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The Marketing Conditions and Financing Model of Shanghai Disneyland Park

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Abstract: The Disney Company has always been loved by people and its revenue has always been extraordinary. However, Disney has become a Hollywood traditional media and entertainment group since it was severely impacted by some insurmountable factors, such as Covid-19. Especially for the Shanghai Disneyland Park, a protracted period of park closures and the economic condition have attracted people's attention. This paper mainly studies the economic conditions of the Shanghai Disneyland Park. First, the author uses SWOT (Strengths, Weaknesses, Opportunities, and Threats) model when analyzing the marketing condition of the Shanghai Disneyland Park, and the comparative method is used in the analysis to compare Shanghai Disney with the other two Asian Disneylands. Then, the author describes the characteristics and shortcomings of the Shanghai Disneyland Park's financing model, and finally puts forward suggestions for the Shanghai Disneyland Park's development strategy. To conclude, the Shanghai Disneyland Park is more competitive than the other two Disneylands in Asia. The financing model of the Shanghai Disneyland Park is essentially an operation model combining government establishment, state-owned enterprise operation and syndicated loan payment.

Keywords: the Shanghai Disney park, SWOT, financing model, Chinese elements

1. Introduction

The Walt Disney Company is a century-old company in the American media industry that started as an animation company in 1923. The Company operates in six business segments: Media Networks, Parks, Experiences and Products, Studio Entertainment, Direct-To-Consumer (DTC), and International [1]. It and its subsidiaries have become a multinational entertainment behemoth now and ranked seventh in the Forbes Global Brand Value 100 in July 2020 [2]. However, in recent two years, due to some unresistant factors, such as Covid-19, Disney has become the most affected traditional media and entertainment group in the world. Meanwhile, the rank in the Forbes Global Brand Value 100 decreased from the seventh to the tenth [2]. One of the most affected segments is the parks. For example, the Shanghai Disneyland Park was closed for three months and the financial loss was estimated around 135 billion dollars [3]. In order to figure out why the Shanghai Disneyland Park suffered a lot of losses in a short period of time, there is a need to investigate the financing model of the Shanghai Disneyland Park and compare it with other Asian Disneylands. The SWOT method is used to analyze the marketing environment the Shanghai Disneyland Park is facing and propose some

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suggestions on its development. This paper can help direct the way of the development and operation of the theme park industry.

2. A SWOT Analysis on the Shanghai Disneyland Park in Comparison with Other Asian Disneylands

2.1. Strength

The first advantage of the Shanghai Disneyland Park is that it is located in the Pudong New Area of Shanghai and has a good geographical location. In that area, people generally have a high level of consumption and have a large demand for entertainment products. Besides, the transportation is convenient, especially the establishment of the Shanghai Disneyland Park subway line. Therefore, the Shanghai Disneyland Park can develop rapidly. The Shanghai Disneyland Park covers an area of 390 hectares, while the Tokyo and the Hong Kong Disneyland Parks have 51 and 126 hectares of area respectively due to scarcity of land resources and both are less than one-third of the area of the Shanghai Disneyland Park [4]. Second, the Shanghai Disneyland Park has excellent staff management. For example, even for animated characters that are played by hiding in hoods, employees are required to know the characters' personalities and catchphrases in advance, so as to increase the control over details. Third, the Shanghai Disneyland Park understand and respond quickly to the changes in market demand. For example, since Disney's Ling Na Belle cartoon character has become extremely popular, on December 29th, 2021, the Shanghai Disneyland Park launched ‘2021 Duffy and Friends Christmas Series’ to sell the remaining stock of limited products which can only be purchased by lottery before. Although the temperature neared zero degrees Celsius at 3 am that day, the number of people queuing outside the Shanghai Disneyland Park exceeded 5,800. They were there to buy plush toys, key rings and other cute products [5]. Similar methods have helped the Shanghai Disneyland Park's economic earnings continue to rise. In comparison, the Hong Kong Disneyland has been lacking major attractions and services, resulting in its performance not as good as Shanghai Disneyland. The Hong Kong Disneyland Park opened in 2005, 11 years earlier than the Shanghai Disneyland Park, so the entertainment facilities and hardware would be relatively old. For example, the Shanghai Disneyland Park owns the largest and tallest castle in the world, while as the smallest Disney in the world, the Hong Kong Disneyland appears slightly mediocre.

2.2. Weakness

As for the disadvantages of the Shanghai Disneyland Park, first of all, there are less Chinese elements in the park. The cartoon characters who are responsible to take photos with the tourists are mostly American cartoon characters, such as Mickey Mouse and Snow White. In the Disney store, most of the products are about the American cartoon characters and there are few products featuring Chinese cartoon characters, such as Mulan. The lack of Chinese elements makes the Shanghai Disneyland Park non-local and reduce the rate of repeat visits [6]. On the contrary, the Hong Kong Disneyland Park attaches great importance to Chinese elements. For example, Mickey and Minnie will be put on special red costumes every New Year, and an unprecedented cartoon image of the God of Fortune has been created in that park. The Tokyo Disneyland Park has also done a good job in localization. For example, the shopping street of Tokyo Disneyland Park has a roof, because it is always raining in Japan. In addition, in order to accelerate the drainage speed when it rains, the roads in the park are also designed as arc-shaped ground with high middle and low sides [7]. Second, the Shanghai Disneyland Park has a long investment return cycle with a total investment of 34 billion yuan which is a relatively high cost. Moreover, the Shanghai Disneyland Park follows ‘The Three-three System Principle’, that is, one third of the projects are eliminated, updated, and maintained every year. The maintenance cost is also high, together with various operating costs, it is difficult for the Shanghai Disneyland Park to achieve profitability during a short period [6].

2.3. Opportunity

For the opportunity analysis of the Shanghai Disneyland Park, first of all, the development of Disney film and television animation provides continuous power support for the Disneyland. According to the new film and television animation, the park continues to add new elements to satisfy the freshness of tourists and attract new visitors to the Shanghai Disneyland Park. At the same time, China is rich in culture and story themes, so Disney could choose to make films and television productions with full of Chinese elements to promote the localization of film and television works. In order to create a more unique Disney park, Disney can integrate elements familiar to the Chinese into the park, such as Chinese New Year and Kong Fu, so as to attract not only Chinese tourists but also foreign tourists and then have a better foothold in the Chinese market. Another opportunity for the Shanghai Disneyland Park is about the 'Three Children Policy" in China, which means every family could have at most three children. Most visitors of Disneyland are children and most of them are willing to visit the Disneyland more than once. This can increase the repeat rate of the Disneyland. Moreover, when children are exposed to Disney movies, products, and costumes from an early age, they will understand the characters and story themes of cartoon characters and have a strong desire to experience them. Therefore, Disney can seize the demand of the new generation of tourists and strengthen the dissemination of Disney stories, so that Disney stories will go deep into the heart of children and become a part of children's life, and finally promote Disney to a better base on the local development. In comparison, the development opportunities of the Japan and the Hong Kong Disneyland Parks are smaller than the Shanghai Disneyland Park. The CEO of the Hong Kong Disneyland once said: 'If you didn't grow up with this brand, these cartoon characters, stories or themes, you don't really know where you're going' [8]. As for Japan, the fertility rate has been decreasing in recent years, and even reached the lowest level in nearly 100 years which is less than 812,000 [9]. Therefore, compared with the Shanghai Disneyland Park, there will be fewer local children who come into contact with the Tokyo Disneyland and grow up with Disney. There will be less chance for the local children of being interested in Tokyo Disney and this can be a dilemma for the Tokyo Disneyland to develop quickly. For the Hong Kong Disneyland, the difficulty of development opportunities mainly comes from the difficulty of expanding again. During the last expansion of the park, the Hong Kong government, which owned the 57% stock of the park, initially disagreed about the plan of expansion because the government was not optimistic that the Hong Kong Disneyland Park would make good profits, but the government finally compromised because Disney Company suddenly laid off 30 Hong Kong engineers and announced that there would be a new park in Shanghai [8]. Therefore, because of the last investment turmoil and the continuous loss of profits of the Hong Kong Disneyland in recent years, the Hong Kong government is less likely to invest again for expanding the park and the Hong Kong Disneyland would less likely to develop further.

2.4. Threat

The threat to the Shanghai Disneyland Park comes mainly from the public opinion. The new generation of tourists are generally equipped with social software such as Weibo and Wechat, where people can freely express their opinions and get information from the outside world faster. The Shanghai Disneyland Park also encountered negative comments on Weibo before because it required every visitor to show their package, especially visitors were not allowed to carry food and drinks into the park, which means Disney forced visitors to spend in the park. This caused strong dissatisfaction and a decrease in the number of visitors of the period. The uproar was not resolved until the head of the Shanghai Disneyland Park apologized on the platform. Another threat to the Shanghai Disneyland Park is the fierce competition from neighboring areas. For example, the Happy Valley is the largest park in Shanghai except for the Shanghai Disneyland Park. It has advanced amusement facilities and a variety of experience items. In particular, the ticket price is lower than that of the Shanghai Disneyland Park. All these factors will have a certain impact on the operation of the Shanghai Disneyland Park. However, compared with the surrounding threat of the Shanghai Disneyland Park, the Hong Kong Disneyland Park faces a greater threat. The Hong Kong Disneyland Park has been lagging behind the local rival Ocean Park in popularity. Many people predict that the Ocean Park would be automatically closed during the anniversary celebration of the Hong Kong Disneyland Park. However, after 2006, the Ocean Park has enjoyed the most prosperous period in history and the business has always been better than Disney [10].

3. Characteristics and Disadvantages of the Financing Model of the Shanghai Disneyland Park

There are two main characteristics of the financing model of the Shanghai Disneyland Park. The first is the equity financing model led by the government and invested by state-owned enterprises. Shendi Group has a registered capital of 20.451 billion yuan, and its shareholders are all state-owned assets. Lujiazui Group, Jinjiang International, Shanghai Media Group, and Bailian Group are all affiliated to Shanghai SASAC. Shendi Tourism, a subsidiary of Shendi Group, is specifically responsible for the cooperative operation with Disney Company, joint investment, construction and operation of the Shanghai Disneyland Park and supporting facilities, as well as related industrial development tasks [11]. The rest of the public construction is paid for by local finance in Shanghai, and the government endorses and provides credit guarantees.

The second is a debt financing model that focuses on long-term borrowing, supplemented by commercial credit and bond issuance. As seen from Table 1, the asset-liability ratio of 61.34% is quite stable. The assets are 584.88 billion yuan, of which the park-related fixed assets are 296.63 billion yuan, accounting for 50.72%. Liabilities are 358.88 billion yuan, of which short-term loans are 1.90 million yuan, accounting for 0.5%; bonds payable is 74.35 billion yuan, accounting for 20.72%; accounts payable is 27.25 billion yuan, accounting for 7.6%; long-term loans are 155.97 billion yuan, accounting for 43.5%. Therefore, to sum up, the Shanghai Disneyland Park adopted a debt financing model mainly based on long-term loans, supplemented by commercial credit and issuance of bonds.

Table 1: Shanghai Shendi (Group) Co., Ltd. 2021 balance sheet.

Assets	Closing amount (billion yuan)	Liabilities and owner's equity	Closing amount (billion yuan)
Monetary fund	36.86	Short-term borrowing	1.90
Financial assets	5.86	Accounts payable	27.25
Accounts receivable	2.11	Other current liabilities	0.08
Inventory	62.68	Long-term borrowing	155.97
Other current assets	1.55	Bonds payable	74.35
		Other non-current liabilities	68.23
Total current assets	117.83	Total liabilities	358.88
		Paid-in capital	204.51
Fixed assets	296.63	Capital reserve, Surplus reserve	2.68
Intangible assets	32.79	Undistributed profit	-50.75
Other non-current assets	4.53	Minority shareholders' equity	69.52
Total non-current assets	467.05	Total owners' equity	226.00
Total assets	584.88	Total liabilities and owners' equity	584.88

However, the Shanghai Disneyland Park's financing also has shortcomings. First, Shendi Group has a poor debt financing structure and high long-term borrowings. There are 36.86 billion yuan in monetary funds and 1.90 million yuan in short-term loans, and the efficiency of capital utilization is not high. The company's financial interest from January to March in 2022 is as high as 2.49 million yuan. Although borrowing can play a financial leverage role and can be tax deductible, the excessive interest expense increases the company's financial cost and affects the company's profitability. Second, it can be seen from Table 2 that the Shanghai Disneyland Park's debt financing model is mainly based on long-term loans from syndicated groups, including bond issuance and some short-term loans, and it makes use of the commercial credit of some downstream suppliers. In general, the financing method is single, mainly relying on syndicated bank loans endorsed by the government and issuing bonds, and there is a lack of credit products specifically for theme parks.

Table 2: Shanghai Shendi (Group) Co., Ltd. 2021 income statement.

Project	2022 January-March (billion yuan)	2021 January-March (billion yuan)
1. Total operating income	10.91	14.22
2. Total operating cost	21.5	22.38
Operating cost	11.57	12.18
Taxes and surcharges	0.16	0.3
Cost of sales	1.16	9.36
Management fees	6.41	6.61
Finance charges	2.2	2.61
Including: interest expenses	2.49	2.38
Impairment loss	-0.08	0.42
Plus: fair value charge income	0.38	0.04
Return on investment	0.06	0.13
Other income	0.25	0.1
3. Operating profit	-10.3	-7.9
4. Total profit	-9.1	-7.81
Minus: income tax	0.0005	0.00002
5. Net profit	-9.1	-7.81
Including: Net profit attributable to the parent company	-5.69	-4.74

4. Suggestions for the Strategy Development of the Shanghai Disneyland Park

First of all, in terms of market operations, the Shanghai Disneyland Park can incorporate more Chinese elements. For example, in terms of catering, it can set up Chinese restaurants in the park to sell classic Chinese delicacies. China advocates collectivism and has a strong family concept. The restaurant should fully reflect the lively and harmonious atmosphere, create a warm and human touch of home, and use the familiar eating environment to enhance tourists' sense of identity with the park. Secondly, the Shanghai Disneyland Park should be more considerate for tourists and satisfy more tourists' consumption levels. For example, the Shanghai Disneyland Park can appropriately reduce ticket prices and food prices in the park, or increase corresponding preferential activities for students, children, and the old. In terms of financing, the Shanghai Disneyland Park can establish an innovative financing platform to attract private capital to invest in Disney and optimize its debt structure. As one of the financing methods, the Shanghai Disneyland Park could try to cooperate with private companies that promote Chinese elements, such as the Chinese animation industry and the catering industry. If these private capitals can reach long-term cooperation with the Shanghai Disneyland, it will be a win-win for both parties, and both parties can enjoy long-term and stable benefits. It is suggested that the Shanghai Disneyland Park could set up a special department which is responsible for contacting private capitals from all over the country and even around the world with Disney projects, and provide efficient and low-cost asset matching transactions through financing platforms. In this way, the government financing can be solved and the leverage ratio of government financing can be further reduced.

5. Conclusion

In general, the Shanghai Disneyland Park is more competitive than the other two Disneylands in Asia because of its good location, a huge number of target customers, superior marketing strategies, and the government support. The financing model of the Shanghai Disneyland Park is essentially an operation model with a combination of the government establishment, state-owned enterprise operation and syndicated loan. But at the same time, because of the lack of Chinese elements and culture, the high cost, and the single financing method, the Shanghai Disneyland Park's income has also been affected to a certain extent. In the future, the Shanghai Disneyland Park could add more Chinese elements, appropriately reduce tourist spending, establish an innovative financing platform, and attract private capitals. However, in recent years, due to many unresistant factors, such as Covid-19, the Shanghai Disneyland Park's revenue has been greatly impacted. Therefore, future research can focus on the changes of Shanghai Disney before and after the Covid-19 pandemic.

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