

case study

Comcast and Disney Theme Park Strategy: Competing in a complex environment

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Comcast's mission statement: To deliver a superior experience to our customers every day. Our products will be the best and we will offer the most customer friendly and reliable service in the market.

Introduction

The global market for tourism has just doubled, for many practical purposes. This is only one of the changes that the tourist industry will be absorbing over the next 10 to 20 years. Around the world, the cost of travel is falling, while the middle class is becoming generally more prosperous and eager to go places. At the same time, demographic trends are changing values, and other developments are helping to bring some highly profitable return on investment to this segment of the hospitality industry (Cetron, DeMicco and Davies, 2010).

Two long-standing trends will remain unchanged as far into the future as we can see: growth and globalization. Tourism is expanding rapidly, with more travelers every year and a wider variety of destinations and activities. International tourist arrivals worldwide will increase by 3.3% a year from 2010-2030 to reach 1.8 billion by 2030 according to United Nations World Tourism Organization (UNWTO), in its long term forecast published in a report "Tourism Towards 2030" (UNWTO, 2013 edition). In the report, it was observed that travel seems to be in the DNA of the middle and upper economic classes. This trend will continue so long as national economies continue to generate new prosperity for those who are classified within the lower income bracket. Travel will grow by at least 5% per year for the foreseeable future. The tourism industry will create 3.3 million new jobs worldwide. Jobs dependent on tourism will comprise nearly 14 percent of the global workforce.

Direct employment will not grow quite as quickly, but it will be up 1.7 % annually, to nearly 87.5 million jobs, while indirect employment will account for some 260 million jobs around the world. This will bring major opportunities for national economies in Southeast Asia, Brazil and Africa, where Chinese and Indian tourists can take quick, inexpensive vacations and could play into Disney theme parks in Hong Kong, Tokyo and Paris. This then could also lead to trips to the popular USA theme parks such as Disney, Six Flags, Universal and Hershey Park.

In addition to the globalized traveling market, travel groups from booming economies consist of millennials that have high demands

for their traveling entertainment and media needs enabled by large capacity bandwidth and high speed internet access. Entertainment companies, in an effort to ride this emerging trend are seeking partnerships that will enable them to meet customer requests for high capacity networks to showcase varied forms of media and capitalize on the need for media viewing. One of the largest companies worldwide that provide multimedia and communication technologies is Comcast Corporation. Comcast, like many other media companies offers a dynamic new concept termed "TV Everywhere", which allows customers to watch multiple media sources across varied technology platforms, such as tablets, smart phones and gaming consoles.

Comcast Corporation Overview

Comcast Corporation is currently the USA's largest high-speed Internet service provider, with a consolidated 64.7 billion dollar revenue count for the year 2013. (Comcast 10-K Report). In an interview published in an article the chief executive officer Mr. Brian Roberts alluded to the fact that in an effort to capitalize on the trend of new media consumption, a merger with Disney would be advantageous to the strong millennial and youth segments. Comcast, hungry for revenue and profit growth beyond its core telecommunications business, is investing hundreds of millions of dollars into theme parks in California and Florida and doing what few other U.S. companies have the financial muscle to do - challenge Walt Disney Company's tourism business (Fernandez, 2014).

The implications for strategic linkages are monumental, providing companies the basis for diversification of their existing product portfolio to secure sustainable profit gains for the future. Towards this end, the year 2011 began with Comcast pursuing this diversification strategy by acquiring Universal Orlando Resorts as part of its deal of NBCUniversal. This occurred when Universal was reaping huge attendance gains from the Harry Potter and the Forbidden Journey ride. Following this acquisition, Comcast went on to produce two movies bringing in a large increase in profit. More projects such as an opening of a new 750 acre Harry Potter ride and Potter-themed area at the Universal Studios in Florida is expected in the summer of 2014. At the same time, Comcast is financing the construction of a 1,800 room, centered on 1960s-themed Cabana Bay Beach Resort, to offer accommodation to visitors in order to keep them there longer. Universal's hotel room count in Orlando therefore will see an increase of 75% rep-

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representing an increase from 2,400 to 4200. According to NBCUniversal head Steve Burke, a potential growth of 10,000 to 15,000 hotel rooms are in the pipeline over time.

In an excerpt from an article published in the 2004 New York Times, it was reported that Comcast's purchase of Disney would be what economists call vertical integration, comprising buying a related business whose product is used in your distribution system. Such moves, business experts say, make sense in industries with a comparatively small number of bargaining companies, where there is a high risk for those denied access to distribution or supplies.

As a visionary, Comcast's chief executive Brian Roberts was quoted to have said that he was "doubling down on theme parks." At an investor conference in January, he said, "We think there is a lot there in the theme park business for many years to come, in which we have a low market share and one way to go." (Fernandez, B., 2014). Mr. Roberts further commented by reiterated that "It all comes down to people, execution, and not getting ahead of yourself". (Loor, 2004)

To prove his point, Comcast's theme parks and resorts unit which is a part of NBCUniversal, after their strategic acquisition, has yielded the following economic gains: reported revenue stands at \$2.2 billion with operating cash flow - a measure of the division's increase in profitability pegged at \$1 billion in 2013. In addition, the company has added 3,500 jobs this year, bringing its Orlando-area employment to about 17,000. Its capital budget soared fivefold which was estimated at \$500 million a year for parks in the United States and overseas. Above all attendance at Universal's Island of Adventure saw an increase from 4 percent in 2011 to 29 percent in 2012 accounting for 7.7 million visitors in the first year of the Potter attraction, according to a 2011 report by the Themed Entertainment Association.

Indeed, Mark Jaronski, vice president for communications at Visit Orlando, a group that promotes tourism in the area, attributed the positive changes to Universal's construction projects and those of other theme parks. He was quoted as saying "We are experiencing one of the most significant expansion periods in our history." Universal executives in Orlando believe there is additional revenue - more room stays, more visitors, and more themed merchandise to sell to Disney visitors even though they own more than 20,000 hotel rooms. Thomas L. Williams, chairman and chief executive officer of Universal Parks & Resorts, was quoted to have said in a recent interview on the guarded Universal property, which "We don't have to win. We just have to get our share, we feel like we have a lot of room to grow." (Fernandez, B., 2014).

Factors that have accounted for the growth in the Comcast/Universal acquisition include a financial discipline of saving up for capital investment and making concessions to include community groups in Los Angeles who were concerned for the environment. Most important of all and central to Comcast's strategy is Universal's big bet on the continuing popularity of Harry Potter, based on J.K. Rowling's seven-book series. It is on record that, Harry Potter books have 450 million in sales and have spawned eight movies, according to published reports.

Projects in the pipeline include the investments in a 20-plus-year "Evolution Plan" for its theme park and studio property, which also includes a Harry Potter attraction. Comcast also plans to open the Harry Potter and Escape from Gringotts ride with a new Potter-themed area in Universal Studios Florida, its second theme park. This enables visitors who want the full Potter experience to buy tickets to two theme parks, in search of the thrills that they seek to enhance their visiting experience. (Fernandez, B., 2014)

Summary

Orlando and other Disney and Comcast theme park venues should see increased volume of customers due to travel and tourism growth in the future. The question remains, will Disney and Comcast be able to co-exist- that is "make the tourism revenue pie bigger" or will they succumb to a highly competitive market?

This Comcast/Disney case is an example of how trends in tourism offer growing opportunities for out-of-the-way destinations that have not yet cashed in on the boom. Globally, this trend will make it an important industry for still more markets who have not yet explored these opportunities. American domestic tourism, for example, will continue to grow by an average of 2.3 percent per year through at least 2015. The fastest growth will be seen in pioneering regions. Internationally, air travel in China is expanding rapidly, with the Indian air market lagging only a few years behind. Also, one most immediate growth to appear will be in the Middle East, where travelers will visit neighboring countries and, to a lesser extent, Europe. In the longer run, the fastest growth, and by far the greatest, will flow to Europe and the United States, thanks

Table 1

Comcast: By the Numbers

\$2.2B: NBCUniversal's theme park unit 2013 revenue
\$1B: The unit's 2013 operating cash flow
\$500M: The unit's capital budget, a roughly fivefold increase under Comcast
4,200: NBCUniversal hotel rooms in Orlando when Cabana Bay is complete, with a potential goal of 10,000-15,000
Visitors in 2012:
126.5 million: Disney parks worldwide
34.5 million: Universal parks worldwide
Change from 2010 +4.9% Disney +27.4% Universal

to vacationers from the newly prosperous middle classes of China and India who form part of the BRICS countries.

Another trend to watch is the lucrative emerging market base for theme park visitors in the cruise segment which is expected to grow at approximately the same rate as the larger vacation travel market. By 2015, even India and China are likely to get into this market. Cruise ships will continue to lure retirees. Some liners are offering full-time residency—creating new options for assisted living arrangements (Disney Cruise Line). Travel is said to broaden the mind and the palate. As the Generations X and Dot-com age cohort visit out-of-the-way destinations, they continue to bring home tastes from foreign cuisines which their more traditional elders never sampled. Over the next 20 years, the trend will result in the emergence of other trends indicated by an increase in the world's growing prosperity, the continuing good health of seniors well into old age, and the building of a world of habitual travelers, both for business and for pleasure. As a result, travel and hospitality industry will continue to grow and expand rapidly. (Ce-tron, M, F. DeMicco, O. Davies, 2010)

Issues for consideration as a strategy for Comcast and Disney could be examined by asking the following questions:

What will be the next strategic step for Comcast? How can Disney defend its strong market share? What issues should the chief strategic officer (CSO) at each of the theme parks for Disney and Comcast evaluate in the landscape and the competitive environment for opportunities and threats? What strategic planning tool kits should be utilized to conduct an assessment and finally make recommendations to the leadership of the companies?