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Jenna Maffei
University of Dayton, stander@udayton.edu

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Disney’s Adventure in Foreign Direct Investment: A Case Study of Hong Kong Disneyland

Jenna Maffei | Barbara John | Christopher Agnew

Abstract
In 1999 it was announced Hong Kong would be the next home to a Disney resort. Although The Walt Disney Company (TWDC) had not seen success in its last investment abroad, multiple factors made Hong Kong a desirable place for the company to continue its international presence. The thesis analyzes the foreign direct investment in Hong Kong Special Administrative Region by the Walt Disney Company with the completion of Hong Kong Disneyland Resort in 2005. Utilizing a unique cooperative partnership between the Walt Disney Company and Hong Kong Government, Hong Kong Disneyland represents a large service investment of the company in an attempt to penetrate the Chinese market. The case study of Hong Kong Disneyland as “greenfield” investment will evaluate the costs and benefits of introducing a large service product—initially produced in the home market (the USA) into the host market (Hong Kong SAR, PRC). Hong Kong Disneyland faced many challenges in penetrating the ‘amusement park’ market in Hong Kong, including tailoring the experience to a multi-lingual audience. But the larger challenge was adapting the product to the tastes and preferences of (predominantly) Asian customers. The thesis looks at the many aspects of this investment including the historical context of the host nation in order to evaluate it as a recipient of the unique American product; Disney had only invested this product to two countries prior to entering the Hong Kong market. The very metric—success—has to be evaluated from multiple perspectives: that of the firm, Disney; the home nation (the USA), and the host country (Hong Kong, PRC).

Cost/Benefit Analysis – Disney

**Benefits**
- Tangible
  - Profit! Profit! Profit!
  - Licensing
- Intangible
  - Awareness of brand
  - Knowledge of Chinese market
- Hong Kong → Shanghai

**Costs**
- Initial Investment – $314 million

Cost/Benefit Analysis – USA

**Benefits**
- Balance of Payment Effects
- Imports/Exports
  - Loss of American tourism
  - Merchandise not sold in USA
  - Imported products through Consumer to Consumer websites
  - Airport
- Employment Effects
  - American employees in Hong Kong
  - Imagineers
  - Management

Cost Benefit Analysis – Hong Kong

**Benefits**
- Balance of Payment Effects
  - Hong Kong Government: $3 billion (taxpayer funds!)
  - Tourism increase
- Employment Effects
- Construction jobs
- 5,000 park employees at opening

**Costs**

CONCLUSION
In conclusion, this is exactly how an economist wants to see foreign direct investment come to fruition. In the case of Hong Kong Disneyland, all the parties involved benefited in some way, and all parties are in a good place for future profits. Disney had a low initial investment, and acquired a knowledge of what a successful park would need to look like in China. Hong Kong has multiple successful tourist attractions, and plans to expand its Disneyland Park with a new hotel and attraction opening within the next five years. Finally, with the uniqueness of Disney’s park in Hong Kong and Shanghai, it looks like these parks will be the new model for Disney Parks. I predict The Walt Disney Company will no longer be taking Disneyland unaltered and placing it somewhere in the world; rather, it will be parks similar to those in Asia that will become the new standard.

Hong Kong - Continued

**Benefits**
- Ocean Park
  - “educational theme park”
- 5.5 Billion HKD expansion 2005
- Exceeded expectations
- Longevity against Disney because
- Ticket prices
- Alternative to Disney brand

![Disneyland in Hong Kong](image-url)