



Euro Disney: The First 100 Days

This is the most wonderful project we have ever done.

Michael Eisner, CEO,
The Walt Disney Company¹

A horror made of cardboard, plastic, and appalling colors; a construction of hardened chewing gum and idiotic folklore taken straight out of comic books written for obese Americans.

Jean Cau, French Critic²

April 12, 1992 was a cool and hazy day in Marne-la-Vallee, France, home of the Euro Disney Resort complex. Built on a site one-fifth the size of Paris and 20 miles to its west, boasting scores of rides, attractions, hotels, restaurants, entertainment facilities, a campground, and even a championship golf course, Euro Disney opened that day on time and within its \$4.4 billion budget.³

Roy Disney, nephew of the founder of The Walt Disney Company, addressed the opening day crowd from a platform half way up *Le Chateau De La Belle Au Bois Dormant* (The Sleeping Beauty Castle). He described the complex as an emotional homecoming for the family, which traced its roots to the French town of Isigny-sur-Mer. However, notwithstanding a \$10 million ad campaign in anticipation of the opening, attendance at the event was less than some had expected. As evidence of a cool French reception to Euro Disney, commuter trains leading to the park were on strike, protesting staffing and security problems, residents of nearby villages demonstrated against the noise, and a terrorist bomb had just missed disabling nearby electrical facilities the night before.

Research Associate Robert Anthony prepared this case under the supervision of Professors Gary Loveman and Leonard Schlesinger as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. The case was prepared from published sources, and the Walt Disney Company is in no way responsible for the completeness, accuracy, or fairness of presentation of any information contained herein.

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On June 9 Disney reported that attendance for the park's first seven weeks had been over 1.5 million.⁴ While the company previously had projected 11 million in attendance for the first year, it was thought likely that the majority of visitors would be attracted before the wet and colder fall and winter seasons. Also, research showed that the attendance of nearby French residents, who were projected to account for half of the park's attendance, was running well below the expected rate.⁵ In New York shares of The Walt Disney Company dropped 5% following the June attendance announcement.

On July 24 Euro Disney announced that revenues for its first quarter of operations were \$489 million (\$451 million at April 12 exchange rates), but that it would incur a loss for the fiscal year ending September 30, 1992. The company blamed the loss on the fact that it had geared up for a higher level of operations than had actually been attained. Attendance had been 3.6 million through July 22. Shares of Euro Disney, which traded on the French Bourse, dropped 2.75% following the announcement, capping a 31% drop since the opening of the park.⁶

Disney managers remained optimistic that Euro Disney would prove to be a dramatic extension of its founder's dream to "make people happy." Chairman Michael Eisner defended the performance of the park by stating that attendance at Euro Disney exceeded that of Disney's other three theme parks at comparable points in their history. Euro Disney President Robert Fitzpatrick, who had predicted that Europe would become as important to the future success of the company as America,⁸ stated that it was impossible to extrapolate meaningfully from the attendance figures at such an early point in the history of the complex.⁹

Still, after five years of controversy over whether various aspects of Disney's traditional approach would fit with French culture, prompting one critic to dub the project a "cultural Chernobyl,"¹⁰ there seemed reason to wonder whether the magic of Disney's famous Magic Kingdom would be replicated in France.

Walt Disney Attractions

Disney Theme Parks

The Walt Disney Company, founded by Walt Disney and his brother Roy in 1923, consisted of theme parks and resort complexes, motion picture and television production and distribution, consumer products licensing, publishing and retail, and other limited entertainment ventures. **Exhibit 1** provides aggregate financial data for the Walt Disney Company and **Exhibit 2** provides segment data. Walt Disney Attractions consisted of theme parks, hotel and conference facilities, retail complexes, and other recreational properties. In 1991 71% of Walt Disney Attraction's revenues were derived from theme parks, 21% from hotels, and 8% from other sources.¹¹

Disney's largest property was Walt Disney World Resort, located on 29,000 acres in Orlando, Florida and boasting three separate theme parks. The 98-acre Magic Kingdom theme park, opened in 1971, featured 45 attractions in seven themed lands and was the site's original park. The 110-acre Disney-MGM Studios Theme Park featured 13 attractions centered around Hollywood's movie industry, as well as contained a working film and television production facility. The EPCOT Center combined the educational Future World, which featured 14 educational and entertainment-oriented attractions in eight pavilions, with the culturally themed attractions of the World Showcase, consisting of six attractions in 11 "country pavilions."¹²

Disneyland, which opened in 1955, was the company's first theme park. Located near Los Angeles, California, it featured over 50 attractions in seven themed lands. Tokyo Disneyland was

designed by Disney but owned and operated by the Oriental Land Company. Its 114 acres was one and one-half times as large as the Disneyland in Southern California, but it was substantially similar in concept to this property.¹³

By early 1992, the company owned and operated hotel properties consisting of 17,000 rooms and 580,000 square feet of meeting space, through its development of its Florida property.¹⁴ In 1990, over 50 million people visited Disney parks,¹⁵ and 1991 attendance showed a slight decline due to economic recession (estimates for 1991 attendance ran as high as 57 million, including Tokyo Disneyland's 16 million).¹⁶ In 1989, which was likely a typical year in recent experience, roughly twice as many people visited the larger Walt Disney World park than the Southern California Disneyland. In addition, it was estimated that 90% of theme park visitors were repeat customers,¹⁷ and 5%, or well over two million people, flocked in from Europe annually.¹⁸ The majority of Disney visitors were adults, many of whom were in their late twenties and had young children. In 1991 a day pass at Walt Disney World cost \$34.75 and at Disneyland cost \$27.50.¹⁹ It was estimated that a typical family of four spent \$30 per day, per person on meals, snacks, and souvenirs while on vacation at Walt Disney World.²⁰

The core of Disney's success defied easy characterization. As one observer noted, "The difference that is Disney goes (very deep) into the American consciousness, for this is a company that sells myth and fantasy."²¹

In one sense, the Disney tradition of creative imagination drew its energy from the personality of Walt Disney himself. Walt was legendary within the company for his obsessive focus on creating products and experiences for his customers which epitomized "fun," and his life was an enthusiastic quest for new technologies, plans, and possibilities which would make this a reality. At the same time, the Disney magic had seemingly been institutionalized in a creative process and meticulous service delivery system which was able to consistently perpetuate a fantastic experience for each of millions of theme park visitors every year. Twenty six years after the death of its founder Disney still had as a primary objective "preserving the basic Disney values—quality, imagination, (and) guest service."²²

At the center of the Disney theme park experience was the "theme." Disney parks were subdivided into a number of "lands," each of which revolved around a single motif in the nature of its rides and attractions, the costumes of employees, the architectural style of its buildings, and even the food and souvenirs sold within its boundaries. More than a simple decorative device for visitors, however, once within one of the lands at a Disney park, visitors were completely enveloped within its theme. A themed land was truly a carefully planned and orchestrated imaginary world where visitors could escape the themes of the "real" world.

Within each Disney park themes were chosen to appeal to a wide variety of interests and tastes. Lands which the parks had in common included Main Street, Frontierland, Tomorrowland, Fantasyland, and Adventureland. Encompassed within these were images of the most treasured elements of America's past, the fascinations of technologies which were shaping the future, and the myths which had helped shape the American cultural heritage. The images also were brought to life in a variety of ways. Typically, each land contained adventurous, roller coaster-like rides, more subdued rides where the themes were portrayed and observed in interesting detail, and spectator films and shows. The rides and attractions had been crafted by professional "Imagineers" whose goal was to make each completely unique to the Disney theme park experience.

Another cornerstone of the Disney theme park franchise was the rich heritage of the company's cartoon characters. Developed in films which were re-released roughly every five years to acculturate a new generation of patrons,²³ the characters were active in the theme parks in a variety of ways. Costumed characters roamed the park in search of photo opportunities with young visitors, were the subject of rides and attractions within Fantasyland, and most visitors left the park having purchased some piece of memorabilia which featured the characters.

Disney characters had become staples of the American youth experience. They were colorful, fun, highly visible, and had been merchandised into the psyche of children through ubiquitous product licensing. Disney characters also represented rich experiences which helped account for the depth of their appeal. Included in the cast of characters were: "Mickey Mouse, a scrappy rodent with a 'nice guy' personality; Donald Duck, known for his flights of volcanic but ineffectual rage; Snow White and the Seven Dwarfs, each with his own particular slice of the human condition; Pinocchio, the wooden boy, so easily led astray, and his wise sidekick, Jiminy Cricket; Peter Pan, the perpetual boy; Goofy, the floppy dog full of clumsiness and wild emotion; and scores of pirouetting elephants, dancing skeletons, dandified pirates, and water-toting broomsticks." Each had been born in "ancient tales about what it means to be human, to struggle and bear scars and fight the inner wars—tales that bore the weight of myth."²⁴ Each, also, was alive, well, and eager to please young theme park customers.

A third element of Disney's success was the unique role that visitors played in the theme park. Once inside the park's gates, visitors were not merely spectators or ride-goers. They were considered by Disney to be participants in a play. Every need and desire was carefully planned for, and frequent interactions with staff were considered an integral part of a visitor's experience. Through the lead of the staff member, in a sense, visitors were drawn into interacting in a particular genre of history or fantasy. In addition, many Disney attractions, such as Tom Sawyer's Island at Disneyland, came to life only through use. Most rides were designed to thrust participants into the heart of the theme itself, so that it could be seen from the inside-out.

Disney's theme parks were continually updated. New rides and attractions were planned every year, and major investments in facilities were made. For instance, in 1991 the company added six new rides and attractions to Walt Disney World, and it soon planned to announce a second theme park at its California site. Some additions were spectacular applications of new ride technologies. Others were based upon new character developments, such as the addition of "Beauty and the Beast" and "The Little Mermaid" stage presentations at the Disney-MGM Studios Theme Park, and a "Muppet Vision 3D" attraction which plunged audiences into the middle of a rowdy Muppets adventure.

Service Delivery

Nothing was left to chance at Disney theme parks. Standards of service, park design and operating details, and human resource policies and practices were integrated to ensure that the Disney "play" would be flawlessly performed day in and day out at each location. Known for its aggressive management of operational details, Disney's stated goal was to exceed its customers expectations every day. As a result, one national survey conducted in 1991 measuring how consumers perceive the quality behind 190 different brand names found that Disney was the most highly regarded brand in the country, surpassing such well known names as Mercedes-Benz, Hallmark, and Rolex.²⁵ It was one of two service companies listed in the top 15, the other being Cable News Network (CNN).

Service delivery at Disney theme parks had been under constant refinement since the first park opened in 1955. The focal point of the service delivery system was "Disney University," the company's in-house personnel development organization with units specific to each site. Because of the nature of the Disney "play," it was the attitudes and competence of the thousands of Disney park employees which accounted for the experience of visitors. It was at Disney University that new employees were oriented to Disney's strict service standards, received on-going communication and training, and joined for frequent recognition and social events. Conceived in 1955 by Walt Disney, Disney University was opened officially in 1961.

Disney University modeled the attitudes required to re-create the desired level of service in the park. As one Disney University manager put it, "Walt felt that you couldn't have a supervisor yell at you and then walk through the front door and greet a guest as if nothing were wrong. . . . He knew that you need to treat employees in the same way that you want them to treat guests."²⁶

Disney's employee population was diverse across its various locations, administrative functions, and creative roles. The majority of Disney theme park employees were young, many of high school and college age. Park workers were paid hourly, and tasks could be routine and repetitive. Still, Disney maintained very high expectations for their performance. Consistent with Disney's entertainment concept, employees were called "cast members," even those who worked "backstage" in operations. They wore "costumes," not uniforms, and were "cast in a role" instead of given job duties. Park visitors were called "guests."

Cast members had to meet stiff dress and grooming requirements. These were communicated to potential employees at initial interview sessions, and Disney relied on self-selection as a first employment screen. Following an initial contact, Disney used a peer interview process to select cast members. Three potential hires would meet with one Disney personnel manager for a 45-minute interview session. Applicants were watched closely for how well they listened to their peers, how well they responded to questions, and whether they smiled and maintained an appropriate attitude.²⁷

An extensive orientation program was the first step for both individual cast members and the company's quality assurance efforts. The orientation consisted of indoctrination in Disney's service standards (based on the principles of Safety, Courtesy, Show and Efficiency), classroom instruction in Disney's policies, facilities, resources, and procedures, and extensive on-the-job training. Trainers were themselves cast members who had proven to be exceptional in their roles.

Certain messages were continually reinforced throughout the initial training process. First, it was stressed that happiness was measured differently by every guest and was a challenge to create. Second, trainees learned that customer perceptions were extremely fragile. Finally, it was emphasized that employees were "on stage" at every moment and should look to provide service. As one cast member described, "You don't just make good food and pass it over the counter. It's the idea of extending yourself to guests."²⁸ In addition, fixing customer problems was given top priority. Employees had wide latitude to "act as a company" when responding to a customer concern.

Employees were evaluated by supervisors based upon their energy, enthusiasm, commitment, and pride. The company maintained a variety of recognition programs for outstanding service delivery, including service recognition awards, milestone banquets for 10, 15,

and 20 years of service, and informal recognition parties. Traditionally, the theme parks would re-open for a night during the Christmas Holidays, and management would operate the park for the benefit of cast members and their families. At one such event, Chairman Michael Eisner was on hand to serve hamburgers and hot dogs.

Beyond the management of its cast to provide exceptional service, Disney was religious in managing every detail of its theme parks to exceed customer expectations. For instance, in anticipation of guests from different parts of the country asking questions about the flowers in its Florida park, Disney maintained a small instructional garden outside of its employee cafeteria at the site. Also, each park contained dozens of phones connecting to a central question-and-answer hot line, so that employees could find the answer to any question immediately. An average of 610,000 customer letters were received by Disney every year. Each one was read, and a summary report was written monthly for top management, who acted to correct any significant problems noted. As a final assurance of service quality Disney maintained an active mystery shopping program.²⁹

Tokyo Disneyland

Disney products, including films and television shows, had been sold in Western Europe for over 50 years. In 1988 European sales accounted for 25% of all Disney product licensing sales,³⁰ and in 1991 international revenues accounted for 22% of all Disney revenues. Walt Disney Attractions had a major international presence through Tokyo Disneyland. Officially opened in 1983, attendance at Tokyo Disneyland exceeded 16 million in 1991, a record year, when it also welcomed its 100 millionth guest to the park (25 million guests had attended by August of 1985 and 40 million guests had attended by February of 1988).³¹ Attendance had exceeded 10 million during each year of operation. Fiscal year 1990 revenues were \$988 million at then current exchange rates.³²

The Oriental Land Company owned and operated Tokyo Disneyland. Disney designed the park and licensed the use of its characters in return for 10% of admissions revenues and 5% of food and souvenir revenues. At the time of the arrangement, cash generated was used to help fund the Epcot Center, which was under construction. In 1991 discussions were underway between Disney and the Oriental Land Company regarding building a second theme park near the first.

Tokyo Disneyland was considered to be a tremendous success from the time of its opening. It appeared to benefit from a strong Japanese appetite for American styled popular entertainment and an increasing trend in Japan towards leisure. As one American magazine put it, "Japan has always looked to America for its popular culture: James Dean, Levi's, McDonald's. Surfer boys and Madonna's are everywhere. So nobody complained about cultural pollution when Disney's ships sailed into Tokyo Bay."³³

In 1988 10% of the park's visitors were school children and 75% were repeat visitors, largely from metropolitan Tokyo.³⁴ The design of the park was virtually identical to Disney's Southern California park, and The Oriental Land company had aggressively added new attractions each year. Virtually all signs and logos in the park were written in English, as were the name badges of cast members. While most cast members primarily spoke Japanese, most live shows and attractions were conducted in English. Of 30 restaurants in the park, only one sold Japanese food. This was because many of the park's older visitors from the Tokyo area had been slower to adapt

to the American taste in food. In all other respects, the park was as American as the American parks themselves.

There was some evidence that Tokyo Disneyland was a special cultural haven in Japan, despite stylistic differences between the Disney approach and the Japanese way of life. The company noted that in a country which actively resisted many U.S. products, there was tremendous appeal for Disney's brand of entertainment. This was evident in public transportation leading to and from the park, where normally reserved individuals were openly enthusiastic and usually carried a number of souvenirs.³⁵

Also, the company's celebration of New Year's Day markedly broke from Japanese tradition. While the new year is traditionally a serious time within Japan, there was an annual festive party at Disneyland on that day and evening. Extremely popular, the event drew 139,000 visitors in 1991.³⁶

Visitor experiences of Tokyo Disneyland were overwhelmingly positive. Comments often revolved around the cleanliness of the park and the efficiency and politeness of staff members. One American tourist familiar with the U.S. theme parks said, "We had great fun. It was exactly the same as the U.S. Disneylands. It was a little funny to see a Japanese Snow White, and the food wasn't very good, but otherwise we thought we were in Florida."³⁷

Another tourist commented on locals' fascination with Mickey Mouse. "The shops were mobbed. Everybody buys souvenirs, particularly Mickey Mouse things, and there is a larger selection than in the states. Japanese culture is oriented towards giving gifts, and I think a gift from Disneyland is 'in.' And the people are every bit as good at running the park, even though it was quite crowded. It was so clean it was almost sterile."³⁸

An American living in Tokyo accounted for the success of Disneyland in Japan by comparing the Disney experience with Japanese culture. "Young Japanese are very clean cut. They respond well to Disney's clean cut image, and I am sure they had no trouble filling positions. Also, young Japanese are generally comfortable wearing uniforms, obeying their bosses, and being part of a team. These are all parts of the Disney formula."³⁹

She added, "Tokyo is very crowded, and Japanese here are used to crowds and waiting lines. They are very patient. And above all Japanese are always very polite to strangers. I have been welcomed into elevators. They give it and expect it, and Disney is a natural." As another observer put it, "Tokyo, Tokyo Disneyland. It's hard to tell where one leaves off and the other starts (parts of Tokyo look more like Tomorrowland than the real thing). This is a match made in Walt Disney's heaven."⁴⁰

Euro Disney

Project Overview

The idea of a European theme park and resort complex had been germinating within Disney since the early 1980s. In 1981, the company began an international bidding process for locating Euro Disney, initially involving Germany, Spain, France and others.⁴¹ It felt that the success of the Tokyo park proved the international appeal of the concept. Spain and France were

considered most seriously for the project, which would provide more than 30,000 jobs for the host country.⁴² The advantage of Spain was thought to be the weather, and the advantage of France was thought to be its central location.

In 1987 Disney signed an agreement with the French government to locate the complex in the farming community of Marme-la-Vallee, just outside of Paris. The company was highly optimistic that this sight would turn out to be a winner. One reason was the access to the site by the European population, which exceeded that of the United States by 150 million in roughly one-half of the land mass. Seventeen million people lived within two hours of the site by car, 109 million people lived within six hours of the site by car, and 310 million people could reach the complex by plane in less than two hours. The planned opening of the Euro Tunnel in 1994 would make Euro Disney accessible from England in four hours by car.⁴³

Secondly, France, and particularly Paris, was already a highly popular vacation destination. Roughly 50 million tourists visited France annually, spending an estimated \$21 billion.⁴⁴ Also, Disney hoped to benefit from European vacation practices. Europeans typically took upwards of five weeks of vacation a year, whereas most Americans took only two or three.⁴⁵ In what looked like a confirmation of Disney's decision, a poll conducted in France in 1988 revealed that 85% of the population welcomed Euro Disney.⁴⁶

Disney down played concerns about the weather in central France, where winter temperatures could reach 23 degrees Fahrenheit (**Exhibit 3**). Again, Disney pointed to the experience of Japan. "If Tokyo had not taught us that the parks are weatherproof," said Robert Fitzpatrick, "we might have chosen to go to Spain because of the warmer climate."⁴⁷ In Tokyo covered waiting lines and additional indoor heat had proved to be adequate buffers against inclement weather. These precautions were planned at Euro Disney, which also added an outdoor skating rink at the Hotel New York for additional winter appeal.

Contractual concessions made by the French government made the project attractive (although Spain had reportedly tabled an even more generous offer). France agreed to extend highways and the metropolitan railway to the site, build a high speed TGV train extension at their own expense, reduce the value-added tax on goods sold from 18.6% to 7%, and provide over \$700 million in loans (over \$960 million was committed by the end of the project) at the subsidized rate of 7.85%, with no repayment for five years. In addition, France agreed to artificially value the land at \$5,000 per acre, its value as agricultural land in 1971, and it guaranteed the valuation for tax purposes for 20 years.⁴⁸ This would lower the amount of taxes Disney would pay to local government for services it would provide, such as maintenance of the water supply and fire protection. A portion of the site had been expropriated from local farmers by the French government.⁴⁹

Euro Disney was 49% owned by The Walt Disney Company (42% after adjusting for a convertible bond issue outstanding) and 51% owned by a separate company called Euro Disney S.C.A., which traded on the French Bourse. In accordance with an agreement between Disney and the French government, all shares of Euro Disney were initially offered to European investors. The Walt Disney Company had invested a reported \$160 million in the equity of Euro Disney,⁵⁰ in which it had three revenue streams in addition to its equity position. These were management fees of 3% of gross revenues for the first five years and 6% thereafter, royalty fees of roughly 7.5% on gross revenues, and a hefty incentive management fee based on the cash flow of the park.

One analyst estimated that Disney would capture 75% to 80% of the pre-tax income of the complex.⁵¹

Euro Disney financial goals for the first year of operation included attracting 11 million visitors and achieving operating income of \$373 million at April 12, 1992 exchange rates⁵² (**Exhibit 4**). Euro Disney's financial projections were based upon a detailed study conducted by the consulting firm of Arthur D. Little ("ADL").⁵³ ADL developed attendance projections and tested the reasonableness of pricing and operating assumptions. Cost estimates largely were determined by comparison with the experience of the other Disney theme parks.

Admission to the park cost \$41 for adults and \$27 for children at April, 1992 exchange rates. Hotel accommodations ran from \$130 per night to \$350 per night during the peak season, and roughly 25% less during the off-season. Camp sites cost roughly \$47 per night. The Walt Disney Travel Company offered discount travel packages to the complex. The company anticipated visitors would spend roughly \$30 on food, merchandise, and parking, per person, per day, growing by 5% annually.⁵⁴

The capacity of the park was 50,000 visitors, and admission gates were closed after this figure was reached.⁵⁵ As visitors left the park, then, additional visitors would be admitted for the balance of the afternoon and evening. For instance, on one occasion in the opening three months the gates of the park were closed from 11 A.M. to 3 P.M. because the park had reached capacity, and a large number of additional guests subsequently were admitted.⁵⁶ In fact, a Euro Disney spokesman reported in May of 1992, "There have been between 20,000 and 60,000 visitors per day (and) many times there were more than 60,000 per day."⁵⁷

ADL estimated that initial attendance could be as low as 11.7 million visitors and as high as 17.8 million visitors (Disney used a target of 11 million because, as Robert Fitzpatrick put it, "I prefer to under-promise and over-deliver").⁵⁸ Subsequent attendance growth was projected to average 2% annually for 20 years, compared to average growth of 3.8% at Disney's other parks.⁵⁹

ADL's methodology involved identifying individual target markets by distance from the site and population, estimating penetration rates for each market, and estimating the average number of annual visits per guest for each market. ADL assumed that the design and scope of Euro Disney would require visitors to either plan extended stays or return trips, and that the capacity and quality of the hotels would encourage this.

Per capita spending assumptions were consistent with Disney's other parks, and ADL considered them to be reasonable, given local market conditions. With respect to admission prices, the firm reviewed prices charged by entertainment options which were considered competitive with Euro Disney. Euro Disney prices were higher than other European theme parks, which were perceived to be of inferior quality. However, they were lower than prices charged in the Paris region for quality adult-oriented entertainment and in line with prices charged for family-oriented attractions. Food and beverage prices also were compared with those of tourist destinations in the Paris region, as well as other theme parks and were found to be reasonable.⁶⁰

The company planned a Phase II of the Euro Disney project, which would include a Disney-MGM Studios Park and an additional 13,000 hotel rooms. Entrance to the second park would

require a separate admission ticket, and Euro Disney projected 8 million visitors during its first year of operation.⁶¹ Disney budgeted \$3 billion to complete Phase II.⁶² Originally planned to open in 1996, at one point Disney moved the opening to "1995 or even 1994."⁶³ However, following the opening of Euro Disney, the scheduled start date of the second park was set back to 1996.⁶⁴ In addition, Disney planned to build out the Marne-la-Vallee site for 25 years. Additional rides and attractions would be built, and the company also planned new office complexes, apartments, and perhaps other residential housing units (**Exhibit 5**).

Theme Park Design

Euro Disney, Phase I, consisted of a theme park and extensive lodging and recreation facilities. The theme park included 29 rides and attractions, and it was somewhat smaller than Disney's Florida parks. The balance was comprised by six themed hotels with 5,200 rooms designed to meet a variety of budgets, a 595-site "Davy Crockett" campground which included 414 cabins, a 27-hole championship golf course, and a variety of restaurants, shops, and live entertainment options, many in the large Festival Disney entertainment center.

The park was intended to continue Disney's traditional design. It shared the themed lands of the other Disney parks and featured most of the same rides and attractions. Still, the design of the complex departed in some ways from the traditional formula in an effort to accommodate the preferences of European guests and certain French cultural requirements. Market research was used to set the tone of the resort. Cultural requirements, involving such things as park design, grooming standards for employees, and eating habits, were expressed by vocal French intellectuals, French government officials, local trade unions, and local press.

Research Disney conducted on European travel to the United States showed that the three things tourists were most interested in seeing were New York, Disneyland, and the western United States. As a result, the complex was the most "Western American" of all of Disney's parks. Three of the six hotel properties, the "Cheyenne," the "Santa Fe," and the "Sequoia Lodge" had distinctly western flavors. An attraction which had been called "The Rivers of America" at other parks was called "The Rivers of the Far West" at Euro Disney, and a ride which in the U.S. and Tokyo had been set in a New Orleans styled mansion was in France set in a mining town of the old west.

The company also responded to concerns that the experience would be too "Americanized." France's intellectual community, particularly of the Left, voiced especially harsh criticisms. They decried what they considered to be the "cultural imperialism" of Euro Disney.⁶⁵ They felt it would encourage in France an unhealthy American brand of consumerism. For others, also, Euro Disney became symbols of America within France. On June 28 a group of French farmers blockaded Euro Disney in protest of farm policies the United States supported at the time.⁶⁶

Subsequent to concerns raised by the French government, Disney assured that French would be the first language of the park. Still, most signs would be bilingual, as would be the park's employees. Disney also promoted the benefit of an English speaking destination in France in its American tour literature.

In other respects Disney attempted to imbue the park with a European flavor. In Fantasyland it was stressed that Disney characters had their roots in European mythology. They

were portrayed as such in attractions ("European folklore with a Kansas twist," as Michael Eisner called it).⁶⁷ The Peter Pan attraction featured Edwardian-style architecture, Snow White had her home in a Bavarian Village, and Cinderella lived in a French Inn. The Alice in Wonderland attraction was surrounded by a 5,000 square foot European hedge maze. In Discoveryland Euro Disney featured tributes to European Renaissance heroes and to France's Jules Verne. Adventureland would invoke the imagination of famous European adventure tales such as Sinbad the Sailor, Arabian Nights, and the Thief of Baghdad.

A number of other concerns relating to the design of the park had been expressed in the French press. One of the most noted was a flap over Disney's decision not to serve wine at the park, consistent with its policies in the U.S. and Tokyo. It was felt by many that this was a departure from important French tradition and lunch habits, as well as a snub to the country's reputation for excellence in wine making. Visitors who wanted alcoholic beverages congregated at Festival Disney, an entertainment complex outside of the theme park and adjacent to the Hotel New York. There they were "supervised by unsmiling security men and CRS riot police with guns."⁶⁸

Disney addressed a concern that French visitors would not tolerate long waiting lines. The company planned films and other entertainment diversions for guests in line for a ride. Some also pointed out differences between European and American eating habits. They pointed out that Europeans were not accustomed to eating fast meals at off hours, sometimes while walking, as were Americans, and predicted that dining facilities would have problems serving peak demands. A small sample of visitors to Euro Disney confirmed that this had, indeed, become a problem, although they did not cite it specifically as a cause of dissatisfaction with the park.⁶⁹

In anticipation of concerns about food, Euro Disney featured foods from around the world at its many themed restaurants and snack bars. This was in contrast to the strictly American flavor of Tokyo Disneyland. Disney also claimed that the food was of higher quality than at its other parks. In an effort to boldly demonstrate its claim, Disney even invited top Paris chefs to visit and taste it. Visitors to Euro Disney could not confirm a marked improvement in the food, however.⁷⁰

While Euro Disney was controversial in the French press, not all French intellectuals criticized Disney. For instance, philosopher Michel Serres noted, "It is not America that is invading us. It is we who adore it, who adopt its fashions and above all, its words."⁷¹ For his own part, a French critic who had been vocal in his opposition to Euro Disney did publicly lament that his young son loved Disney characters.⁷²

Another American observer responded to the controversy by saying that "Euro Disney is an imaginary place, a culture without sin," and he commended American culture for producing such creativity.⁷³ Euro Disney's Robert Fitzpatrick took a somewhat more combative tact when he said, "We didn't come in and say 'O.K., we're going to put a beret and a baguette on Mickey Mouse. . . .' We are who we are."⁷⁴

The Start Up Process

Disney met a monumental challenge in readying the park for its April 12 start date, which involved completion of the second largest construction project in the history of Europe, as well as preparing operationally for the launch. In addition to the task of marketing the park, Disney

hired and trained 14,000 employees to fill 12,000 jobs in anticipation of the opening.⁷⁵ Another 5,000 temporary jobs were filled by the peak July season.⁷⁶

Euro Disney was aggressively marketed by Disney as well as other firms. Disney successfully encouraged dozens of articles on the complex in magazines throughout Europe. Prior to the opening it sent a model of The Sleeping Beauty Castle around Europe to dramatically publicize the park. An extensive Europe-wide ad campaign was launched to market the opening celebration, which was broadcast live across Europe. In addition, Swiss food giant Nestle sponsored extensive cross-promotions of Euro Disney at its own expense.⁷⁷

Perhaps the biggest challenge was preparing operationally to provide Disney's standard of customer service. To accomplish this task, Robert Fitzpatrick announced that a leading priority was to indoctrinate all employees in the Disney service philosophy, in addition to training them in operational policies and procedures.⁷⁸

Disney opened a special center at Euro Disney's new Disney University in September of 1991. Its goal was to select 10,000 employees within six months while maintaining selective applicant-to-hire ratios. A staff of 60 interviewers had been assembled for that purpose.⁷⁹ Stated selection criteria were applicant friendliness, warmth, and liking of people. The company attempted to hire employees of nationalities proportional to expected visitor counts. Its initial objective was to hire 45% French employees, 30% other European, and 15% from outside of Europe;⁸⁰ but by opening day the cast was 70% French.⁸¹ Europe had recently entered a recession, in which it remained at the time of opening, making it somewhat easier to attract an applicant pool. Most cast members were paid roughly \$6.50 an hour at April 12, 1992 exchange rates, which was 15% above France's minimum wage, and shifts were generally 169 hours per month.⁸²

At the same time Disney aggressively cross-trained managers and supervisors to ensure service quality. Prior to opening, 270 managers were cross-trained in the Disney methods at the company's other three theme parks. Also, another 200 managers were imported from the other parks to work at Euro Disney.⁸³

Disney encountered difficult resistance in the hiring process, for which it was criticized by applicants, the press, and French unions. The controversy revolved around Disney's grooming requirements. Disney strictly enforced a dress code, a ban on facial hair, a ban on colored stockings, standards for neat hair and fingernails, and a policy of "appropriate undergarments." However, applicants and labor leaders in France felt the requirements were excessive, being much stricter than the requirements of other employers. They hoped to force the company to loosen its standards, but they were unsuccessful.⁸⁴

Another problem Disney faced was that of staff housing. The agricultural Marne-La-Vallee did not have apartment space for the thousands of Disney's workers at the complex, and the jobs generally did not pay well enough to make decent Parisian housing affordable. At the time of the opening an estimated 4,000 staff members were affected by the housing shortage. By building its own apartments and renting rooms in local homes, Disney was adding rooms at a rate of 100 per week.⁸⁵

Disney successfully staffed and trained cast members for the complex by the time of the opening. However, within the first nine weeks of operation roughly 1,000 employees left Euro

Disney, about one-half of whom left voluntarily.⁸⁶ Under French employment law an employee could be terminated during their first two years with little difficulty, but after the two year period performance documentation, notification requirements, and severance requirements became stringent. The long hours and hectic pace of work at the park were cited as the reasons for the turnover. "A lot went because it was chaotic at first," said one English waitress⁸⁷ Disney conceded that employees had worked under "tough conditions" at the time of opening.⁸⁸

One example of a cast member who left was a 22-year-old medical student from a nearby town who signed up for a weekend job. After one weekend of "brainwashing," as he called it, and one weekend of training, he went to work at a Fantasyland shop. One day during his first weekend he worked 11 "frantic" hours straight, and by the next weekend the entire shop personnel had changed. He left after a dispute with his supervisor over the timing of his lunch break.⁸⁹

Another cast member, a waiter in one of the better hotels, blamed communications problems between supervisors and workers for the difficulties. "I don't think they realized what Europeans were like," he said, "that we ask questions and don't think all the same." Still, he added that "it's getting better; they're listening more to the staff."⁹⁰

Visitor Reactions

From a small polling sample visitor experiences of Euro Disney were mixed. Many visitors found in Euro Disney everything for which they had hoped. Others complained that the park did not meet the U.S. standard, suffering from long lines, poor service, and operational glitches.

One family which had driven in from northern Europe was thrilled with the experience, because they were able to interact with the Disney characters they had always revered. They said they could never afford to come to the United States to do so. Another visitor from nearby Paris was simply impressed by the scale of the complex. He had already visited the complex twice in its first three months of operation.⁹¹

As reported in the French press, an 11-year-old visitor named Vincent exclaimed, "I loved everything. There was nothing I didn't like." Thirteen-year-old Cyndie said, "I asked my parents if we can come back. We just didn't have enough time to see everything."⁹² In addition, after opening day one London newspaper reported that a group of German visitors had all "had a great time," despite considerable frustration with waiting lines.⁹³

Others were not as impressed, however. Themes echoed by visitors less enthusiastic with Euro Disney included a lack of appreciation of cast member performance, the difficulties associated with the multi-cultural nature of the park, and the high cost of a day at the park. In addition, a number of observers noted that Euro Disney represented a departure from a traditional French entertainment experience.

One British journalist wrote, "Cast members taken on to work at Euro Disney are mostly nice enough. 'Mostly,' because even on opening weekend some clearly couldn't care less. . . . My overwhelming impression of the . . . employees was that they were out of their depth. There is much more to being a cast member than endlessly saying '*bonjour*.' Apart from having a detailed knowledge of the site, Euro Disney staff have the anxiety of not knowing in what language they are going to be addressed. . . . Many were struggling. One cast member, who has worked for the

company in the U.S., candidly volunteered that service at Euro Disney falls way short of the standards at the American parks."⁹⁴

An American visitor to the park agreed that the experience fell short of what she had come to expect from Disney. "They compete with their own high standards," she said, "but they are not winning in France. Most of the workers are simply not aiming to please, even though they are thrilled to have jobs in the rotten economy. They are playing a different game than their American counterparts. They are acting like real people instead of 'Disney' people. Unfortunately, you get the feeling that the whole thing is not yet under control."⁹⁵

Another American visitor voiced concerns over the international flavor of Euro Disney. "The park has kind of a strange feel to it. They haven't yet figured out whether it is going to be an American park, a French park, or a European park. This is in the atmosphere of the park itself, and it is compounded by the behavior of visitors from various parts of Europe, which can be quite different. Little things like the attitudes of different nationalities with respect to disposing of trash are very noticeable. And differences in waiting-line behavior is striking. For instance, Scandinavians appear quite content to wait for rides, whereas some of the southern Europeans seem to have made an Olympic event out of getting to the ticket taker first." He went on to describe that there generally was considerable restlessness with extensive waiting lines, even though he did not perceive the park to be terribly crowded (on crowded weekend days visitors complained that lines averaged between one and two hours for rides which they perceived to average 10 to 15 minutes in length). However, he added that "even at its worst the service at Euro Disney was better than the best I encountered in Paris."⁹⁶

The difficulties in accommodating the cultural diversity of the complex were also noted by the popular press. In a report on the opening of Euro Disney one newspaper asked, "Can an American theme park in Europe please all ages and nationalities? And in what country, if any, is this fantasy never-never-land which started with a Hollywood mouse? It is not, except in the most literal sense, France."⁹⁷ British advertising executive David Moutrie agreed. He observed, "I think as far as the management is concerned (Euro Disney) just happens to be in the middle of Europe handy for a big population. If somebody said to me when we get back, 'have you been to France?' I'd be tempted to say no."⁹⁸

On this theme, some observers felt that the idea of Euro Disney was out of character for the French population. Comments included claims that many French were too individualistic and private to appreciate the standardized and crowded Disney theme park experience. Others felt that the French tended to enjoy entertainment which was more intellectual in nature than Euro Disney.⁹⁹

And not only were there questions of whether Disney could be enjoyed by the local population, but some also felt that it was the character of the European labor force, rather than experience or training, which would account for less than perfect service at Euro Disney. Wrote one journalist, "The Disney style of service is one with which Americans have grown up. There are several styles of service (or lack of it) in Europe, unbridled enthusiasm is not a marked feature of them."¹⁰⁰

The cost of the experience was thought to be an issue for some. While little dissatisfaction with admissions prices among those in attendance at the park was reported, it was reported that many French visitors knew people who had been deterred from coming by the cost.¹⁰¹ There were

also grumbles about the cost of Disney souvenirs. "I refuse to pay Ffr49 (roughly \$9) for a little Mickey Mouse statue," said one representative Parisian visitor.¹⁰²

For its own part, Disney acknowledged that it was still working out the details of its operations. It felt that it was unreasonable to expect a project of the size of Euro Disney to be perfect. As one senior Euro Disney manager put it, "You don't get it right the second you start."¹⁰³

Decisions

There was precedent for believing that a rocky start was not catastrophic in the theme park business. Universal's Florida theme park had had a disastrous opening due to technical difficulties, but it quickly rebounded and was considered successful. Euro Disney was far from a disaster. It was too early to tell what the impact of poor fall and winter weather would be, but the attendance figure of over 30,000 per day was respectable. If this number were annualized, then Euro Disney's projection of 11 million visitors during the first year of operation would be met. Although the local French population had not attended as planned (the company claimed that Parisians were "postponing their visits" until the fall), visitation from the rest of Europe was running higher than planned.

Profitability was another matter. Even if revenues could be brought in line with projections for the balance of the year, the announcement that the park would not be profitable for the five and one-half months ending September 30 was sobering news (analysts estimated that the losses could be as high as \$60 million).¹⁰⁴ Observers could not assess with certainty whether the shortfall was due to the level at which the company geared up operations, as it claimed, or some other set of reasons. Whatever the cause, the poor profit picture would constrain Euro Disney's options for fixing any operating problems it had and initiating programs to bring in visitors.

The coming winter months were clearly critical to Euro Disney's chances for financial success. Here, also, there was cause for concern. Prior to 1987 (the last time such information was made publicly available), an average of 65% to 70% of attendance at the warm weather U.S. parks came during the April through September period.¹⁰⁵ Accordingly, one knowledgeable U.S. analyst estimated that seven million of the complex's projected 11 million visitors would attend in the five and one-half months from the opening to the September 30 fiscal year end.¹⁰⁶ Travel agents representing Euro Disney reported that, while demand was very strong for the balance of the summer months, advance bookings for the end of the year were much lower.¹⁰⁷ Analysts estimated that hotel room occupancy was running at 90% during the July peak season, and they estimated occupancy had averaged 68% for the April to July period.¹⁰⁸ On the other hand, one travel agent reported that less than 20% of its projected September bookings, 12% of its projected November bookings, and 10% of its projected December bookings had materialized. Other agents were in similar situations.¹⁰⁹

Agents did not know whether to attribute the low level of forward bookings to lack of advance planning or more fundamental problems with the park, because they lacked experience against which to benchmark. Moreover, even if travel to Euro Disney declined, local visitation could pick up the slack. Perhaps waiting-line-cautious French simply planned to wait for crowds to thin.

Even as summer was at its peak Euro Disney management took actions to improve its attendance outlook and profit position. By the time of its opening, Euro Disney had slashed rates at its least expensive hotels by 25%. In July it confirmed that some rooms were being offered at \$73 a night for the winter season at current exchange rates.¹¹⁰ On July 31 it was reported that the Walt Disney Company, headquartered in Burbank, California, would slash 300 to 400 jobs from its Imagineering unit. It cited the completion of Euro Disney, Phase I as the reason that such a cut was possible.¹¹¹ Presumably, then, a portion of the cost savings would be passed on to Euro Disney.

Euro Disney management still faced serious issues. Not the least of these was prioritizing its objectives in the face of a somewhat conflicting problem set, consisting of an uncertain revenue outlook, cost problems, and mixed reviews of its service delivery system. Compounding Euro Disney's situation was the fact that it appeared to be in the spotlight of the national and international press. Given the controversies which swirled around the opening of the park, its every action could prove to be newsworthy.

One set of decisions facing Euro Disney concerned getting the service system up to the standards and cost levels of the other Disney parks. Such issues as waiting lines, consistent cast member courtesy, and employee turnover deserved immediate attention. While practice would surely help, perhaps there were other things Euro Disney could do to speed the process. A second set of decisions was the marketing of the park to achieve winter attendance targets, particularly in light of the visibility of Disney's critics in France. It needed to find a way to promote the park in such a way that there would be minimum of costs in terms of public relations. Pricing, communications, special events, and tie-ins with other parts of The Walt Disney Company were all levers available to Euro Disney management.

Finally, Disney had planned major investments in Phase II of the park. The level, timing, and nature of the investments still were at issue. Perhaps there were significant lessons to be learned from the Phase I experience which Disney could apply to Phase II and improve its chances for success. Issues Disney would surely review in planning for Phase II would be whether the adaptation of the Disney entertainment concept to European, and specifically French, culture had been over done or under done, and whether its management policies and training methods had been appropriate to its task.

Exhibit 1 The Walt Disney Company Financial Summary (in \$ millions, except Return on Equity percentages)

	1991	1990	1989	1988
Revenues	\$6,182	\$5,843	\$4,594	\$3,438
Net income	637	824	703	522
Return on equity	17%	25%	26%	25%
Capital spending	1,425	1,352	1,414	1,043

Sources: The Walt Disney Company Annual Report, 1991; The Walt Disney Company Fact Book, 1991

Exhibit 2 The Walt Disney Segment Financial Data (in \$ millions)

	1991	1990	1989	1988
Revenues				
Theme parks, resorts	\$2,865	\$3,020	\$2,595	\$2,042
Filmed entertainment	2,593	2,250	1,588	1,149
Consumer products	724	574	411	247
Operating Income				
Theme parks, resorts	617	889	785	565
Filmed entertainment	318	313	257	186
Consumer products	230	223	187	134

Source: The Walt Disney Company Annual Report, 1991

Exhibit 3 Marne-la-Vallee Seasonal Weather Averages: Average Temperatures and Rainfall (Degrees Farenheit)

	High	Low	Rainy Days
Winter	49	27	16
Spring	58	33	16
Summer	73	58	12
Fall	60	48	14

Source: The Harper Collins Guide to Euro Disneyland 1992

Note: A rain day may be a full or partial day of rain.

Exhibit 4 Euro Disney Financial Projections (in \$ millions)^a

	1992	1993	1994	1995
Revenues				
Magic Kingdom ^b	\$ 774.8	\$ 849.8	\$ 985.5	\$1,068.1
Resort development	226.6	391.2	642.3	926.5
Total revenues	1,000.4	1,241.0	1,624.8	1,994.6
Operating Expenses				
Magic Kingdom ^b	482.3	517.6	576.8	615.0
Resort development	145.3	273.9	443.6	542.0
Total operating expenses	627.6	791.5	1,020.4	1,157.0
Operating Income	372.8	449.5	604.4	837.6
Other Expenses				
Royalties	55.1	60.8	70.6	77.0
Management incentive fees	10.0	31.2	87.0	175.7
Other	243.6	244.7	297.1	279.0
Pretax profit	61.1	112.8	149.7	305.9

^aConverted at April 12, 1992 exchange rate of Ffr 5.48:\$1.

^bIncludes theme park and 500 room Disneyland Hotel.

Exhibit 5 Euro Disney Property Development Plans (units listed, except as noted)

	Phase I	Long-Term	Total
Theme parks	1	1	2
Hotel rooms	5,200	13,000	18,200
Campsite plots	595	1,505	2,100
Entertainment center ^a	22,000	38,000	60,000
Office space ^a	30,000	670,000	700,000
Corporate park ^a	50,00	700,000	750,000
Golf courses	1	1	2
Single family homes	570	1,930	2,500
Retail shopping space ^a		95,000	95,000
Water recreation area	1	1	
Multi-family homes		3,000	3,000
Time-share units		2,400	2,400

^aIn square meters.

Source: S. G. Warburg Securities, "Euro Disneyland S.C.A.: Offer for Sale", October 5, 1989
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