To: Tom Staggs, Walt Disney Parks and Resorts

From: AD654 Group 3, Team B

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Re: The Walt Disney Company: Theme Parks

Background

Walt Disney Parks and Resorts' operates twelve theme parks across six resorts in Orlando (US-FL), Anaheim (US-CA), Paris (FR), Tokyo (JP), Shanghai (CN) and Hong Kong (CN). In 2009 and 2010, Disney's portfolio of parks featured the top eight most frequented theme parks in the world (Exhibit 1). Universal Destinations & Experiences, the theme park unit of NBCUniversal, a subsidiary of Comcast, is Disney's most notable competitor in the United States. Universal operates two domestic theme parks, Universal Studios Orlando (FL) and Universal Studios Hollywood (CA). Universal Studios Orlando's attendance and revenue generation has historically lagged far behind Disney's Orlando equivalent, Magic Kingdom. However, the opening of the Wizarding World of Harry Potter themed areas at Universal Studios Orlando in Spring 2010 began to narrow the gap. In 2009, Disney's Magic Kingdom attracted ~17 million visitors and Universal Studios Orlando attracted ~5 million visitors. In its first six months, the Wizarding World of Harry Potter drew 20% more visitors to Universal Studios Orlando than in the entire previous year and skyrocketed revenue by 41%. Universal Studios Orlando's blockbuster success presents an opportunity for Disney World's four theme parks (Magic Kingdom, EPCOT, Animal Kingdom and Disney MGM Studios) to capitalize on the influx of new visitors to the market.

Strategic Goal

Walt Disney Parks and Resorts' success is not the result of the castles or the teacups or any of the physical things really, rather the experiences created for guests. Disney's mastering of the guest experience at their resorts and parks is what keeps guests coming back again and again. Disney's next investment should support efforts to attract the next generation of Disney vacationers while taking caution to protect the core experience expected at Disney parks and resorts.

Investment Opportunities

Walt Disney Parks and Resorts has remained committed to the expansion of park assets, investing ~$1 billion every year in the segment. Disney has identified three potential investment opportunities to strategically deploy this capital over the next several years:

Improve current park experience - Long lines, high ticket costs, and the overall complexity of the park experience have been cited as the top reasons for dissatisfaction among Disney parks guests. 'Magic Bands' present an opportunity to enhance guests' vacation experiences and streamline park operations. The Magic Band is a RFID-enabled adjustable plastic bracelet that would allow resort and/or park guests to immerse themselves in their Disney vacation, without cell phones and credit cards interfering with the illusion. The Magic Band would be sent to guests prior to their vacation and personalized with their name and in fashionable colors, making them not only functional but also fun to wear. The implementation of Magic Bands would be an unprecedented investment in experience enhancement but has the potential to drive double-digit returns for Disney while enhancing the resort/park experience and streamlining park operations. The implementation of Magic Bands would:

- Increase the ease and speed of in-park purchasing by enabling guests with the ability to charge meals and merchandise to their bands.
- Reduce congestion and increase through-put at top attractions by enabling guests with the ability to reserve ride times in advance.
- Optimize the collection of data that can be analyzed and leveraged by Disney to personalize guest interactions and experiences.

Build new hotel in Hawaii - The Hawaiian hotel concept named Aulani, which is Hawaiian for "messenger of a chief", presents an opportunity to achieve meaningful growth by leveraging Disney's renowned hospitality to create a vacation experience separate from the parks. Aulani would be a sprawling resort on the coast of Oahu, comprising 360 hotel rooms, 480 timeshare units, a giant pool and water-play area, a spa, nightly luaus and other impressive amenities. Analysis of demographic data shows noteworthy changes in the U.S. population that have important implications for Disney's future plans. While the total U.S. population is undeniably growing, the growth rate of children under the age of 18 is declining. From 1995 to 2010, we witnessed a decline from 8.3% to 0.8%. At the same time, data shows that families with fewer children generally have higher incomes. The Hawaiian hotel capitalizes on the needs of higher-income families by offering them a luxurious, well-rounded Disney resort experience.

Relaunch and scale DisneyQuest - DisneyQuest was a small-scale themed indoor recreation site that was intended to provide an immersive experience to customers who didn't/couldn't frequent Disney parks. Two DisneyQuest locations were piloted in Orlando and Chicago with plans to expand to up to thirty more cities throughout the United States and across the world. While visitors enjoyed the theme attractions, games and activities, DisneyQuest was eventually phased out as Disney chose not to continue investing resources into necessary technological updates and visitors were being turned off by high admission prices.

The decision to relaunch DisneyQuest or any similar project would depend on a variety of strategic factors, including market demand, financial feasibility, brand alignment, and technological relevance. The following should be considered:

1. *Technological landscape*: One of the challenges DisneyQuest faced during its operational years was that technology inside the venue became outdated compared to the rapid advancements in home gaming and entertainment. If Disney were to relaunch the project, they would need a sustainable plan for regular tech updates and innovations.

2. *Market demand*: The demand for out-of-home entertainment experiences has been influenced by factors like the rise of at-home VR and entertainment streaming. However, there's still a market for unique, in-person experiences, especially if they offer something users can't get at home.

3. *Competition*: The landscape of theme park and entertainment experiences has evolved. Disney would need to consider competitors in the VR and AR space and evaluate what unique value they can bring to guests.

4. *Brand synergy*: Disney has a multitude of IP under its umbrella, from Pixar to Marvel to Star Wars. Leveraging these brands effectively in a new DisneyQuest could provide a unique selling proposition.

5. *Location and physical footprint*: The physical space required for such a venture, especially in high-rent districts like Disney Springs, is significant. They'd need to evaluate the ROI for the square footage required.

Recommendation

The integration of Magic Bands at Disney World is the optimal investment because it would:

- Align with the long-term strategic goals of the organization.
- Enable a seamless experience for Disney vacationers across Disney World’s four theme parks, 140 attractions, 300 dining locations, and 36 hotels.
- Drive incremental profit.
- Capitalize on the influx of new visitors to the Orlando market generated by Universal Studios Orlando’s Wizarding World of Harry Potter

Appendix

Exhibit 1 Global Top 20 Theme Park Ranking (by attendance, in millions)

	2009	2010
1	Magic Kingdom (Disney, Orlando): 17.233	Magic Kingdom (Disney, Orlando): 16.972
2	Disneyland (Disney, Anaheim): 15.900	Disneyland (Disney, Anaheim): 15.980
3	Tokyo Disneyland (Disney, Tokyo): 13.646	Tokyo Disneyland (Disney, Tokyo): 14.452
4	Disneyland Park (Disney, Paris): 12.740	Tokyo DisneySea (Disney, Tokyo): 12.663
5	Tokyo DisneySea (Disney, Tokyo): 12.004	EPCOT (Disney, Orlando) 10.825
6	EPCOT (Disney, Orlando) 10.990	Disneyland Park (Disney, Paris): 10.500
7	Hollywood Studios (Disney, Orlando): 9.700	Animal Kingdom (Disney, Orlando): 9.686
8	Animal Kingdom (Disney, Orlando): 9.590	Hollywood Studios (Disney, Orlando): 9.603
9	Universal Studios Japan (Universal, Japan): 8.000	Universal Studios Japan (Universal, Japan): 8.160
10	Everland (Samsung, Gyeonggi-Do): 6.169	Everland (Samsung, Gyeonggi-Do): 6.884
11	Callifornia Adventure (Disney, Anaheim): 6.050	California Adventure (Disney, Anaheim): 6.278
12	Seaworld (Seaworld Ent, Orlando): 5.800	Islands of Adventure* (Universal, Orlando): 5.949
13	Universal Studios (Universal, Florida): 5.530	Universal Studios (Universal, Florida): 5.925
14	Ocean Park (Hong Kong): 4.800	Lotte World (Lotte, Seoul): 5.551
15	Nagashima Spa Land (Kuwana): 4.700	Hong Kong Disneyland (Disney, Hong Kong): 5.200
16	Islands of Adventure (Universal, Orlando): 4.627	Seaworld (Seaworld Ent, Orlando): 5.100
17	Hong Kong Disneyland (Disney, Hong Kong): 4.600	Ocean Park (Hong Kong): 5.100
18	Yokohama Hakkeijima Spa Paradise (Yokohama): 4.500	Universal Studios Hollywood (Universal, Hollywood): 5.040
19	Universal Studios Hollywood (Universal, Hollywood): 4.308	Walt Disney Studios (Disney, Paris): 4.500
20	Lotte World (Lotte, Seoul): 4.261	Nagashima Spa Land (Kuwana): 4.465

Source: Created by casewriters from "Global Attractions Attendance Report," AECOM, 2010, https://www.aecom.com/content/wp-content/uploads/2015/10/2010_Theme_Index.pdf, and;
"Global Attractions Attendance Report," AECOM, 2009, https://www.aecom.com/content/wp-content/uploads/2015/10/2009_Theme_Index.pdf, accessed August 2019.

* The increase in attendance at Universal's Islands of Adventure between 2009 and 2010 is attributable to the opening of The Wizarding World of Harry Potter in June 2010.

References

McDonald, R., Mnookin, A., & Mogosanu, I. (2021). The Walt Disney Company: Theme Parks. HBS No. 9-620-039. https://hbsp.harvard.edu/cases/