%, which still has a large climbing space (Lou, 2010).

Fourth, performance plays an important role in attracting visitors. Performance in Tokyo Disneyland functions not only as a visual enjoyment. Employees try to make communication with visitors through different performance. On one hand, the theme is visualized; on the other hand, this kind of “affection service” is quite individualized. Visitors can enjoy the experience. Thanks to the impressive performative service, about 80% visitors are returned customers (Lou, 2010).

Fifth, cooperation with other companies gets win-win. “Disney’s expansion is closely related to local culture, economy and consumption habits. Sometimes it is more important to get well localized than introducing fancy managing strategies, which is the main reason of Tokyo Disney’s success,” said Zhifu Ma, a researcher from Chinese National Development and Reform Commission.

5.4.2 Paris Disneyland

According to the competitive forces view, integration must be done when Disneyland entered into French environment. This integration involved a lot of efforts. Both sides had to work out a system which would work for Euro Disneyland (Paris Disneyland). Obviously, both of them did not integrate enough that led to a lot of problems to Euro Disneyland. Thus, it must have new strategies to save Euro Disneyland.

Due to the failure in the first year and competition in the industry, Euro Disneyland had to ask for financial help and to save cost; otherwise, it would not be rescued. This strategy is based on strategic conflict view. The strategies of other competitors can affect Euro Disneyland in this industry, so Euro Disneyland must have such strategies to conflict them.
Changing name, promotion, and expanding market strategies are based on competitive forces view, because all of these strategies are changed to meet the demand of market. These strategic changes provided Paris Disneyland more competitive forces in the industry.

According to Julia (2001) authors mentioned in theoretical framework, the type of strategic change in Paris Disneyland is revolution firstly and then adaptation. Firstly, Walt Disney Company had to integrate US style and French culture. The strategies changed culture fundamentally, and since Euro Disneyland was new, the strategies should be applied as soon as it opened. The strategies changed rapidly compared to the old ones in US. A year later, due to the loss of Euro Disneyland, the organizers had some rescue plan, and this type of strategic changes is adaptation. The culture of Disneyland is not changed. The change occurred incrementally to adapt the culture and market in French.

Disneyland’s first foreign venture was such a great success that the decision was made to further expand abroad. However, it turned out that, the fourth Disneyland was not as successful as they anticipated. Although Euro Disneyland’s target of 11 million guests in the first year was met, but revenues did not roll in as had been planned. (Burgoyne, 2007) In 1990s, Euro Disneyland reported great loss. The problems mainly caused by four actors.

First of all, Euro Disneyland has experienced numerous complications from its inception. The first strategy integration didn’t not execute as well as Tokyo Disneyland did. Because the Walt Disney Company executives were determined to adhere to American philosophies, they did not make enough investigation of the European environment. The Walt Disney Company executives wanted to construct their American dream on foreign soil without enough regard for the reality of the physical, financial, and cultural environment of their future market. Their “biggest mistakes were its overambitious plans to develop the site, plus Euro Disneyland’s financial structure itself, which depended on a highly optimistic financial scenario with little room for glitches” (Gumbel & Turner, 1994).

Cultural distance is the second factor. In America, the average stay in Disneyland is 4 days, while most European visitors just stay two days there; In America, the visit to theme parks have no remarkable different between different seasons, while in Europe, seasonality is quite an important factor in tourism industry; Unlike most Americans, European people do not always go travelling with their children, while Disneyland’s main target consumers are children; what’s worse, European people would rather have less long vacations than more short ones, which led to a low returned visit rate in Euro Disneyland.

What’s more, Euro Disneyland made wrong estimation on the need of food and beverages. Americans think European people did not have demand in breakfast, so the supply of breakfast is quite limited. It turned out that, tons of visitors want breakfast in the park. There are a lot of fast food stores inside the park. However, the high prices of the products decrease people’s consumption on fast food. Most European people have tried to
save some money due to economic recession. There is no supply of alcohol in the park according to American style. However, Europeans are used to have a drink when they eat.

The third factor is climate. Paris is near to North Europe. Due to the cold climate, the best time for outdoor activity is no more than six months. And we have mentioned previously that travelling in Europe is greatly affected by season. Thus, Euro Disneyland cannot make stable profit.

The fourth problem comes from the different legal systems. Labor Laws in French are quite different from that in America. In America, the employment of employees is quite flexible. The employment is different between different seasons. There is no such kind of flexibility in France. The employers are not allowed to dismiss employees as they want, which lead to high cost in employment in France. Disneyland has strict regulation of employees’ appearance, such as no tattoos, no dying of hair. French people are no so satisfied with the restriction of individual freedom, many organizations protest against the regulations.

5.4.3 Hong Kong Disneyland

Language and culture strategies are developed based on competitive forces view. When Disneyland decided to enter into Hong Kong market, it must adapt Hong Kong environment. Firstly, Disneyland must be acceptable through same language Hong Kong people used. If Hong Kong people did not understand the language in Disneyland, they cannot experience the essence of Disneyland. And the culture helped Hong Kong Disneyland become more familiar with local people, thus it can get more competitive forces.

The rest of strategies, cooperation, government support, promotion and advertisement strategies are developed based on strategic conflict view. The entertainment industry in Hong Kong is really famous, so the strategies in Hong Kong entertainment industry are various. To survive in such a complicated environment, Hong Kong Disneyland must have strategies to conflict other entertainment organizations. Thanks to Tokyo Disneyland, cooperation is a good strategy to make win-win between Disneyland and local companies. With government support, Hong Kong Disneyland got more powerful than other theme parks or amusement parks. Promotion and advertisement helped Hong Kong Disneyland to get more market share than other competitors. Although other competitors must have their own strategies which may affect the whole industry, Hong Kong Disneyland developed these strategies which could conflict with others and adapt the changeable market.

According to Julia (2001) authors mentioned in theoretical framework, the type of strategic change in Hong Kong Disneyland is revolution. The environment of Hong Kong is totally different from US. To adapt Hong Kong environment, the change of culture is necessary. Moreover, the change must be rapid, because it must be applied as soon as Hong Kong Disneyland opened. Thus, authors believer the type of strategic change in Hong Kong Disneyland in revolution.
5.4.4 Shanghai Disneyland

Climate, language and culture strategies are developed based on competitive forces view. When Walt Disney Company realized the climate of China, it decided to choose Shanghai as the 6th Disneyland. Since the English language is not as popular as Chinese, the language must be used both in Shanghai Disneyland. Chinese people are proud of their long history and culture, Shanghai Disneyland cannot totally copy from US, instead it must contain Chinese culture and combine it with US style. These reasons force Shanghai Disneyland developed climate, language and culture strategies to compete in Shanghai entertainment industry.

Location, media, local resource and Lower attendance fee strategies are developed based on strategic conflict view. There are more and more theme parks and amusement parks in China, so the strategies of those theme parks and amusement parks made this market complicated. Shanghai Disneyland must get its own strategies to survive in this market. Chuansha town is chosen as the most suitable location for Shanghai Disneyland, due to convenient transportation, 48 hours visa-free visiting for foreigners and good geographical advantage. Disney Channel could be the best way to advertise and it is also a way to make profit. Cooperating with local resources helps Shanghai Disneyland to avoid some barriers as a new entrant and also to save cost.

Larger scale strategy is developed based on resource-based view. Due to the small size, Hong Kong Disney got complain, even refuse visitors once. To avoid such a situation in Shanghai, Shanghai Disneyland enlarges its scale. This strategy is not related with environment or industry, it is a strategy related with the internal resource of Shanghai Disneyland, because large scale requires large capital.

According to Julia (2001) authors mentioned in theoretical framework, the type of strategic change in Shanghai Disneyland is revolution. Firstly, it requires rapid and major strategic change. Because like other overseas Disneyland, the new strategies must be applied as soon as they open, the strategies of Shanghai Disneyland must be applied as soon as it opens. To Walt Disney Company, these strategies change rapidly from US strategies. Secondly, culture distance between US and China leads to strategic change. Shanghai Disneyland cannot accede to US model, but it should combine Chinese culture with US style. Thus, the change on culture is occurred. So authors believe the type of strategic change in Shanghai Disneyland is revolution.
6 Conclusion

This chapter represents the final conclusions by answering the research questions and the discussion for future research.

6.1 Main drivers and motivations of strategic change

In last chapter, author analyzed macro-environment, theme park industry and market differences, as well as strategic changes did in other overseas Disneyland. The result of the research question “What are the main drivers and motivations of strategic changes for Shanghai Disneyland?” can be concluded as following:

- **Political and administrative**
  Chinese government and Chinese policy could be one of drivers of strategic change in Shanghai Disneyland. Shanghai Disneyland must obey the rule set by government and keep good relationship with Chinese government who is the other partner of Shanghai Disneyland.

- **Economic**
  Chinese weaker economic leads to Shanghai Disneyland cannot charge the same entrance fee as other Disneyland did.

- **Social**
  Chinese school vacation and exam regulations determine Shanghai Disneyland will not have as many kids as other Disneyland did. What is more, the consumer behaviour in China is also different from other countries, so Disneyland will not expect the consumption will be as good as other overseas Disneyland. Thus, strategic changes occur because of social reasons.

- **Technological**
  Chinese fast developing technology can take charge of building a high quality theme park. Disneyland will not use US technology which is needed to be imported equipments from US, but it cooperates with local companies. This strategic change saves a lot of cost for Shanghai Disneyland and also helps Shanghai Disneyland to get good reputation in the industry.

- **Environmental**
  Environment is the reason of choosing Shanghai, but not Beijing. Although by now author have not got any prove showed environment will affect strategic change in Shanghai, Tokyo Disneyland’s success remind us, environment could be one of drivers of strategic change. The bad weather will affect revenue to go down directly.

- **Competition within the industry**
According to strategic conflict view, the actions of other competitors will influence the whole industry. The competition within the industry will affect Shanghai Disneyland, so it must have strategies to reply the changeable industry.

According to Porter’s five force framework, the competition within the industry comes from threat of new entrants, threat of substitute, bargaining power of customers and bargaining power of suppliers. To conflict successfully within Chinese theme park industry, Walt Disney Company also changed strategies for Shanghai. For example, attractive activities make it to be special, food and tools ensure to make profit when a group of visitors are coming.

- **Culture**

Culture is one of the biggest problems to Shanghai Disneyland, which includes language, custom, and social networks. To adapt in Chinese culture, Walt Disney Company learnt from Euro Disneyland, so a part of strategies change according to Chinese culture.

- **Geographic distance**

The good geographic location of Shanghai indicates Shanghai Disneyland will be a great success. But Shanghai Disneyland does not satisfy these; it also has other strategies to attract more visitors, like 48 hours visa-free visit. Since it is going to open in 2012-2016, authors believe it will be more changes when situation changes. Obviously, geographic distance is one of motivations of strategic change.

### 6.2 Further study

Shanghai Disneyland as a case of strategic change expansion of foreign investors to China. During the period of research, authors found Walt Disney Company did a lot of work on Shanghai project. To build the sixth Disneyland in a developing country, some of strategies have to be changed.

For future study, Shanghai Disneyland are not opened now, no one can make sure the strategies showed in this thesis will be adopted. Also authors believe there must be more changes done when situation changes, so we suggest to follow this topic and to do more detail analysis. For example, when it is opened, is there any new problem? What’s more, due to the limited time and resources, this thesis only focus on marketing strategic change in theme park industry, this topic of strategic change can be researched for all foreign companies in all fields who will enter into a new environment.
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