Expansion of Disneyland to Brazil

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Abstract

This business plan explores an opportunity for The Walt Disney Company to develop its presence in emerging countries through the expansion of its Disneyland Park to Brazil. The venture proposed would be a break-through for the company who has yet to have such close presence in similar markets. Perhaps a move against the odds, the successful expansion of Disneyland to Brazil will be a great accomplishment for the company and the country, who has been working tirelessly to keep up with developed nations. This business plan has the opportunity to show the world the potential of emerging countries, and as a result, open the door for many companies to invest in the potential offered by developing nations.

Abbreviations

OLC – Oriental Land Company
WDC – Walt Disney Company
PT- Partido dos Trabalhadores/ Worker’s Party
PMDB – Partido do Movimento Democratico Brasileiro/ Party of the Brazilian Democratic Movement
PSDB – Partido da Social Democracia do Brasil/ Brazilian Social Democracy Party
PBS – Partido Socialista do Brasil /Brazilian Socialist Party
DEM – Democratas/Democrats
S&P – Standard & Poors
GDP- Gross Domestic Product
UCLA – University of California, Los Angeles
SINDEPAT – Sistema Integrado de Parque e Atracoes Turisticas/ Integrated System of Parks and Touristic Attractions
BNDES – Banco Nacional de Desenvolvimento Econômico e Social/ National Bank of Economic and Social Development
BRIC – Brazil, Russia, India, China
IAAPA– International Association of Amusement Parks and Attractions
ILS - International Labor Standards
PR – Public Relations
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1. Executive Summary

Since its creation, The Walt Disney Company has developed itself into the world’s leader in entertainment, touching the lives of individuals in every corner of the world. By having a presence in media networks, theme parks and offering unique products and services, The Walt Disney Company has had an impact in the childhood of millions, perhaps billions, of children all over the world. To this day, the Disneyland Park has expanded to two additional continents, Asia and Europe. In almost 100 years of history, the Walt Disney World has certainly accomplished its goal of making people happy. Disneyland is truly, the place “where dreams come true”.

As many multinationals are increasing investments in emerging countries, we also recognize the potential such locations can offer to a company as unique as The Walt Disney Company. Therefore, we have decided to analyze the feasibility of expanding the Disneyland Park to Brazil, an emerging country which has been in the spotlight recently for hosting the World Cup of 2014 and the Olympic Games of 2016. The construction of a Disneyland Park in Brazil will be an opportunity of mutual benefit for both parties involved. The Walt Disney Company will gain valuable experience regarding operations in emerging countries, markets that are on their way to be a source of sustainability for multinationals. Brazil on the other hand, will incur an economic boost from the creation of new jobs, expected increase in tourism and infrastructure development. In this business plan we have explored the many reasons why Brazil offers a suitable environment for this venture as well as how financial and legal risks can be minimized.

The following proposal includes an audit of the company, an in-depth external analysis of the country of Brazil, the market and the theme park industry, as well as a detailed marketing and logistics plan to support the venture. The financial projection of the proposal has been developed accounting for the difference in costs and supported by data from competitors and existing Disney Parks. Moreover, all monetary figures have been converted into Euros using the most recent exchange rates. We include an Income Statement and Cash Flow Statement for seven years illustrating the potential profits of this project from Year 1. The proposal aims to evaluate the viability of the project with the mentioned variables accounting for the benefits and the risks attached to the project. The final analysis shows that the benefits of this project outweigh the risks, and that the project is a sustainable in the long run due to the potential of the market. It also allows Disneyland to increase operations in developing markets given its firepower in terms of resources.
2. Business Description: Disney’s Internal Analysis

2.1. History and Development

Disneyland Park, originally named Disneyland, opened on July 17, 1955 in Anaheim, California. The park was designed and built under the supervision of Walt Disney, who developed the concept of the park after visiting many amusement parks with his daughters in the 1930s and 1940s. Since its inauguration, Disneyland went through a number of expansions and renovations in order to become the worldwide attraction it is today (D23, 2016). Additionally, over the years, the Walt Disney Company has expanded the park internationally, now having a presence in Asia and Europe. On April 15, 1983 Disney opened the Tokyo Disney Resort in Urayasu, Japan. The second Disney resort outside the United States, Disneyland Paris, opened on April 12, 1992 in Marne-la-Valle, France. Disney’s second resort in Asia had its grand opening on September 12, 2005, in Penny’s Bay, Lantau Island, Hong Kong. Last, but not least, Disney’s newest addition to the Asian market is scheduled to open on June 16, 2016 in Shanghai, China (Wikipedia). Disney uses a common formula to ensure the success of all of its parks: “All Disneyland parks have a central fairy tale castle to lure guests in with a turn-of-the-century style street leading up to it and differently themed lands surrounding it” (Sylt, 2015).

2.2. Tokyo Disneyland

Disney’s first international venture was a licensing agreement with The Oriental Land Company of Tokyo. The Oriental Land Company (OLC) approached Disney with an offer to open a Disneyland in Japan as it hoped to make use of an available plot of land in the Tokyo Bay which was mandated by the Japanese government to be used for leisure purposes only. Concerned with the cultural differences between the two countries, the Walt Disney Company chose this entry mode for its first international venture, and licensed OLC to use its trademark, intellectual property and engineering designs for the park’s rides. Under this agreement, Disney was entitled to royalties of 10% on tickets revenues and 5% on the sales of food and beverage as well as souvenirs. In return, Disney was responsible to provide on-going technical assistance (Raz, 1999). Tokyo Disneyland turned out to be very successful and is still considered Disney’s most profitable venture. Less than a decade after its grand opening, the park had attracted over 140 million visitors.

2.3. Disneyland Paris

Given the success of Tokyo Disneyland, and the success of both theme parks in the US, it was only a matter of time for the Walt Disney Company to continue developing its international presence and venture into the European market. Sales of Disney’s licensed products had been strong in Europe, accounting for 25% of all of Disney product licensing sales in 1988 (Peck, Christopher, Clark, & Payne, Tokyo Disneyland, 2011). Combining the success in Japan and
strong demand for Disney products in Europe, in 1986 executives began to analyze the opportunity of building a theme park in Europe. Germany, Italy, Spain and France were the top four countries in the bidding process for locating the Euro Disney (Peck, Christopher, Clark, & Payne, Euro Disney, 2011). While some options were dropped due to a lack of suitable land to build the park, Spain and France were still seriously considered due to its climate and central location, respectively. Finally, France was chosen as it offered the best ‘deal’. Therefore, on March 24th, 1987, The Walt Disney Company signed an agreement with the Republic of France to create the Euro Disneyland. The Europe-based Disneyland theme park had its grand opening on April 12th, 1992. The decision to locate the park in France was made due to the availability of suitable land and supportive infrastructure, incentives from the French government, and most importantly the proximity to Paris, the most visited city in Europe (Wikipedia) (Burgoyne, 1995) (Legislative Council Secratariat of Hong Kong, 1999).

Perhaps due to the expectation of a similar success as was the case in Japan, The Walt Disney Company chose a wholly-owned subsidiary entry mode for this venture. Euro Disneyland SCA was incorporated as a French corporation and listed in the London Stock Exchange. Although nowadays it controls only 39.8% of the company, Disney remains the majority shareholder, keeping full control of operations (Fletcher, 2016). By nature, this entry mode requires Disney to be fully responsible for all financial and legal risks faced by the subsidiary. As a result, The Walt Disney Company has had to financially support Disneyland Paris with $1billion in 2014 (Chesters, 2014).

**Why did Disney’s ‘magic’ fail in Europe?**

Many factors contributed to the unexpected failure of Euro Disney. The domino effect began in the first phase of the development of the park which went over budget. Additionally, Disney invested a large sum of money building luxury hotels next to the park; however, those were poorly attended since Europeans were not willing to pay the extra for the stay given that the park could be explored in a one-day trip from Paris. The situation was worsened by the European recession in that same opening year. Disney had purchased a large plot of land, and the drop in property prices due to the recession prevented Euro Disney from getting additional revenues through the sale of land. Moreover, Disney significantly underestimated the cost of labor in France. While executives estimated labor costs to be 13% of revenues, in the first year of the park these costs were 24% of revenues and by the end of the following year it had increased to 40% (Pozzebon, 2014). Hence, with interest payments of start-up loans piling up, and sluggish attendance keeping the park from generating the necessary revenues, by the end of 1993, Euro Disney had already accrued losses of $2 billion (Cohen, 1993).

Although local adaptations added significant costs to Disney’s business model, the company failed to address all of the cultural differences. Promoting the park with American values also backfired on Disney, as the French and Europeans in general, showed no desire to be treated as Americans. On the same note, over the years Disney also struggled to maintain good relations with its employees. Additionally, the park was poorly attended due to long winters and
European’s different view on theme parks (not as a vacation destination) which caused them to stay for short periods of one or two days. In 1994, Euro Disney changed its name to Disneyland Paris, and a new marketing campaign was launched to advertise the new changes and increase identification of the park with the city of Paris. Executives also reduced operational costs and lowered ticket prices with the hope that attendance would increase (Hill, 2000) (Euro Disney Weebly, 2012).

2.4. Hong Kong Disneyland

In 1999, the Hong Kong government announced its plan for the construction of a Disneyland in the area with the hopes of boosting the local economy and community life. The project was developed and the park is now operated by Hong Kong International Theme Parks, which is jointly owned by the local government and The Walt Disney Company. Initially, in this joint venture, the government of Hong Kong had a 57% of ownership, while Disney had 43% (BBC News, 1999). However, as of 2014, Disney’s shares have increased to 48%, while the Hong Kong government now owns 52% of shares (Hong Kong Disneyland, 2016). The board of directors of the park is appointed by both parties and top management is composed of a very diverse team with many years of experience (Hong Kong Disneyland). The Hong Kong Disneyland was inaugurated in 2005 and has since played an active role in the community. The park turned profitable in 2012 with a net profit of HK $109 million (Einhorn, 2013), and in 2013 it was nominated the 13th most visited theme park in the world with 7.4 million visitors (Themed Entertainment Association, 2014).

Disney’s entry mode of a joint venture with the local government can be justified due to the complexity of the Asian market and the benefits of a partnership with the local government, both financially, legally and culturally. However, joint ventures can also pose a risk for future investments that may be in the best interest of one of the parties. For instance, Disney’s new venture in Shanghai, also a joint venture, may pose a threat to Hong Kong Disneyland, which over the years has received a large amount of visitors from mainland China.

2.5. Disney’s Mission Statement

According to the company’s site, Disney’s mission statement is the following:

“The mission of The Walt Disney Company is to be one of the world’s leading producers and providers of entertainment and information. Using our portfolio of brands to differentiate our content, services and consumer products, we seek to develop the most creative, innovative and profitable entertainment experiences and related products in the world” (The Walt Disney Company, 2016).
Disney’s brand equity surpasses any of its competitors; therefore, we believe the company should adjust its mission statement to the current reality of the company. To justify this statement, one can analyze Disney’s brand equity. In 2016 Disney was ranked by Forbes as #1 World’s Most Powerful Brand, #2 World’s Most Reputable Companies, and #8 World’s Most Valuable Brand. Additionally, with a brand value of $19 billion, Disney has also been ranked #8 on consumer perception (Flanagan, 2016) (SyncForce, 2016) (The Walt Disney Company, 2016) (The Walt Disney Company, 2016).

We believe the Walt Disney Company is the world’s lead producer and provider of entertainment, and its mission statement should reflect that. An alternative revised mission statement for the company would be the following:

*The mission of The Walt Disney Company is to maintain its position as the world’s leading producer and provider of entertainment and information. Using our portfolio of brands to differentiate our content, services and consumer products, we seek to continue developing the most creative, innovative and profitable entertainment experiences and related products in the world. With such creative and innovative portfolio, we seek to continue spreading Disney’s lifestyle to every corner of the world.*

2.6. Organization Structure

Disney is characterized by its creativity and differentiation. This fact is also reflected in the organizational chart of the company. While most companies follow the typical tree chart organization, Disney designed its first organization in 1943 based in the filmmaking process (Exhibit 1). Currently, Disney’s pursuit for excellence, creativity and innovation is reflected in its management team’s strategy and vision, formed by 14 executives and a Board of Directors composed of 11 members (Exhibit 2) (Debczak, 2015).

2.7. Value-added Chain

The Walt Disney Company, together with its subsidiaries and affiliates, is the leading diversified international family entertainment and media enterprise with the following business segments: media networks, parks and resorts, studio entertainment, consumer products and interactive media (Exhibit 3 and 4) (The Walt Disney Company, 2016).
3. Brazil’s External Analysis
   3.1. PESTEL

Political Environment

Brazil is a democratic, federative republic, which is divided into 26 states and a federal district. Literate citizens ages 18-69 are obligated to vote for both national and municipal elections. As a multiparty government, there are 32 registered political parties of which 5 have major support of the population. The top political parties of Brazil are: PT, PMDB, PSDB, PBS and DEM. PT (Worker’s Party) is a centre-left party holding the largest number of seats in the Chamber of Deputies. The last two presidents, who have ruled the country for over 10 years are members of this party. PMDB (Party of the Brazilian Democratic Movement) is a centrist neoliberal party, the government’s main coalition partner, and the party of the current interim president (Innovation Norway - Rio, 2014) (European Parliament, 2015).

Brazil’s political situation is unstable at the moment with the impeachment process of the President, Dilma Rousseff, who has recently been asked to step down for up to 180 days while the investigation against her takes place. Michel Temer, the vice president and current interim leader of the country, has helped orchestrate the impeachment process against Dilma Rousseff, is also under scrutiny.

According to the Transparency International’s Corruption Index, the country ranked 69th in the Corruption Index of 2014 with a score of 43 and currently ranks 76th with a score of 38 as score ranges from 0 (highly corrupt) to 100 (very clean) (Transparency International, 2016). The country also has a trade agreement, MERCOSUR, with Argentina, Paraguay, Uruguay, Venezuela and Bolivia (MERCOSUR, 2016).

Economic Environment

The economy of Brazil is predicted to shrink by 3.8% due to a recession. However, in spite of the recession, the country is the seventh largest economy in terms of GDP and the largest economy in the continent of South America. The country is going through a tough recession with a negative annual growth rate of 5.9% last year, however, the growth rate forecast is a positive 2% in 2020 (Trading Economics, 2016). Brazil has a rank of 116 in Doing Business 2016, which has dropped 5 positions as of last year (World Bank Group, 2016), and an investment rating of BB- (S&P). There is a negative outlook at its sovereign credit and it has been downgraded to junk grade (Pacheco, 2016).

After the suspension of Dilma Rousseff, the interim President Michael Temer took office and the Brazilian stock market took a surge of 22% and has been a top performer among developing economies in spite of all the economic and political turmoil (Cui, 2016). There has been an appreciation in the Brazilian Real as well, which indicates a speculation that the new administration under Michael Temer will try and revive the economy, and curb the budget
deficit, which stood at 10.8% last year in 2015 (Trading Economics, 2016). The public debt stood at 66.23% in 2015 and is forecasted to increase by approximately 2% in 2016; but, in spite of all these indicators, the new administration has hopes for the future (Trading Economics, 2016).

The corruption scandal and the recession in the country has led to an increase in inflation from 6.3% in 2014 to 9.28% as of April 2016 (Trading Economics, 2016). The inflation rate has eased off the last 5 months and has been down by 1.3% as it reached 10.5% in November 2015. The unemployment rate in the country has risen to 10.9% as of March 2016 as compared to 9% in 2015. According to Goldman Sachs economist Alberto Ramos, the labor market is expected to deteriorate further and the unemployment rate will continue to rise. Currently there are 11 million people looking for jobs and wages dropped down further by 3.2% from a year earlier to an average of $563 (Cascione, 2016).

The tourism sector contributes to 3.5% of the GDP of Brazil. The job sector is also affected significantly as every direct job generated in the theme park sector in Brazil, another 11 direct jobs are created in other sectors such as transport, food supplier, chemical products and other sectors (World Travel & Tourism Council, 2015).

Social Environment

Brazil is the largest country of South America by size and population. According to the most recent United Nations data (April 12, 2016) the current population of Brazil is 209,190,028 million, which has increased a 0.83% from last year. The population of this country is composed by five very diverse ethnic groups. White is the most represented ethnicity accounting for 48% of the Brazilian population followed by the Mulattos who accounts for 44%. The rest of ethnic groups: Afro-Brazilians, Asian and Indigenous are minority groups that cover the 7%, 0.5% and 0.25% respectively, of the country’s total population. Moreover, the amount of people living in urban areas has increased 84%, as 2016 data shows that 176,361,649 people are currently living in urban areas (Worldometers).

The median age in Brazil is 31.7 years, and the income level is upper middle. In terms of the cultural aspects, the Roman Catholic Church dominates among the other religions with 64.63% of followers. Moreover, almost all the rest of the population that identify with a religion is a variant of the Christianity (Pew Research Center, 2013).

Technological Analysis

Despite going through the worst recession in nearly a century, the tech industry in Brazil is booming. E-commerce and web sectors have been growing over 20% year after year, and the industry is expected to continue growing. “Although only half of Brazil’s population is online, it’s already the fifth largest internet and mobile economy in the world, a top five market for Facebook, Google and Twitter, and one of the fastest-growing Smartphone markets globally”
Expansion of Disneyland to Brazil

(Ruvolo, 2015). Last September, while the country’s debt rating took a dive at the Standard & Poor’s rating, the launch of a 50,000 square foot tech hub for start-up entrepreneurs was inaugurated by the country’s top venture capital investors (Ruvolo, 2015).

Throughout the country, elected officials have been supporting the development of technology centers. In fact, the Federal University of Minas Gerais (UFMG) has one of the top computer science undergraduate and graduate programs in the country and is considered a world-class model. This university also staffs professors from many prestigious universities around the world, including Stanford, Princeton, Oxford, and UCLA. Brazil has proven itself to be a technology hub in South America, and IBM has future plans of building a research facility in the country (Heng, Heermann, Samaranayake, & Sath, 2010-11).

Although infrastructure in Brazil is extremely poor and ranked very low on the World Economic Forum for infrastructure quality, new concessions have recently been proposed with the hopes to raise $64 billion of investment over the upcoming four years (The Economist, 2015). As projects to improve the current infrastructure throughout the country continue to develop, one can expect the creation of many jobs, and as a result, a boost in the local economy.

Environmental Analysis

With a surface area of 8,514,877 sq km. (United Nations Statistics Division, 2016), Brazil is the largest country in the continent and due to its location, experiences a tropical climate, with no rough winters and no environmental disasters such as hurricanes and earthquakes. The country is very rich in ecological diversity and natural resources. Brazil is home to the largest tropical forest in the planet (Amazon), the world’s most biologically rich Savanna (Cerrado) and the largest freshwater wetland (Pantanal). In addition to a diverse set of natural resources and landscapes, Brazil also has a coastline of 8,000 km with thousands of beaches sought out by many locals and tourists (McOwan, 2009).

Despite having an extensive set of environmental laws, the country’s environment has been severely affected by an increase of deforestation, air and water pollution as well as illegal wildlife trade, as the existing laws are poorly enforced. While in recent years public interest in the negative environmental impact of certain products and activities has increased, the interim government has announced budget cuts and new laws negatively affecting projects developed to protect the environment. Therefore, the future of the natural resources available in the country is very uncertain (The Nature Conservancy, 2016) (Wade, 2016).

Recently, Brazil has been affected by a plague of Zika virus, which is transmitted via mosquitoes. Since there are no precautions that citizens or tourists can take, the best way to protect oneself if by covering the body as much as possible or use repellents. Most people infected with the virus do not get sick; nevertheless, there are cases when symptoms can appear (which effects have a recovery), and in few circumstances the consequences may cause permanent damage. A person affected with the virus can transmit the infection via unprotected sexual intercourse and through pregnancy (given the mother is infected), which may cause birth
defects such as microcephaly (Center for Disease Control and Prevention, 2016). Therefore, public health advice is relevant for the visitors in order to not spread the virus and not be affected. Despite the concerning effects of the virus, the World Health Organization has declared that the risk is not high enough to cancel the upcoming 2016 Olympic Games in Rio de Janeiro (World Health Organisation, 2016).

Spread by the same mosquito, Dengue virus is affecting the Brazilian population in a frightening rate, which puts Dengue after Malaria in terms of impact on public health of diseases transmitted by mosquitoes. This disease, also called “break-bone fever” is even more aggressive than Zika with symptoms such as rashes, fever, headaches and muscle pain; moreover, if a patient is affected more than once by the virus, the consequences can be fatal. The government is trying to fight this mosquito investing an additional R$72 million and hiring new inspectors and professionals to develop cures for this epidemic (Johnson & Jelmayer, 2016) (Oxitec, 2008).

**Legal Environment**

Brazil is a country that operates under civil law and has a legal system with Roman law origins, which was implemented during its colonization period. The Brazilian government is composed of three branches: legislative, executive and judicial. The legislative power is exercised by a bicameral system composed of the Federate Senate (81 members elected based on proportional representation for 4 years) and the Chamber of Deputies (513 members elected for 8 years). Each of the 26 states have a determined level of autonomy to adopt their own laws and Constitutions; however, laws adopted by states and municipalities must follow the principles established under the Federal Constitution (Library of Congress, 2016) (Nations Encyclopedia, 2011) (Organization of American States, 2007).

The SINDEPAT is the union that manages theme parks, water parks and other tourist attractions of the private sector. This union aims to promote and boost the local economy through the construction of theme parks, and works alongside the government to reduce the high taxes from importing necessary goods. The economy of Brazil has a very open legislation with no limitations on investment, hence it is going to be much easier for companies to come set up in the country. In the 90s for instance, BNDES (Banco Nacional de Desenvolvimento Econômico e Social), granted financing for theme parks, in addition to some tax exemptions. Brazil also has a program called *Plano Brasil Maior*, which was implemented by the Ministry of Tourism in order to attract more tourism. The legal environment in the country also grants theme parks a reduction in electricity tariffs, reduced duties on imports of equipment and reduction of payroll taxes which would benefit setting up a theme park with benefits being given to the sector (Baldacci, 2012) (Bruha, 2014).
Strengths and Weaknesses for the Company Representing the Exogenous Variables

Brazil is Latin America’s largest economy and the world’s seventh. In terms of per capita income, Brazil has the highest number among the BRIC countries. The per capita earnings range from $11,500 to $29,000 per year, with most of the population considered as ‘middle-class’ (The World Bank, 2016), and borders ten countries, making it a strategic location (Central Intelligence Agency, 2016). Its strategic location and Mercosur membership facilitates the movement of tourists from neighboring countries. Brazil is not only a leader in Latin America; it is also a leader among emerging markets.

Regarding Brazil’s relations with the United States, Disney’s home country, it has a natural affinity to American culture and products. Even more, the government is actively cultivating relationships with US businesses and prioritizing macroeconomic stability. Disney could benefit from the economic potential growth as well as legal conditions that the government is developing as a result of such relationship with the United States. Moreover, the family-orientated culture of Brazil provides a suitable environment for theme parks and the high level of indulgence in the society supports the increase of sales for the park. The current attendance to theme parks in Brazil is over 24 million according to the Global Attractions Attendance Report 2015 (Themed Entertainment Association, 2016) (Exhibit 5).

While the current political and economic instability may be alarming, it can also serve as an opportunity for Disney. Given the magnitude of the project, a new government or even the current one should have great interest in supporting the construction of the park as it will create many jobs, increase inflow of tourists and as a result boost the local economy. We believe that with the support of the government and other third parties, the weak infrastructure will receive additional attention and development would be prioritized. The country is able to attract millions of tourists yearly, and the creation of new jobs might have a positive impact on the poverty rate.

3.2. CAGE

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<td>According to the Hofstede Dimensions, there is a significant cultural difference between the US and Brazil. The US is a country with a <strong>low power distance</strong> and <strong>uncertainty avoidance</strong>, and <strong>high level of individualism</strong>. On the other hand, Brazil is a very <strong>hierarchical</strong> country with a <strong>lower level of individualism</strong> and <strong>high level of uncertainty avoidance</strong>. When it comes to the other three dimensions (masculinity, territorial orientation, and power distance), Brazil is more similarities with the US.</td>
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<td>The <strong>legacy of the colonies</strong> is undeniably relevant when analyzing the culture and administration of a country. The US comes from a British colony, and this is reflected in the language, the legal system, the political elite, the middle-class preference for commerce, the British liberalism for its politics and a “certain puritanical impulse”. Similarly, Brazil inherited from Portugal its language, religion (Catholicism), and legal traditions.</td>
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long-term orientation and indulgence) the difference among both countries are not significant. Nevertheless, it is important to mention that both countries have a high level of indulgence, which is relevant for our business.

One of the most noticeable differences is the language barrier. While in the US the most spoken language is English, followed by Spanish, in Brazil the official language is Portuguese.

When it comes to race and ethnicity, both countries are very diverse, with big minorities and immigrants from various parts of the world.

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<th>Geometric Distance</th>
<th>Economic Distance</th>
</tr>
</thead>
<tbody>
<tr>
<td>The shortest distance by plane between the two countries is 7,301 km, which translates into 8.1 hours of travel. Due to the distance, both countries are located on different time zones. Both countries have most of their population located in big cities, typically on the coast. On the other hand the centre of both countries is less populated as the landscape is less favorable for development. The climate of the US is very diverse within itself. Brazil is characterized by a tropical climate and temperate in the south. Unlike the US, Brazil does not have rough winters.</td>
<td>In 2015, the U.S. had a GDP of US$17.947 billion and Brazil had a GDP of US$1.773 billion. On the other hand, the inflation in the U.S. was 1.10% in April 2016, while it was 9.28% in Brazil in the same month. GDP per capita in the U.S. last year was 54,629.5 while in Brazil it was only 11,726.8. The Brazilian Real is considerably devalued in comparison to the US Dollar. Additionally, the level of infrastructure in Brazil is also very low when compared to the US.</td>
</tr>
</tbody>
</table>

4. Theme Park Industry Analysis

4.1. Strengths and Weaknesses of the Market

The theme park industry in Brazil has clear strengths in the sense that the market offers a large population in a strategic location, and according to Hofstede’s study, the country has a population that values self-indulgence and family time (valuable traits for the industry). Additionally, tourism in the country is another crucial factor. In 2014, Brazil welcomed an estimated 6.4 million tourists (The World Bank, 2016). The large inflow of tourists every year offers the opportunity to reach an additional set of customers apart from the locals. An additional benefit for Disney is the significant interest in US products by the locals. Moreover, the Walt Disney Company’s brand has a unique positioning in the amusement parks’ category. The company has a strong brand equity and visibility, which offers the potential to succeed in various markets.

The main weaknesses of this market lie on its social gap, and political and economic instability. The government has been on the spotlight recently for corruption scandals and an impeachment process for President Dilma Rousseff who is currently on leave. Such unstable political situation and economic environment can pose a threat to the ease of business for international companies. Moreover, infrastructure in Brazil remains weak, including transportation facilities, which is an important factor for the theme park industry. In terms of the local customer base, there are two factors that may imply a risk to the project: the high poverty rate and the safety index. Brazil has a high crime index. Moreover, the theme park industry in this market must also compete with the numerous beautiful beaches and touristic destinations in the country and the increased international travelling of the local population (in 2014 1.9 million Brazilians travelled abroad) (Calich, 2015).

4.2. Analysis of Competitors

Given the unique experience offered by Disneyland, no other theme parks compete in the same level. In addition to the two main theme parks in Brazil, the two Disney parks located in the United States are also important competitors to consider as they receive millions of Brazilian tourists.

4.2.1. Current Competitors

The theme park sector in Brazil has shown growth over the recent years and it is expected to continue growing as it is forecasted to receive additional funding. However, currently there are only two major players in this industry in Brazil, one being Hopi Hari, located in the state of São Paulo, and the second being Beto Carrero World, located in the southern region of the country, in the state of Santa Catarina (Bruha, 2014). The attendance in 2015 for Beto Carrero World was 2 million as it went up by 10% from 2014; for Hopi Hari, the attendance was 1.66 million which
has not shown an increase in 2015 from 2014 (Themed Entertainment Association, 2016) (Exhibit 5).

Hopi Hari is the second largest park in Brazil, just behind Beto Carrero World, and part of the tourist complex Serr’Azul Full Life. The park is located 70km from the state’s capital, Sao Paulo, and 30km from Campinas, another important city in the state. During early 2000s, this complex received approximately 5 million visitors yearly, while Hopi Hari accounted for 40% of these visitors. The park is themed as a country, with its own president, capital and language. Recently, the park has signed an agreement with Warner Bros. for the addition of Justice League, Looney Tunes and Penelope Pitstop, which were expected to increase attendance to the park (Wikipedia, 2016) (Bruha, 2014).

Beto Carrero World is the largest theme park in Latin America, and ranked the sixth best in the world (G1, 2014). It opened on December 28th, 1991 and is located in Penha, Santa Catarina. With close proximity to many beaches and the main cities of the state, Beto Carrero World is in a great position to attracting tourists every year. The park is in an extensive piece of land and offers 9 theme areas. Additionally, in 2012 the park partnered up with DreamWorks Animation and Universal Studios in order to feature some their film characters in the park (Beto Carrero World, 2012).

While analyzing these two major competitors, it is important to highlight the benefits they offer. Both offer a differentiated product/service with popular ‘American’ elements. Their payment options, in installments, also facilitate the ability of consumers to afford the steep prices charged for such experiences. In addition to payments in installments, these parks offer discounts to students and seniors. Moreover, their location offers additional incentives as it is in close proximity to other vacation destinations/activities; therefore, consumers have the opportunity to enjoy additional activities during their vacation.

4.3. Strengths and Weaknesses of the Product/Service. Porter’s Five Forces for the Amusement Park Industry

Industry Rivalry

There are usually only few major players, which intensifies competition and forces each player to continuously come out with new attractions. In the United States for example, there are only five major players (Cedar Fair, Merlin Entertainment, Universal Parks and Resorts, and Disney Park and Resorts) and in our country of destination, there are only two major players, Beto Carrero World and Hopi Hari. Even among smaller players, there are few existing competitors. Therefore, with few big players competing against each other, the rivalry in the theme park industry is a fierce one, which drives innovation and creativity in order to maintain a good position in the industry (Pierson, 2011).
Threat of New Entry (Low)

The threat of new entrants in this industry is low; this is due to the significant start-up costs, maintenance expenses and the fierce competition among the existing big players. In recent years, there have not been new major players opening their doors. In the United States and Brazil, several theme parks have actually closed down its doors. Although in some countries the degree of such a threat might be a bit higher, such a threat does not seem to have a significant impact on the current big players of this industry (Pierson, 2011).

Buyer Power (Low)

Customers in this industry have a low bargaining power, perhaps as a consequence of there being only few powerful players. Theme parks have in fact steadily increased their overall ticket prices over the years. As parks continuously offer new rides and theme areas, prices are expected to raise parallel to such changes. Ticket prices are often lower during low seasons, but it is only during economic downfall such as recessions, that theme parks will offer significant discounts in order to attract customers who are hesitant on spending money on recreational activities (Pierson, 2011).

Supplier Power (High)

As it is the case with the players in this industry, there are also only few major companies in the world that supply the rides found in most of the theme parks around the world. The International Association of Amusement Parks and Attractions (IAAPA), hosts a convention every year where it displays the newest technology related to the industry and the industry customers (the theme parks) big against one another to acquire the best technology. Such fierce competition drives up the prices and the reputation of suppliers; therefore, increasing supplier’s bargaining power (Pierson, 2011).

Threat of Substitutes (High)

Substitution to theme parks is one of the biggest challenges in this industry; therefore, it is high. With a focus in entertainment, members of this industry must ‘compete’ with a long list of alternative entertainment options available to consumers all around the world. Parks such as Disneyland or Disney World who promote a longer stay, in other words, a vacation destination, must compete with endless options of other vacation destinations, such as beaches, cruises, and tropical or European destinations. In order to alleviate these substitutes, Disney for instance, offers a wide range of experiences at their resorts and alternatives such as their own cruise. Although theme parks may offer multi-day packages and a variety of experiences, there will always be alternative or substitutes that will drive families to spend their money and time vacationing elsewhere (Pierson, 2011).
5. Logistics

5.1. Scorecard Model

The model developed includes various factors considered to choose among the locations of Fortaleza, Rio de Janeiro, São Paulo, Curitiba and Brasília which are popular cities in Brazil. We selected factors that represent the market size, income, price of land, climate, the number of tourists, the tourist attractions, crime, safety, the presence of ports and the public transport of each city to give us a better idea in choosing the best location (Exhibit 6). After choosing these factors, we assigned weights to them in order of importance. After analysis of the model, Rio de Janeiro had the highest score, 2.8 out of 3, which makes it a credible choice among the locations.

<table>
<thead>
<tr>
<th>Weight</th>
<th>20%</th>
<th>5%</th>
<th>20%</th>
<th>5%</th>
<th>15%</th>
<th>5%</th>
<th>5%</th>
<th>10%</th>
<th>5%</th>
<th>10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>City</td>
<td>Population</td>
<td>Per Capita Income</td>
<td>Weather</td>
<td>Passenger Air Traffic</td>
<td>Tourist Attractions</td>
<td>Crime Index</td>
<td>Safety Index</td>
<td>Price of Land</td>
<td>Ports</td>
<td>Public Transport</td>
</tr>
<tr>
<td>Fortaleza</td>
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<td>1</td>
<td>3</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Rio de Janeiro</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>São Paulo</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Curitiba</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Brasilia</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>2</td>
<td>1</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td>3</td>
</tr>
</tbody>
</table>

5.2. Location

The location we have found to build the Disneyland Park is located approximately 50 minutes from the capital, Rio de Janeiro, in the metropolitan area of Seropédica, RJ. The available land for sale consists of 925,000 m² (apppx. 228 acres) at a value of R$29,000,000 (€7,321,811 million). Strategically located right off a highway, Rodovia Raphael Magalhães, connecting the park to Rio de Janeiro, this location also offers a potential for further development of transportation infrastructure, which would allow for a faster access to the park. Located outside of the capital, access to the park will be facilitated by the reduction of time in the infamous traffic of the Rio de Janeiro (Viva Real, 2016).

The municipality of Seropédica had an estimated population of 82,892 million in 2015. This relatively young city has recently embarked on a process of rapid development. The current government has been successfully improving the living standards of its citizens through infrastructure improvements and social projects. Moreover, the city has launched a sustainability
project and has welcomed big companies such as P&G, Votorantin Cimentos, Saint Gobain-Brasilit, Autonomy Investimentos, Prologis CCP, VBI Real State (RED), and more, as well as distribution centers of major brands in Brazil (Seropedica, 2015).

During our search for an appropriate location, we followed a similar criteria used on the existing Disneyland parks. The criteria used were a location with high tourism traffic, in close proximity and with easy access to a major city/metropolitan area. Furthermore, we have developed a scorecard model (Exhibit 6) to assist the decision among the five locations we have considered. As it is the case in the two parks in the US, the park will be located in Rio de Janeiro, a state with high traffic of tourists. Moreover, as it is the case of all of Disney parks, the new park will be located outside a major city, the capital, and with an easy access via highway and possibly via railway. Another criterion used was the level of development and investment in development of the city; as such projects can indirectly and directly support the future of the park.

5.3. Suppliers

The building and maintenance of the park and the products offered will be done through the set of suppliers used by The Walt Disney Company. The products sold and all of the rides and special equipment needed will be imported from these suppliers. “Disney’s International Labor Standards (ILS) Program evaluates and helps improve working conditions in facilities producing Disney-branded products. Disney’s ILS Program is administered by a dedicated staff of over 120 professionals located in 12 countries around the world. The breadth and diversity of our consumer products business means that Disney-branded products are produced in over 30,000 factories in more than 100 countries” (The Walt Disney Company, 2016). By using such approach, we will ensure the highest quality of the rides and products sold by the subsidiary.

6. Marketing

6.1. Segmentation: Target Consumer

According to data from last year, 20% of the 3.18 million visitors to Orlando (location of Disney World) were Brazilians, which indicates this population has a high interest for this Disney attraction (Roberto A. Ferdman, 2013). This indicates a high interest for this type of attractions. Nevertheless, there are different factors to take into account when segmenting the market and after that targeting our customers. Those are:

- **Demographics.** We will target two different groups in terms of age and social status: the young adults (18-30s) and families with kids. As these groups are very different, two different marketing strategies will have to be implemented. As we can see in Exhibit 7, most of the population in Latin America meets the targeted population.

- **Geography.** In terms of nationalities there are three different groups that could be our
potential customers and therefore will require customized strategies in terms of communication and marketing. These groups would be the following: Brazilians (the local population since they are in closer proximity), South Americans (making up a large set of visitors to Brazil, especially from Argentina), and Europeans who have had an increased interest in travelling to Brazil.

- Social status. Taking into account the price of the tickets and the cost of the accommodation, we will be targeting mostly the middle-class and upper-class. According to the latest data provided in Exhibit 8, these two groups accounts for 69.8% of the total population.

6.2. Focus Group

Although our target market is the Brazilian population, we expect visitors from the neighboring countries in South America as well as tourists from various parts of the world, especially from Europe and North America. Therefore, we hosted three separate focus groups in order to collect data from the three visitor groups we expect to attend the park. The focus groups were held with Brazilians, Argentineans (the top nationality that visits Brazil, representing other Latin Americans) and Europeans of various nationalities, representing tourists from outside South America (Exhibit 9).

From these discussions we obtained the relevant following information:

**Brazilians**

The idea of bringing Disneyland to South America is a great concept that would be well accepted, especially by Brazilians. As Brazilians generally look up to American products, they would easily welcome such American icon closer to them, especially given the barriers (financial and legal) to visit one of such parks in US soil. Although the park in Brazil would not be seen as a substitute for the one in the US, it is believed that Brazilians would visit the park more often, due to its proximity. Given the brand and nature of the park, the focus group members do not believe other existing theme parks in Brazil would be comparable and seen as a competition to Disneyland. Brazilians would expect the park to be as similar as possible to the park in the US, although they would welcome elements of the local culture. In terms of infrastructure, although limited, Brazilians believe that the country could really benefit from such project, as it would create jobs in various sectors. Lastly, in terms of accommodation, depending on the location of the park, if close to downtown Rio de Janeiro, Brazilians are expected to stay in cheaper hotels in the city instead of the park’s hotels.

**South Americans**

Although the younger generation would prefer to attend the park in the US due to the prestige and the shopping experience that comes with it, parents would prefer to go to the park in
Brazil as it would be closer and cheaper. This population recognizes the positive impact for Brazil in terms of employment; however, there is a concern with deforestation and pollution that may be caused in order to build the park. Shows in different languages (in Spanish for instance) would be expected, as well as local cartoons and a variety of food. Additionally, this group foresees the Disneyland Park as an extension to their vacation in Brazil; therefore, their stay in the resort/park would be a short one. The majority of the members of the focus group stated that they would stay in the hotel of the park if they intended to go to the park for two days.

Europeans

For security reasons, this group may consider paying the premium to stay in the Disney Resort for the duration of their vacation in Rio de Janeiro (if the park is located near the centre). Nevertheless, they also see the Disneyland as an extension of their vacation, and would visit the park for a short period, 1-2 days. The main concern of this group is access to the park, which they expect the transportation to be facilitated by Disney. Lastly, English would be sufficient to fulfill their language needs and similar to the South American group, they also desire a variety of food options.

6.3. Survey Highlights

For survey results please see Exhibit 10.

South Americans

The survey was completed by individuals aged 18-64, mostly Brazilians and Argentineans. The responses overwhelmingly indicate that they would go to the park in Brazil and would plan the trip on their own, buying the tickets online. The decision of going to the park is mostly influenced by the price, which majority is willing to pay R$140-160 for adult tickets and R$100-120 for children’s ticket. The Argentineans would go to the park mostly for the experience and would be willing to pay R$160-180 for adult tickets and up to R$140 for children (purchases would be done online or through agencies). Only 19,6% responded that they would visit the park for more than 2 days, and 74,5% would stay in a hotel in the park. When questioned about the characters in the park, 49% would like to see only Disney characters, and the remaining would like to see local characters as well. The preferred transportation method would be cars and over 50% would attend the park at least once a year. More than half of individuals would continue to visit the parks in the US as the one in Brazil would not be seen as a substitute. Brazilians expressed a very positive opinion towards the project as they perceived it to boost the economy with increased tourism and job creation.

Europeans

The survey was completed by individuals aged 18-64, mostly females with no children, and from eight different nationalities. Only few individuals are not interested in going to Brazil;
all others have not gone and would like to go or would go a second time. More than half would plan the trip on their own and would travel to Brazil because of the beaches, touristic attractions and to explore the local nature. The trip to Brazil would be for at least 1-2 weeks and most people would only go to Disneyland as an extension to their trip (if there is time) and it would only be for one day. Additionally, most individuals who completed the survey would buy the tickets through the internet or through an agency for prices ranging from 30-70€. Visits to the park would be for maximum 2 days, they would all use public transportation or transportation modes offered by Disney if available; ideal travel time would be 30 minutes to 1 hour. As it was the consensus during the focus groups, a variety of food is expected to be available.

6.4. Marketing Mix

6.4.1. Product Strategy

Disneyland will offer different types of products and services having a wide product mix. The different products that Disneyland will offer are food and beverages, Disney merchandise which includes souvenirs, clothing, toys and jewelry. The services of Disneyland will include rides and attractions inside the park, hotel services, programs and activities like Disney parades, fireworks, etc. Apart from these services, Disney will also host birthday/wedding celebrations at the resort to make it special for customers as well as special birthday activities.

The main aim in the product policy is to offer a wide variety of products and services which are of higher quality than the competitors. The services offer differentiated prices for each type of customer which include children, adults and elders. The product mix is adapted to the local tastes and preferences of the customers and also adapted to the tourists who get to enjoy the different culture without feeling alienated by it.

6.4.2. Pricing Strategy

The pricing strategy followed by Disneyland will be that of price skimming where it justifies the higher prices due to its superior quality as compared to its competitors, which can be seen in Exhibit 11. Disneyland has a narrow audience as seen in the positioning map (Exhibit 12), which are customers that are willing to pay the high prices as Disney. Disneyland prices may be considered high when compared with the other amusement parks, nevertheless, the quality and the experience is unique in the Disney parks. The pricing strategy is also discriminatory in nature as Disneyland charges different prices to depending on age. The pricing is different for children, adults and elders.

As seen in competitor's’ pricing strategy, children under the age of 3 are not charged for admission to the park. It is the similar for Disneyland who does not charge admission to children under the age of 4. The prices vary by seasonality as well, in which during the peak seasons (from December to February) the prices will be higher with the hopes of earning higher margins.
The following are the prices established:

<table>
<thead>
<tr>
<th></th>
<th>Regular Season</th>
<th>Peak Season</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kids (4 – 9 years)</td>
<td>One day: R$100 (€25)</td>
<td>One day: R$120 (€30)</td>
</tr>
<tr>
<td></td>
<td>Two days: R$195 (€48)</td>
<td>Two days: R$235 (€58.79)</td>
</tr>
<tr>
<td>Adults</td>
<td>One day: R$140 (€35)</td>
<td>One day: R$160 (€40)</td>
</tr>
<tr>
<td></td>
<td>Two days: R$275 (€68)</td>
<td>Two days: R$315 (€78.81)</td>
</tr>
<tr>
<td>Seniors</td>
<td>One day: R$90 (€22.52)</td>
<td>One day: R$95 (€23.77)</td>
</tr>
<tr>
<td></td>
<td>Two days: R$170 (€42)</td>
<td>Two days: R$185 (€46.28)</td>
</tr>
<tr>
<td>Annual Pass</td>
<td>R$ 600 (€150)</td>
<td></td>
</tr>
</tbody>
</table>

In addition, the pricing strategy is expected to lure in a higher number of customers in large groups, so Disneyland Brazil will offer group discounts. Moreover, depending on the revenues in the first year, we will consider offering a 20% discount to students over nine years old.

<table>
<thead>
<tr>
<th>Discounts Offered</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children under 4 years old will have free admission</td>
</tr>
<tr>
<td>Students will be offered 20% discount (Possibly in the future)</td>
</tr>
<tr>
<td>Groups of more than 6 adults (with children) will be offered 25% discount</td>
</tr>
</tbody>
</table>

6.4.3. Promotional Strategy

Marketing and Sales Budget

In 2015 Disneyland Paris’ Marketing and Sales budget corresponded to €131 million (Euro Disney SCA, 2015). For Disneyland Brazil the initial budget will be R$ 200 million (€50 million); as it is a new venture the budget is considerably bigger than Disneyland Paris’ one. Nevertheless, it is justified by the different purchasing power and the total population that both countries have. In order to reach the most Brazilian population as possible, a high initial budget should be assigned in order to create significantly increase the demand for our services.

Establishment of Communication Policy

Disneyland’s communication policy is an important component that creates brand awareness among both existing and potential customers. In order to increase this brand awareness, the communication budget will be distributed among very diverse communication campaigns. The policy includes mass marketing in TV campaigns, emailing campaigns, and newspapers and magazines for the local customers. Online advertising is also a part of this policy where the international customers or tourists will be targeted.
The very diverse campaigns that we propose are mainly the consequence of the inequality in terms of resources available to the Brazilian population. Online advertising and PR campaigns will be extremely important as there are 169,11 million internet users in Brazil, with a 66.4% population penetration (Internet Live Stats, 2016); reaching this amount of internet users would have a high impact in this project. Regarding mass marketing through TV advertisement, recent statistics shows that 73% of the total population in Brazil watches TV daily (Statista).

Interactive marketing will also play an important role in the communication strategy. For this, Facebook, Twitter and Instagram will be relevant tools. Currently, Instagram is one of the leaders of today’s digital marketing. Celebrities and famous athletes could be a part of our campaign since they tend to have a large number of fans following their social media outlets. For instance, Neymar would be a good option as he has 45 million Instagram followers and has a son with whom he shares pictures in his Instagram. Similarly, we could consider three very famous models: Gisele Bündchen, Alessandra Ambrosio and Adriana Lima, with 8, 5.9 and 6.9 million of followers respectively.

Events and special celebrations such as Valentine’s Day, Christmas, weddings and birthday parties will be celebrated in the park as they are very popular in other Disney parks and will generate additional revenues. In addition, personal selling policies will be implemented in the stores, restaurants and booths; the main objective will be to provide more information to the customer and help them make informed decisions through the knowledge of well trained staff. Also sales promotions will play a relevant role: discounts for students and large groups, annual passes with benefits for loyal customers, internal discounts for employees and discounts through partners (such as collecting a certain number of stickers of the product of a partner) will be offered. The communication policy includes a mix of different methods that can be used to create brand awareness, create an impact on the minds of the customers and generate sales both in the long-run and in the short-run.

6.4.4. Placement Strategy

The distribution policy is to use both online as well as offline channels to tap into customers who do not have access to internet. As seen in the communication policy, there are millions of internet users in Brazil, with over 60% of penetration (Internet Live Stats, 2016). Judging by this data, it is almost half of the population; thus, it is very important to use both offline and online channels. Moreover, tourists may also prefer to buy tickets in advance using online portals. Therefore, the different distribution channels that will be used by Disneyland in Brazil will be online bookings through its own website, other online booking portals, and the offline distribution channels will be bookings through travel agents, tour operators and retail networks.
7. Finance

The wholly-owned subsidiary will be setup by a €1 Billion investment of the parent company, which consists of 30% of Walt Disney’s Equity, 45% issue of public shares by an Initial Public Offering (IPO), and the remaining 25% will be a loan taken from the Brazilian Development Bank (BNDES) at a rate of 7.5% (Bloomberg, 2016)(Exhibit 13.1). The 30% of the equity of Walt Disney gives the controls to the firm in respect to management of the park. The rest of the money is leveraged by the IPO.

The average spending per person was calculated as seen on Exhibit 13.10. These calculations include ticket revenues, product sales revenues, revenues from sales of food, and revenue from accommodation bookings. This calculation leads to an average spending per person in the park, which leads to the calculation of sales in the first year. Due to Disney’s popularity, we expect the attendance to go up 10% after the first year and 5% in the upcoming years after that.

According to the Global Attractions Attendance Report 2015 (Themed Entertainment Association, 2016), the number of visitors last year was 2 million and 1.6 million to Beto Carrero World and Hopi Hari respectively. We expect 3 million visitors to the proposed park in its first year because of Disney’s brand equity, and the fact that the admission tickets are not significantly higher than the competitor’s. The cost of sales for the park is around 42% of the sales because the direct costs of running the park are not as high as in the developed countries such as the United States and France. The operating expenses are 34% of sales which includes the salaries, which are calculated as per Brazilian standards, the marketing and sales expenses of 21% of sales which are comparatively high, and of depreciation. The marketing expenditure proposed, R$200 million, is significantly higher for Disneyland Brazil when compared to Disneyland Paris which expenditures in 2015 was around €121 million (equivalent to around 10.2% of sales). The depreciation is based on the useful life of the rides, equipment of the park, which is 40 years as per Walt Disney standards, and is based on a straight-line method (Stock Analysis on Net, 2016). In the calculations, the salaries and cost of sales account for inflation (Exhibit 13.4-6) (KNOEMA, 2016).

The financial expenses of Disneyland Brazil will be 7.81% in the first year and goes on to decrease in the long-run as a percentage of sales. The park in Brazil would maintain this leverage and continue to reimburse the loan after the period of 10 years. The tax in Brazil for corporations or firms is 25% on the net profit of the firm (Deloitte, 2015). The net profit of Disneyland Brazil would be 12.38% in the first year and increase to 17.79% as per Walt Disney’s standard of around 16% (The Walt Disney Company, 2015).

The cash flow statement of Disneyland Brazil is calculated in the direct approach method (See below). The cash flow for the park stays positive throughout as The Walt Disney Company is a major investor in Disneyland Brazil and with the leverage, Disneyland Brazil has an ending cash flow of €712,85 million at the end of 2023. The investment of the firm in the construction of the park is €600 million which is based on the construction of Hopi Hari, which was about €220 million in 1999 (European Central Bank, 2016) and the costs have nearly doubled since
that time (Leisure Business Advisors LLC, 2016). Disneyland Brazil will have two hotels in the park, one 5-star and one 3-star hotel (See Exhibit 13.8).

The Break-even of Disneyland Brazil in the first year (Exhibit 13.9) is calculated based on the average spending calculated, and it requires an attendance of 2.27 million people for the park to break even. The Return on Equity (ROE) of the park will increase from 3.96% to 7.83% as the profits increase and so does the Return on Investment (ROI) from 4.95% to 9.79% from 2017 to 2023.

**Income Statement (In Millions €)**

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</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>240,00</td>
<td>262,86</td>
<td>275,11</td>
<td>286,94</td>
<td>302,03</td>
<td>315,83</td>
<td>330,32</td>
</tr>
<tr>
<td><strong>Cost of Sales</strong></td>
<td>100,00</td>
<td>109,93</td>
<td>115,00</td>
<td>119,83</td>
<td>127,23</td>
<td>130,57</td>
<td>134,91</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>140,00</td>
<td>152,94</td>
<td>160,11</td>
<td>167,11</td>
<td>174,80</td>
<td>185,27</td>
<td>195,41</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td>16,81</td>
<td>16,74</td>
<td>16,66</td>
<td>16,56</td>
<td>16,61</td>
<td>16,55</td>
<td>16,49</td>
</tr>
<tr>
<td>Marketing and Sales Expenses</td>
<td>50,00</td>
<td>52,50</td>
<td>55,13</td>
<td>57,88</td>
<td>60,78</td>
<td>63,81</td>
<td>67,00</td>
</tr>
<tr>
<td>Depreciation</td>
<td>14,82</td>
<td>14,82</td>
<td>14,82</td>
<td>14,82</td>
<td>14,82</td>
<td>14,82</td>
<td>14,82</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>81,63</td>
<td>84,05</td>
<td>86,60</td>
<td>89,26</td>
<td>92,21</td>
<td>95,18</td>
<td>98,31</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>58,37</td>
<td>68,88</td>
<td>73,50</td>
<td>77,85</td>
<td>82,59</td>
<td>90,08</td>
<td>97,10</td>
</tr>
<tr>
<td><strong>Financial Expenses</strong></td>
<td>18,75</td>
<td>18,75</td>
<td>18,75</td>
<td>18,75</td>
<td>18,75</td>
<td>18,75</td>
<td>18,75</td>
</tr>
<tr>
<td><strong>EBT</strong></td>
<td>39,62</td>
<td>50,13</td>
<td>54,75</td>
<td>59,10</td>
<td>63,84</td>
<td>71,33</td>
<td>78,35</td>
</tr>
<tr>
<td><strong>Taxes</strong></td>
<td>9,91</td>
<td>12,53</td>
<td>13,69</td>
<td>14,77</td>
<td>15,69</td>
<td>17,83</td>
<td>19,59</td>
</tr>
<tr>
<td><strong>Net Profit</strong></td>
<td>29,72</td>
<td>37,60</td>
<td>41,07</td>
<td>44,32</td>
<td>47,88</td>
<td>53,50</td>
<td>58,76</td>
</tr>
<tr>
<td><strong>Dividends</strong></td>
<td>0,43</td>
<td>0,54</td>
<td>0,59</td>
<td>0,64</td>
<td>0,69</td>
<td>0,77</td>
<td>0,85</td>
</tr>
</tbody>
</table>
### Income Statement as Percentage of Sales

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales</th>
<th>Cost of Sales</th>
<th>Gross Profit</th>
<th>Operating Expenses</th>
<th>EBIT</th>
<th>Financial Expenses</th>
<th>EBT</th>
<th>Taxes</th>
<th>Net Profit</th>
<th>Dividends</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>100,00%</td>
<td>41,67%</td>
<td>58,33%</td>
<td>7,00%</td>
<td>20,83%</td>
<td>6,17%</td>
<td>34,01%</td>
<td>24,32%</td>
<td>7,81%</td>
<td>16,51%</td>
</tr>
<tr>
<td>2018</td>
<td>100,00%</td>
<td>41,82%</td>
<td>58,18%</td>
<td>6,37%</td>
<td>19,97%</td>
<td>5,64%</td>
<td>31,98%</td>
<td>26,20%</td>
<td>7,13%</td>
<td>19,07%</td>
</tr>
<tr>
<td>2019</td>
<td>100,00%</td>
<td>41,80%</td>
<td>58,20%</td>
<td>6,06%</td>
<td>20,04%</td>
<td>5,39%</td>
<td>31,48%</td>
<td>26,72%</td>
<td>6,82%</td>
<td>19,99%</td>
</tr>
<tr>
<td>2020</td>
<td>100,00%</td>
<td>41,76%</td>
<td>58,24%</td>
<td>5,77%</td>
<td>20,17%</td>
<td>5,16%</td>
<td>31,11%</td>
<td>27,13%</td>
<td>6,53%</td>
<td>20,60%</td>
</tr>
<tr>
<td>2021</td>
<td>100,00%</td>
<td>42,13%</td>
<td>57,87%</td>
<td>5,50%</td>
<td>20,12%</td>
<td>4,91%</td>
<td>30,53%</td>
<td>27,35%</td>
<td>6,21%</td>
<td>21,14%</td>
</tr>
<tr>
<td>2022</td>
<td>100,00%</td>
<td>41,34%</td>
<td>58,66%</td>
<td>5,24%</td>
<td>20,20%</td>
<td>4,69%</td>
<td>30,14%</td>
<td>28,52%</td>
<td>5,94%</td>
<td>22,59%</td>
</tr>
<tr>
<td>2023</td>
<td>100,00%</td>
<td>41,67%</td>
<td>59,16%</td>
<td>4,99%</td>
<td>20,28%</td>
<td>4,49%</td>
<td>29,76%</td>
<td>29,40%</td>
<td>5,68%</td>
<td>23,72%</td>
</tr>
</tbody>
</table>

### Cash Flow Statement (Direct Approach) In Millions €

<table>
<thead>
<tr>
<th>Year</th>
<th>Inflows</th>
<th>Outflows</th>
<th>Investment</th>
<th>Cash Flow</th>
<th>Cumulative Cash Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>1240,00</td>
<td>810,28</td>
<td>600,00</td>
<td>429,72</td>
<td>429,72</td>
</tr>
<tr>
<td>2018</td>
<td>262,86</td>
<td>225,27</td>
<td>109,93</td>
<td>37,60</td>
<td>467,32</td>
</tr>
<tr>
<td>2019</td>
<td>275,11</td>
<td>234,04</td>
<td>115,00</td>
<td>41,07</td>
<td>508,38</td>
</tr>
<tr>
<td>2020</td>
<td>286,94</td>
<td>242,62</td>
<td>119,83</td>
<td>44,32</td>
<td>552,71</td>
</tr>
<tr>
<td>2021</td>
<td>302,03</td>
<td>254,15</td>
<td>127,23</td>
<td>47,88</td>
<td>600,59</td>
</tr>
<tr>
<td>2022</td>
<td>315,83</td>
<td>262,33</td>
<td>130,57</td>
<td>53,50</td>
<td>654,09</td>
</tr>
<tr>
<td>2023</td>
<td>330,32</td>
<td>271,56</td>
<td>134,91</td>
<td>58,76</td>
<td>712,85</td>
</tr>
</tbody>
</table>

### Probability Ratios

<table>
<thead>
<tr>
<th>Year</th>
<th>ROE</th>
<th>ROI</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>3.96%</td>
<td>4.95%</td>
</tr>
<tr>
<td>2018</td>
<td>5.01%</td>
<td>6.27%</td>
</tr>
<tr>
<td>2019</td>
<td>5.48%</td>
<td>6.84%</td>
</tr>
<tr>
<td>2020</td>
<td>5.91%</td>
<td>7.39%</td>
</tr>
<tr>
<td>2021</td>
<td>6.38%</td>
<td>7.98%</td>
</tr>
<tr>
<td>2022</td>
<td>7.13%</td>
<td>8.92%</td>
</tr>
<tr>
<td>2023</td>
<td>7.83%</td>
<td>9.79%</td>
</tr>
</tbody>
</table>
8. Conclusion

The expansion of Disneyland to Brazil can rightly be considered a risky venture as it is a type of market not yet tapped by the company’s theme park division. However, it is an opportunity for The Walt Disney Company to begin to serve similar markets more deeply. Emerging countries have promising futures and it is without a doubt that these markets are needed to ensure a sustainable future for companies. As the theme park industry becomes saturated in developed nations, emerging countries are the solution to diversify risks. This venture will give Disney the experience required to succeed in other emerging and developing nations, while boosting an economy that can benefit the company in other sectors. Moreover, the positive relationship between Brazil and the company’s home country is an important factor to consider for the future of the investment.

The proposed venture in the outskirts of the iconic city of Rio de Janeiro has been selected with the support of market research and the potential long-term benefits offered by the market. While the size of the park will be similar to the park located in California (169 ha), the potential success of the project will be influenced by the incorporation of local elements. Additionally, in order to minimize financial risks and in contrast to its previously built parks, for this project Disney will initially only invest in two hotels to accommodate overnight guests. Despite investing heavily on marketing campaigns, the developed business plan ensures profits from the very first year, mainly due to the significant low cost of labor and supporting materials. Moreover, being a heavily populated country with large inflow of tourism, and strategically located bordering ten countries, this market offers great potential in terms of number of visitors to the park.

While Brazil is currently under political and economic instability, the country is a technology hub and the government is supportive of projects as such, which can help boost the local economy. The Brazilian population has a strong desire for American products and services, and given Disney’s brand equity, such behavior will highly influence expenditure in the park despite the financial hurdles. Surveys conducted reveal that the project would be widely accepted by the population due to the impact it will have in the local economy. The proposed plan has been carefully designed to accommodate the financial needs of the local population.

Disney’s wholly-owned subsidiary in Brazil will be financed 30% by the parent company, 45% by an IPO and 25% by loans. Leveraging the costs of building and maintaining the park in such way, is key to ensure profitability and financial sustainability. The incremental yearly changes in marketing campaigns will support the increase of sales as it is a key driver for the success of the park. Lastly, the financial and legal support of the local government through tax exemptions and favorable relevant policies will reinforce the viability of this venture to generate the predicted profits and become the benchmark for success in developing markets from then on.
9. Appendix

Exhibit 1.
Walt Disney’s 1943 organizational Chart (Yester, 2013)
Exhibit 2.
Current Walt Disney’s organizational chart
Exhibit 3.

Value Added Chain: (The Walt Disney Company, 2016)
**Exhibit 4.**

Walt Disney main activities (The Walt Disney Company, 2016)

**Media Networks**

Media Networks comprise a vast array of broadcast, cable, radio, publishing and digital businesses across two divisions – the Disney/ABC Television Group and ESPN Inc.

**Parks and Resorts**

Walt Disney Parks and Resorts is one of the world’s leading providers of family travel and leisure experiences, giving millions of guests each year the chance to spend time with their families and friends, making memories that last a lifetime.

**Studio Entertainment**

For over 90 years, The Walt Disney Studios has been the foundation on which The Walt Disney Company was built. Today, the Studio brings quality movies, music and stage plays to consumers throughout the world.

**Disney Consumer Products and Interactive Media**

From toys, apps and apparel to books and games, Disney Consumer Products and Interactive Media brings our company’s stories and characters to life through innovative and engaging physical products and digital experiences, inspiring the imaginations of the young and young at heart.
### Exhibit 5.

<table>
<thead>
<tr>
<th>RANK</th>
<th>PARK/Location</th>
<th>% CHANGE</th>
<th>ATTENDANCE 2015</th>
<th>ATTENDANCE 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>SIX FLAGS MEXICO, Mexico City, Mexico</td>
<td>0.0%</td>
<td>2,368,000</td>
<td>2,368,000</td>
</tr>
<tr>
<td>2</td>
<td>BETO CARRERO WORLD, Santa Catarina, Brazil</td>
<td>10.9%</td>
<td>2,000,000</td>
<td>1,818,000*</td>
</tr>
<tr>
<td>3</td>
<td>HOPI HARI, São Paulo, Brazil</td>
<td>0.0%</td>
<td>1,668,000</td>
<td>1,668,000</td>
</tr>
<tr>
<td>4</td>
<td>LA FERIA DE CHAPULTEPEC, Mexico City, Mexico</td>
<td>2.1%</td>
<td>1,594,000</td>
<td>1,552,000</td>
</tr>
<tr>
<td>5</td>
<td>PARQUE MUNDO AVENTURA, Bogota, Colombia</td>
<td>-2.4%</td>
<td>1,389,000</td>
<td>1,423,000</td>
</tr>
<tr>
<td>6</td>
<td>PARQUE XCARET, Cancun, Mexico</td>
<td>6.2%</td>
<td>1,287,000</td>
<td>1,212,000</td>
</tr>
<tr>
<td>7</td>
<td>PLAZA DE SESAMO, Monterrey, Mexico</td>
<td>0.0%</td>
<td>1,221,000</td>
<td>1,221,000</td>
</tr>
<tr>
<td>8</td>
<td>MUNDO PETAPA, Guatemala City, Guatemala</td>
<td>5.4%</td>
<td>1,199,000</td>
<td>1,138,000</td>
</tr>
<tr>
<td>9</td>
<td>FANTASIALANDIA, Santiago, Chile</td>
<td>-9.7%</td>
<td>1,003,000</td>
<td>1,111,000</td>
</tr>
<tr>
<td>10</td>
<td>PARQUE DE LA COSTA, Tigné, Argentina</td>
<td>-6.3%</td>
<td>956,000</td>
<td>1,020,000</td>
</tr>
</tbody>
</table>

**TOP 10 TOTAL ATTENDANCE 2015** 14,675,000
**TOP 10 TOTAL ATTENDANCE 2014** 14,531,000*

(Themed Entertainment Association, 2016)

<table>
<thead>
<tr>
<th>RANK</th>
<th>PARK/Location</th>
<th>% CHANGE</th>
<th>ATTENDANCE 2015</th>
<th>ATTENDANCE 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>BAHAMAS AQUAVENTURE WATER PARK, Paradise Island (Nassau, New Providence), Bahamas</td>
<td>1.0%</td>
<td>1,868,000</td>
<td>1,850,000*</td>
</tr>
<tr>
<td>2</td>
<td>THERMAS DOS LARANJAS, Olimpia, Brazil</td>
<td>-9.2%</td>
<td>1,761,000</td>
<td>1,939,000</td>
</tr>
<tr>
<td>3</td>
<td>HOT PARK RIO QUENTE, Caldas Novas, Brazil</td>
<td>0.0%</td>
<td>1,288,000</td>
<td>1,288,000</td>
</tr>
<tr>
<td>4</td>
<td>PISCILAGO, Girardo (Bogotá), Colombia</td>
<td>-4.7%</td>
<td>970,000</td>
<td>1,018,000</td>
</tr>
<tr>
<td>6</td>
<td>BEACH PARK, Aquiraz, Brazil</td>
<td>22.6%</td>
<td>940,000</td>
<td>767,000</td>
</tr>
<tr>
<td>7</td>
<td>PARQUE ACUATICO XOCOMIL, San Martín Zapotitlán, Retalhuleu, Guatemala</td>
<td>22.6%</td>
<td>940,000</td>
<td>767,000</td>
</tr>
<tr>
<td>8</td>
<td>PARQUE ACUATICO EL ROLLO, Morelos, Mexico</td>
<td>8.5%</td>
<td>510,000</td>
<td>470,000*</td>
</tr>
<tr>
<td>8</td>
<td>WET ’N WILD SAO PAULO, São Paulo, Brazil</td>
<td>0.0%</td>
<td>496,000</td>
<td>496,000</td>
</tr>
<tr>
<td>9</td>
<td>RIO WATER PLANET, Rio de Janeiro, Brazil</td>
<td>0.0%</td>
<td>400,000</td>
<td>400,000</td>
</tr>
<tr>
<td>10</td>
<td>WET ’N WILD, Cancun, Mexico</td>
<td>1.6%</td>
<td>259,000</td>
<td>255,000</td>
</tr>
</tbody>
</table>

**TOP 10 TOTAL ATTENDANCE 2015** 9,462,000
**TOP 10 TOTAL ATTENDANCE 2014** 9,432,000*

(Themed Entertainment Association, 2016)
Exhibit 6.

<table>
<thead>
<tr>
<th>City</th>
<th>Population (In Millions) 2014</th>
<th>Per Capita Income (In RS) 2012</th>
<th>Weather (Average Yearly Temperature in ºC)</th>
<th>Passenger Air Traffic (In Millions)</th>
<th>Tourist Attractions</th>
<th>Crime Index</th>
<th>Safety Index</th>
<th>Price of Land per Hectare</th>
<th>Ports</th>
<th>Public Transport*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fortaleza</td>
<td>2.57</td>
<td>17359</td>
<td>26.6</td>
<td>6.5</td>
<td>Medium</td>
<td>85.7</td>
<td>14.3</td>
<td>€485,395.20</td>
<td>Yes</td>
<td>Poor</td>
</tr>
<tr>
<td>Rio de Janeiro</td>
<td>16.46</td>
<td>34571</td>
<td>23.8</td>
<td>17.26</td>
<td>High</td>
<td>77.1</td>
<td>22.9</td>
<td>€79,488.13</td>
<td>Yes</td>
<td>Very Good</td>
</tr>
<tr>
<td>Sao Paulo</td>
<td>11.89</td>
<td>43894</td>
<td>19.2</td>
<td>39.57</td>
<td>High</td>
<td>75.9</td>
<td>24.1</td>
<td>€2,532.21</td>
<td>No</td>
<td>Very Good</td>
</tr>
<tr>
<td>Curitiba</td>
<td>1.86</td>
<td>33291</td>
<td>16.5</td>
<td>7.37</td>
<td>Medium</td>
<td>65.1</td>
<td>34.9</td>
<td>€749,181.60</td>
<td>No</td>
<td>Good</td>
</tr>
<tr>
<td>Brasilia</td>
<td>2.85</td>
<td>64653</td>
<td>20.6</td>
<td>18.1</td>
<td>Low</td>
<td>65.2</td>
<td>34.8</td>
<td>€367,245.00</td>
<td>No</td>
<td>Very Good</td>
</tr>
</tbody>
</table>


Score | Population | Per Capita Income | Weather (Average Yearly Temperature in ºC) | Passenger Air Traffic | Tourist Attractions | Crime Index | Safety Index | Price of Land | Ports | Public Transport* |
|-------|------------|-------------------|--------------------------------------------|-----------------------|---------------------|-------------|--------------|---------------|--------|-------------------|
1      | 1.5 – 7.5  | 10400-26000       | 16.5 - 20                                  | Low                   | 80.01-88            | 0-15        | 500001-750000 | No            | Poor              |
2      | 7.51 – 13.5 | 26001-42000      | 20.1 – 23.5                                | Medium                | 72.01-80            | 15.01-30    | 250001-500000 | Good          |                   |
3      | 13.51 – 21.00 | 42001-65000     | 23.51 – 27.1                               | High                  | 65-72               | 30.01-45    | 2500-250000   | Yes           | Very Good         |

<table>
<thead>
<tr>
<th>Metro</th>
<th>Bus</th>
<th>Qualitative Assesment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fortaleza</td>
<td>6 lines</td>
<td>289 lines</td>
</tr>
<tr>
<td>Rio de Janeiro</td>
<td>6 lines</td>
<td>985 lines</td>
</tr>
<tr>
<td>Sao Paulo</td>
<td>6 lines</td>
<td>1300 lines</td>
</tr>
<tr>
<td>Curitiba</td>
<td>No metro</td>
<td>347 lines</td>
</tr>
<tr>
<td>Brasilia</td>
<td>2 lines</td>
<td>999 lines</td>
</tr>
</tbody>
</table>

Expansion of Disneyland to Brazil

Conversions

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>€/US$ on 26/05/2016</td>
<td>0.9</td>
</tr>
<tr>
<td>1 Square Meter</td>
<td>0.0001 Hectare</td>
</tr>
<tr>
<td>1 Acre</td>
<td>0.404 Hectare</td>
</tr>
</tbody>
</table>

(FX Exchange Rate, 2016)

**Exhibit 7.**

[Index Mundi, 2014]

**Exhibit 8.**

(Growth Financial, 2013)
Exhibit 9.

Topics discussed in Focus Groups

**Brazillian Focus Group:**
1. Interest for a Disneyland in South America (in closer proximity).
2. How long would the visit be
3. Featuring of popular local cartoon characters.
4. Benefits/Disadvantages to the host country.
5. Frequency of attendance.
6. Perception of Disneyland as a substitute to Disney World.
7. Infrastructure and transportation facilities in Brazil.
8. Price factors
   a. Acceptance towards higher prices than competitors.

**Argentinean/Latin American Focus Group:**
1. Interest for a Disneyland in South America (in closer proximity).
2. How long would the visit be
3. Featuring of popular local cartoon characters.
4. Thoughts about language and food options (offering food from your country)
5. Frequency of Attendance
6. Preferable mode of transportation to Disneyland
7. Price factors

**European Focus Group**

1. Going to Disneyland if in Brazil
   a. Influence on decision to choose Brazil as a vacation destination
   b. Selection of accommodation (inside or outside the resort).
2. Duration of visit to park/resort
3. Language
4. Frequency of attendance
5. Preferable mode of transportation
6. Price conscious or not
7. Way of purchasing tickets/packages
Exhibit 10.

Main highlights of the surveys.

South American Survey Results

Quanto você estaria disposto a pagar por um bilhete de adultos (10+)? (Tendo em conta de que terá a opção de dividir o pagamento em parcelas mensais)

(51 responses)

15.7% 15.7% 9.8% 58.8%

Question: How much would you be willing to pay for an adult ticket (10+)? (Keeping in mind that you would have the option to pay in instalments)

Options are in Brazilian Real. Last option says, “I would not pay more than R$200.

Idade/Edad: (71 responses)

71.8% 28.2%

Question: “Age”. First option says, “Less than 18”.
Quanto você estaria disposto a pagar por um bilhete de criança (3-9 anos)?
(Tendo em conta de que terá a opção de dividir o pagamento em parcelas mensais)
(51 responses)

- 45.7%: R$100-120
- 15.7%: R$120-140
- 13.7%: Eu não pagaria mais de R$140
- 25.5%: Other

Question: How much would you be willing to pay for a children’s ticket (3-9)? (Keeping in mind that you would have the option to pay in instalments)
Options are in Brazilian Real. Last option says, “I would not pay more than R$140.

Você gostaria de ver personagens de desenhos animados Brasileiros no parque?
(51 responses)

- 35.3%: Sim
- 49%: Não, gostaria de ver somente personagens clássicos da Disney
- 15.7%: Gostaria de ver ambos, personagens Brasileiros e da Disney

Question: Would you like to see Brazilian cartoon characters in the park?
Options: “Yes”; “No, I would only like to see classic Disney characters”; “I would like to see both, Brazilian and Disney characters.”
Question: How frequently would you visit the park?
Options: “Only once”; “Once a year”; “More than once a year”

Question: How would you buy the ticket?
Options: “Internet/Online”; “Park Entrance”; “Travel agencies”
Question: What transportation mode are you more likely to use to visit the park?
Options: “Car”; “Public Transport (bus, metro...)”; “Bus or ferry provided by Disney”

¿Con qué frecuencia visitaría el parque? (10 responses)

Question: How frequently would you visit the park?
Options: “Only once”; “Once a year”; “More than once a year”
If you have been to Brazil, or would like to go one day, how would you plan your trip? Options: “I would/did it myself”; “I would/did buy a package with a travel agency”.

What would influence your decision to visit the Disneyland in Brazil? Options: “More accessible prices”; “Length of trip”; “Available attractions”; Other
Questions: For how long would you stay in the resort/park? 
Options: “I would visit the park for one day”; “I would visit the part for two days (or a weekend)”; I would visit the park for more than 2 days”

Question: Would you consider this park a substitute of Disneyland in California or of Disney World (the bigger and more complete version of the park) in Orlando, Florida? 
Options: “Yes, I would consider a substitute for both”; “Yes, but I would only consider a substitute for the Disneyland in California”; “No, if I had the opportunity I would continue to visit one or both of the parks in the United States.”
European Survey Results

What would be your reason to spend your vacation in Brazil? (12 responses)

- Beaches: 10 (83.3%)
- Touristic attractions: 9 (75%)
- Nature and outdoor activities: 9 (75%)
- Festivals or concerts: 6 (50%)
- Other: 1 (8.3%)

How long would your trip be? (12 responses)

- Less than 1 week: 66.7%
- 1-2 weeks: 25%
- More than 2 weeks: 8.3%

If there was a Disneyland in Brazil, would you go? (12 responses)

- Yes: 75%
- No: 16.7%
- Maybe: 8.3%
How would you buy the ticket? (3 responses)
- Online
- At the entrance of the park
- Through a travel agency

100%

How much would you be willing to spend on a ticket (per adult)? (3 responses)
- 30-50 euros
- 50 - 70 euros
- 70 euros +
- Not more than 100 euros

100%

How long would you stay in the resort/park? (3 responses)
- I would visit the park for 1 day
- I would visit the park for a weekend (2 days)
- I would stay in the resort's hotel during my vacation but, I would not spend more than 2 days in the park

100%

What type of food would you like to be available? (3 responses)
- Traditional Latin American cuisine
- Other varieties (European, American, Asian...)
- Both

100%
Expansion of Disneyland to Brazil

Which transportation method would you most likely use to go to the park?
(3 responses)

- Public transportation (subway, train, buses)
- Disney shuttles or ferries
- I would go to the park with a rental car

What is the travel time you would accept to arrive at the park?
(3 responses)

- 30 mins - 1 hour
- Maximum 2 hours
- I would be willing to travel for more than 2 hours

Age: (12 responses)

- Less than 18
- 18-30
- 30-64
- 65+
If you have been to Brazil, or plan to go one day, how did you or would you organize your trip? (12 responses)

Have you ever travelled to Brazil? (12 responses)

Edad: (57 responses)

Question: How old are you?
Question: Have you ever travelled to Brazil?
Options: “Yes, and I would go again”; “Yes, but I wouldn’t go again”; “No, but I would like to go”; “No, and I wouldn’t go”.

Question: If you have already been to Brazil, or you would like to go, how would you organize your trip?
Options: “I would organize it myself”/” I would organize it through a travel agency”

Question: How long your trip would be?
Options: “Less than one week”; “1-2 weeks”; “More than 2 weeks”.
Expansion of Disneyland to Brazil

Question: Would you go to Disneyland if it was in Brazil?
Options: “Yes”; “No”; “Maybe”.

Como compraría la entrada? (25 responses)

Question: How would you buy your ticket?
Options: “Online”; “At the same park”; “Through a travel agency”.

Cuánto estaría dispuesto a pagar por una entrada (para adulto)? (25 responses)

Question: How much would you be willing to pay for a ticket (for an adult)
Options: “30-50 euros”; “50-70 euros”; “more than 70 euros”; “No more than 100 euros”.
Question: How long would you stay in the resort/park?
Options: “One day”; “One weekend (2 days)”; “I would stay in the resort (hotel of the park) during my trip, nevertheless, I wouldn’t go to the park more than two days”.

Question: What type of food would you like to be available?
Options: “South American’ traditional food”; “Different types (European, America, Asian...)”; “Both”.

Question: Which transport would you use to go to the park?
Options: “Public transport (metro, train, bus)”; “Disney’s buses or ferries”; “I would rent a car”.

Question: Cuánto tiempo se quedaría en el resort/parque? (25 responses)

- 64% Would stay one day
- 32% Would stay one weekend

- 68% Prefer South American food
- 8% Prefer different types of food
- 24% Prefer both types of food

- 44% Prefer public transport
- 16% Prefer Disney’s buses or ferries
- 40% Prefer renting a car
Expansion of Disneyland to Brazil | 2016

**Exhibit 11.**

<table>
<thead>
<tr>
<th>BETO CARRERO</th>
<th>Regular Season</th>
<th>Peak Season</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kids (4 – 9 years)</td>
<td>One day: R$120 (€30.24)</td>
<td>One day: R$130 (€32.76)</td>
</tr>
<tr>
<td></td>
<td>Two days: R$205 (€51.65)</td>
<td>Two days: R$215 (€54.17)</td>
</tr>
<tr>
<td>Adults</td>
<td>One day: R$130 (€32.76)</td>
<td>One day: R$140 (€35.28)</td>
</tr>
<tr>
<td></td>
<td>Two days: R$215 (€54.17)</td>
<td>Two days: R$225 (€56.69)</td>
</tr>
<tr>
<td>Seniors</td>
<td>One day: R$70 (€17.64)</td>
<td>One day: R$70 (€17.64)</td>
</tr>
<tr>
<td></td>
<td>Two days: R$140 (€35.28)</td>
<td>Two days: R$140 (€35.28)</td>
</tr>
<tr>
<td>Annual Pass</td>
<td>R$ 480 (€120.95)</td>
<td></td>
</tr>
</tbody>
</table>

(Beto Carrero World, 2016)

<table>
<thead>
<tr>
<th>HOPI HARI</th>
<th>Regular Season</th>
</tr>
</thead>
<tbody>
<tr>
<td>Students</td>
<td>R$49.50</td>
</tr>
<tr>
<td>Adults</td>
<td>R$99</td>
</tr>
<tr>
<td>Seniors (+65)</td>
<td>Free</td>
</tr>
<tr>
<td>Kids (up to 1m tall)</td>
<td>Free</td>
</tr>
</tbody>
</table>

(Hopi Hari, 2016)
Exhibit 12.

Exhibit 13

Exhibit 13.1

<table>
<thead>
<tr>
<th>Investment (In Millions €)</th>
<th>100%</th>
<th>1000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>30%</td>
<td>300</td>
</tr>
<tr>
<td>IPO</td>
<td>45%</td>
<td>450</td>
</tr>
<tr>
<td>Loan</td>
<td>25%</td>
<td>250</td>
</tr>
</tbody>
</table>

Exhibit 13.2

<table>
<thead>
<tr>
<th>Bank Lending Rate BNDS</th>
<th>7.50%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of Loan (In Million €)</td>
<td>250,00</td>
</tr>
<tr>
<td>Time Period of Loan (In Years)</td>
<td>10</td>
</tr>
</tbody>
</table>

(Bloomberg, 2016)
Expansion of Disneyland to Brazil

**Exhibit 13.3**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3</td>
<td>3,3</td>
<td>3,47</td>
<td>3,64</td>
<td>3,82</td>
<td>4,01</td>
<td>4,21</td>
</tr>
</tbody>
</table>

| Average Spending per Person (in €) | 80 | 79,66 | 79,28 | 78,83 | 79,06 | 78,76 | 78,46 |

**Exhibit 13.4**

<table>
<thead>
<tr>
<th>Inflation Actual Data</th>
<th>Inflation Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>2011</td>
</tr>
<tr>
<td>5,91</td>
<td>6,5</td>
</tr>
<tr>
<td>2012</td>
<td>2013</td>
</tr>
<tr>
<td>5,91</td>
<td>6,4</td>
</tr>
<tr>
<td>2014</td>
<td>2015</td>
</tr>
<tr>
<td>10,67</td>
<td>8,74</td>
</tr>
<tr>
<td>2016</td>
<td>2017</td>
</tr>
<tr>
<td>5,70</td>
<td>6,13</td>
</tr>
<tr>
<td>2018</td>
<td>2019</td>
</tr>
<tr>
<td>5,23</td>
<td>4,66</td>
</tr>
<tr>
<td>2020</td>
<td>2021</td>
</tr>
<tr>
<td>4,96</td>
<td>4,57</td>
</tr>
<tr>
<td>2022</td>
<td>2023</td>
</tr>
<tr>
<td>4,19</td>
<td></td>
</tr>
</tbody>
</table>

(KNOEMA, 2016)

**Exhibit 13.5**

<table>
<thead>
<tr>
<th>Type of Manager</th>
<th>AnnualSalary in R$</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operations Manager</td>
<td>R$ 180,081</td>
</tr>
<tr>
<td>HR Manager</td>
<td>R$ 151,655</td>
</tr>
<tr>
<td>Marketing Manager</td>
<td>R$ 121,356</td>
</tr>
<tr>
<td>IT Manager</td>
<td>R$ 134,337</td>
</tr>
</tbody>
</table>

**Exhibit 13.6**

<table>
<thead>
<tr>
<th>Employees</th>
<th>Number of Employees</th>
<th>Avg Salary in R$</th>
<th>Annual Salaries in R$</th>
<th>Annual Salaries in €</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>20</td>
<td>146860</td>
<td>2937200</td>
<td>€ 728,833,75</td>
</tr>
<tr>
<td>Rest of the Employees</td>
<td>6000</td>
<td>10800</td>
<td>64800000</td>
<td>€ 16,079,404,47</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>€ 16,808,238,21</td>
</tr>
</tbody>
</table>

**Exhibit 13.7**

<table>
<thead>
<tr>
<th>Investment (In Millions €)</th>
<th>592,68</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average Life of the investment (In Years)</td>
<td>40</td>
</tr>
<tr>
<td>Method</td>
<td>Straight line</td>
</tr>
<tr>
<td>Depreciation Each Year</td>
<td>14,817</td>
</tr>
</tbody>
</table>

(Stock Analysis on Net, 2016)
Exhibit 13.8

<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2 Hotels 50 mil</td>
<td>5 Star and 3 Star</td>
</tr>
</tbody>
</table>

Exhibit 13.9

<table>
<thead>
<tr>
<th>Selling Price or Average Spending per Person</th>
<th>80,00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attendance (in Millions)</td>
<td>2,27</td>
</tr>
<tr>
<td>Revenue (In Millions)</td>
<td>181,63</td>
</tr>
<tr>
<td>Costs</td>
<td>181,63</td>
</tr>
<tr>
<td>Profit</td>
<td>0,00</td>
</tr>
</tbody>
</table>

Hence, we need 1.37 Million people to attend in the first year to Break Even

Exhibit 13.10

<table>
<thead>
<tr>
<th>AverageSpending*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Attendance (in Millions)</td>
</tr>
<tr>
<td>Number of Adults (Price in €35)</td>
</tr>
<tr>
<td>Number of Kids (Price in €25)</td>
</tr>
<tr>
<td>AverageToy Price (€6.25)</td>
</tr>
<tr>
<td>Number of people with a 3 star hotel stay with an average room price of €250/Night (40% of .750 million adults)</td>
</tr>
<tr>
<td>Number of people with a 5 star hotel stay with an average room price of €350/Night (5% of .750 million adults)</td>
</tr>
<tr>
<td>Spending per person on a meal (€6.25)</td>
</tr>
<tr>
<td>Spending on a meal with a night stay (€8.75) (40% of 3 million people)</td>
</tr>
<tr>
<td>Number of people buying the Annual Pass (€150) (5% of people visiting)</td>
</tr>
</tbody>
</table>

| 239,25 |
Exhibit 13.11

Sales (in Million €)

![Sales Chart](chart.png)

Exhibit 13.12

Return On Investment

![ROI Chart](chart.png)
Exhibit 13.13

**Return On Equity**

- 2017: 3.96%
- 2018: 5.01%
- 2019: 5.48%
- 2020: 5.91%
- 2021: 6.38%
- 2022: 7.13%
- 2023: 7.83%

Exhibit 13.14

**Net Profit**

- 2017: 12.38%
- 2018: 14.30%
- 2019: 14.93%
- 2020: 15.45%
- 2021: 15.85%
- 2022: 16.94%
- 2023: 17.79%
Above is an illustrative table of the initial negotiations with the main parties involved in the development of the project.
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