THE (SMALL) EXPERIENCE ECONOMY

HOW TO DOMINATE THEMED ENTERTAINMENT EXPERIENCES

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The Introduction

Within the themed entertainment industry, leaders have been focusing on disruptors that are competing for our guests' attention. Whether it be video games, streaming video-on-demand (SVOD) services, or even other themed entertainment venues, many meetings are being held about how to pull attention towards a particular experience.

One incorrect notion that many newcomers to this industry make is contrasting location-based entertainment (e.g. cruises, arcades, theme parks, etc.) as an experience that is opposite to "passive entertainment" (e.g. films, television, theatre, etc.). However, all these categories are experiences in their own right. Top industry leaders understand that location-based experiences are in direct competition with at-home experiences. Beyond at-home experiences, flagship destinations are also competing with local experiences that promise to deliver high quality entertainment for a lower price. This is in large part due to decreasing costs of digital technology coupled with increasing yield. Taking it a step further, many products and services have realised that increasing satisfaction with an experience is the ultimate way to increase customer satisfaction and conversion.

If one were to condense this issue into a single problem statement, it would be as follows:

Experiencification of goods and services combined with technological economies of scale have diluted the relative value of themed entertainment by increasing expectations and decreasing consumer attention.

The Discussion

Experiencification – or to experiencify – refers to elevating an experience into an event worth paying extra for, sharing, and/or repeating. One parallel to this term is "gamification", where businesses have begun to create games of their services and products in order to increase engagement. This paper proposes the term "experiencification" as creating a memorable experience that allows a business to sell the enjoyment and memory of their service or product at a premium.

Though the term "experiencification" might not be a proper term yet, the idea has existed for decades. In 1998, Pine and Gilmore published *The Experience Economy* where they described the next step in business strategy as creating experiences for customers. Though they coined the phrase, their work builds upon previous research such as that of Elizabeth Hirschman or author-duo Heidi and Alvin Toffler. All these thought leaders have argued for the recognition of experience in consumption of goods and services. Their writings have formed the basis for customer experience management and user experience design.

Looking at the next element of the earlier statement, technological advancements make complex computing more accessible to average consumers, which increases available gaming technology. One could view Moore's Law as an experience curve effect where production of microprocessors becomes better and more efficient. This implies that microprocessors, the backbone of contemporary digital technology, will become, among other things, better and cheaper. This decrease of cost to acquire technology, coupled with an increase in technological efficiency and yield, is a direct result of economies of scale in production of microprocessors and other computing technologies.

These technological economies of scale then allow game developers to create experiences that are vastly superior to previous iterations. This is wonderful for consumers, who can afford improved technology for the same price if not cheaper. With products such as Oculus by Meta, the median individual or family can access experiences that were previously limited to special destinations at least or the local arcade at most.

However, technological advancement affects operators as well as consumers as businesses can also take advantage of the reducing price of electronics. And because start-up costs are one of the largest deterrers of competition, this suggests lower barriers to entry for incoming operators. The local arcade mentioned previously could, for example, upgrade its offerings using technologies such as virtual reality to entice consumers to spend a weekend there instead of travelling elsewhere.

These two factors, experiencification and technological economies of scale, will soon become the largest disruptor to the themed entertainment industry. To better understand this dilemma, this paper will focus on the impact felt by a large media organisation, the Walt Disney Company. Specifically, this paper will spotlight the Disney Parks, Experiences, and Products (DPEP) segment with particular emphasis on its portfolios of parks and resorts.

The Problem

The Walt Disney Company, or Disney for short, is a large media and entertainment conglomerate based in the United States with a market value of approximately $200 billion USD. The company owns and operates five of the top ten theme parks in the world, and six of the top ten in the US. Besides its large portfolio of theme parks and resorts, Disney also has an estimated 25.7% market share of all films in the United States and Canada along with operating two of the top five most popular SVOD services – Disney+ and Hulu.

However, Disney is no stranger to competing for attention. Over the last two decades, the company has acquired various media enterprises and competitors in order to diversify its assets and increase market share. Disney knows very well that people will grow tired of watching princess movies, so it diversifies by creating superhero films and nature documentaries. This way, consumers can switch interest while staying within the Disney ecosystem. This is a major reason for their recent push towards streaming services, such as bundling three services that target diverse markets.

In their theme park division, competition is similarly par for the course. In the Central Florida area alone, there are six major theme park complexes covering approximately 15 individual parks. Though the Walt Disney Company owns and operates the largest complex with six parks, plenty of options are available outside of Disney for guests who wish to try something new and different. On top of this, in order to experience any of the parks, guests have to travel to the Central Florida area. Travel plus cost of admission causes many potential visitors to hesitate. It’s in this moment of hesitation that competitors are moving in to capitalise on attention.

For many, the math is simple: pay for travel, lodging, and admission to experience something for a day; or pay once for a video game console that will last for at least a year. And as price of admission for a theme park continues to increase, plus previously-free services such as FastPass now becoming premium services such as Lightning Lane, many consumers will realise that the math does not add up.

All of these issues relate to the original problem statement: dilution of themed entertainment. Following is a breakdown of some of the effects this would have on Disney:

- The organisational stakeholder in this problem is the Parks, Experiences, and Products segment; specifically, the destination portfolios such as parks and resorts.
- Location-based entertainment for large experiences has seen steady growth. However, the COVID-19 pandemic saw huge disruptions as many consumers felt uncomfortable to join large public gatherings. This coalesced with advancement in technologies such as VR and video conferencing, which allowed for more socially distant experiences.
- As themed experiences are already considered low performers, DPEP had a profit margin of 2.85% in 2021, a decrease in this could potentially cause this division to become a loss for the entire company.
- An ideal solution for this problem would allow DPEP to continue competing as a leader in an expanding industry, potentially even growing market share.
- Additionally, a solution would allow DPEP to become much more profitable for the Walt Disney Company, closing the gap between physical experiences and digital media.

The Options

With this predicament fully explained, a themed entertainment company like Disney is left with a conundrum: how does the industry recapture the attention of guests when they are inundated by other experiences? This paper proposes two ways forward for designers and operators of themed experiences: transform flagship experiences such as Walt Disney World into one-of-a-kind and irreplicable events that are worth a premium or create smaller experiences that recapture attention without requiring such high commitment from guests.

The First

Beginning with the former, this has been the traditional model of big-name operators such as the Walt Disney Company, NBCUniversal, and Merlin Entertainments. These companies have been investing in transforming their flagship operations into the equivalent of a three-Michelin-star restaurant: an experience worth a special journey. Incorporating new technologies and beloved IP, the model has yielded positive results.

Looking specifically at Walt Disney World, three of its four main theme parks are in the top ten worldwide with the fourth in the eleventh spot. Plainly, Walt Disney World is the largest and most significant portfolio handled by Disney Parks, Experiences, and Products. This explains the investments that have been made in the parks, especially over the last decade and a half. All four main parks have received large expansions and refurbishments. One tactic the parks have utilised is leveraging existing IP from popular films, shows, and franchises owned by Disney. This has allowed Disney to entice guests with the promise of immersing them in their favourite stories.

Though pre-existing IP is not required, the most optimal return on investment comes from attracting guests with already-popular brands and stories. To this end, other operators such as NBCUniversal and Merlin have partnered with other media companies that hold the rights to popular stories. Disney has strategically circumvented this by relying on owned IP or acquiring media companies that will expand their portfolio of popular IP.

Similarly, investing in research and development of new technologies and new techniques benefits the operator. As with IP, this is not required but does boost ROI. As part of Walt Disney Imagineering, DPEP has an R&D division that constantly works to create new experiences. One recent example of the culmination of their work is Galactic Starcruiser. This new kind of experience has created such buzz and interest that despite the ongoing pandemic, summer of 2022 is completely booked. By investing in designing and developing new experiences, Disney creates a destination experience that is incomparable to any at-home experience.

The Second

The first solution begets two main hurdles: extraordinarily high development cost and natural limits. Especially with the latter, as discussed earlier in this paper, guests might find that travel and lodging is too expensive to justify a vacation at Walt Disney World. On top of that, capacity dictates that there will be a maximum amount of people Disney could theoretically serve in a year.

Cities like Orlando, Florida, are famous for their theme parks and other themed experiences. However, a flagship experience can exist in any major city with significant tourism. This means that optimal locations include Hong Kong, London, Bangkok, Paris, New York, Dubai, and Johannesburg. As these are cities among the most travelled to, these cities capture the best markets. This is one reason that Disney has for decades expanded internationally to major cities like Paris, Shanghai, Hong Kong, and Tokyo. However, these experiences are still theme parks. What if location-based experiences were expanded outside of the traditional theme park?

In the second option, operators adopt the mantra of "if one can't beat them, join them". In this case, Disney would develop smaller experiences that have a smaller barrier of commitment from guests. These experiences would be smaller, localised, and more frequent than a flagship operation. One upside is that the initial investment in developing and producing these experiences would be significantly lower. They are also able to capture markets that flagship products often miss, such as rural and lower-income communities. These experiences, if done correctly, are also most likely to trigger repeat visits as locals would come to view it as their local entertainment offering.

One downside to these operations is that the ROI is generally lower than with a flagship operation. In order to become profitable, these operations have to offer comparable quality to large flagship experiences but at lower prices. As seen with previous venture DisneyQuest, this is a tall order. For an existing operator like Disney, it might make more sense to continue investing in existing flagship experiences.

However, this paper proposes that smaller operations should not be seen as full experiences, but teasers to the larger flagship destination. By creating small, local experiences, operators can capture an untapped market while offering a teaser of what the full experience might be like at the flagship destination. For the purposes of this discussion, this paper will refer to this hypothetical project as Hall of Disney.

Hall of Disney is a family entertainment centre, an indoor amusement centre that offers a variety of small attractions geared towards a half-day experience. For this venture to become profitable, Hall of Disney needs to be at least a one-Michelin-star (very good) if not a two-Michelin-star (worth a detour) experience. However, Hall of Disney is not a full theme park and does not compete as such. By way of example, characters such as Minnie and Mickey Mouse won't meet guests at Hall of Disney.

One of the best ways to differentiate Hall of Disney from the major theme parks while simultaneously increasing ROI is to design the attractions to be updatable VR experiences. The company could use its partnership with The Void to create modular spaces that can fit multiple experiences. Because of the technological economies of scale, hardware for Hall of Disney will be much more affordable. Similarly, creating new experiences will follow a similar production pipeline to the current model used at Walt Disney Imagineering but stop short of construction. Lastly, pricing should reflect similar experiences and models, not prices set at flagship theme parks such as Walt Disney World.

The Solution

As mentioned previously, the first option seems to already be the strategy employed by Disney. In this paper, the author would like to discuss the second option and why diversifying into small attractions should be the next move for the house of mouse.

In 1998, the Disney Magic set sail on its first voyage. This marked the official start of Disney Cruise Lines and the company's first push to small, non-park immersive experiences. Though some might have been sceptical at first, this segment has proved to be extraordinarily popular with guests. Through the cruise line, Disney has had to move away from its previous reliance on rides and big attractions to entertain guests. Now, guests had to be entertained all day for multiple days without any space or capacity for a ride. Through the use of live shows, streetmosphere, character offerings, and world-class dining, the company is able to engage guests for multiple days.

A year later, the Walt Disney Company dipped its toes into small-scale attractions with Disney Quest. First opening at Walt Disney World in Disney Springs (then called Downtown Disney), it opened a second branch in Chicago, IL with plans to expand to other cities such as Philadelphia, PA. Unfortunately, the expansion was cut short. At the time, the company found that guests were not eager to return to the Chicago location and maintaining the VR technology was not cost-effective. The Chicago branch did not last long and the version at Walt Disney World saw little to no investments after the opening, leading to closure in 2017. In the over 20 years since first opening Disney Quest, however, the world of small attractions has drastically changed.

As mentioned previously, Disney had a partnership with The Void before the COVID-19 pandemic. The Void specialised in small-scale VR walkthrough attractions. Though these were standalone operations, the concept is very powerful and easily transferred to existing entertainment centres. Leveraging the technology and operation used by The Void, Disney could easily create a centre with multiple VR attractions that are cheaper and easily maintainable, compared to Disney Quest.

When it comes to these family entertainment centres, most people focus on names like Disney Quest, The Void, and Chuck E. Cheese or venues such as bowling alleys, miniature golf, kart racing, and arcades. One notable exception that defies any classification is the installations set up by Meow Wolf. Meow Wolf is a collective, as they refer to themselves, that create immersive and experiential art installations. These experiences have no guide, map, or goal. Guests are allowed to interact with the space as they see fit. This means that some guests don't see the entire space. Other guests might spend their entire time taking pictures. Meanwhile, some guests might interact with the installation and create sounds, music, and lights. Occasionally, guests might break something. Meow Wolf feels that guest autonomy should be the number one factor for creating a truly immersive experience. While this paper does not propose that Hall of Disney become a free-roam space such as the likes of a Meow Wolf installation, there is definitely value in allowing guests to create what they want out of an experience.

In proposing this venture, the author suggests a “happy medium” between the two extremes. Hall of Disney would have areas that are interactive playgrounds of sorts, where guests can move about and use the space as they see fit. This would be especially attractive to children who can run and play as much as they want. On the other hand, there would be more “traditional” attractions akin to those found in Disney Quest or The Void. As an extra, Hall of Disney could even add an arcade game space that would target older kids and adults. As previously mentioned, technological economies of scale have allowed for equipment such as that used in VR to become much more affordable and easier to maintain. This means that with minimal investment and leveraging the existing production pipeline framework used for creating physical experiences, the company can produce new VR “tracks” using the same physical equipment and infrastructure.

A note on employees, or cast members as Disney calls them, and the operational costs associated with wages. For the VR attractions, cast members would have similar roles as they do in the parks – mostly at the beginning and end of the attractions. As for the playground area and arcade area, only a couple of cast members are needed for safety reasons. This means that most cast members would be in any food and beverage locations along with any merchandise locations. This means that Hall of Disney would be a very lean operation compared to a full-sized theme park. As the teams would be lean, this also means that management and vertical hierarchy will be very lean as well. This results in relatively low wages for operating Hall of Disney.

Running some conservative assumptions, one can value whether this would be a profitable business or not. For this paper, these assumptions were made:

- Open seven days a week for eight hours or less
- One day a week of peak attendance, one day of medium attendance, and five days of low attendance
- Five VR attractions
- One open “playground” space and one arcade space
- One food location and one merchandise location
- $15 starting hourly wages
- Premium wages for higher roles ($17 for cooks, security, and maintenance; $20 for coordinators and supervisors; $25 for day management; $40 for the general manager)
- $30 average for a day pass
- Full employment each day, regardless of attendance

Next is an example of a week in operations using the prior assumptions:

$$(40 \times \$15) + (20 \times \$17) + (5 \times \$20) + (2 \times \$25) + \$40 = \$1{,}130 \; per\ hour$$

$$\$1{,}130 \times 10 = \$11{,}300 \; per\ day$$

$$\$11{,}300 \times 7 = \$79{,}100 \; per\ week$$

$$(\$30 \times 1{,}500) + (\$30 \times 700) + (5 \times \$30 \times 100) = \$81{,}000 \; per\ week$$

$$\mathbf{\$81,000 - \$79,100 = \$1,900} \; \boldsymbol{profit}$$

Of course, these estimates ignore seasonality, brand value, shift work, taxes, and lower employment during lower attendance. On top of this, additional revenue from merchandise and food is usually profit, albeit a low profit margin. Still, this showcases how the Hall of Disney is a profitable venture for the company. Assuming the author had the power to start this new venture for the Walt Disney Company, the following is the change-management plan that would be implemented in order to realise the Hall of Disney local entertainment centre.

The Change

Now that the goal is clear – build an entertainment centre with the famous Disney touch – it's time to implement this new strategy. To properly address this new venture, it's essential to address the strategy from two angles: the work that needs to be done and the people doing the work. The former is relatively easy, as all one needs to do is outline the steps to reach the stated goals. The latter is what separates a mediocre manager from an effective leader. In order to be an effective leader, one must deal with the people side of companies. In other words, it's important to lead people through their own transitions as well as through the company's strategic change. The following two segments outline how to lead employees through this strategic change.

The Process

One of the most effective ways to manage a transition is by using Dr. John Kotter's 8-Step Process for Leading Change. These steps outline how senior leadership can lead teams through change and disruption. As starting a new venture such as Hall of Disney can be a daunting task for the company, this paper will use the 8-Steps Process to successfully execute this new strategy.

1. The first step is to create a sense of urgency that appeals to individuals logically and emotionally. One way to do this might be to internally inspire producers, designers, and engineers to move quickly as copyright of early cartoons expire. This can create urgency by focusing on acting before competitors attempt to use these old cartoons. More urgency can be created by focusing on developing Hall of Disney to make use of pent-up demand to due the COVID-19 pandemic. As guests want to return to physical experiences, the company must move quickly to strike while the iron is hot.
2. To properly lead this new venture, it's imperative to organise a coalition of members made up of members representing all levels of DPEP. This coalition is not in charge per se, but it acts as the linchpin that will hold teams accountable and work with all levels of the company to make this new venture successful.
3. The third step is to define a strategic vision and strategic initiatives. In short, this is about defining *what* teams and individuals will do. Being crystal clear in the vision, expectations, desired outcomes, and constraints will only make the team more effective. In this case, the ultimate outcome is to create a small attraction that will do two things: give locals a taste of Disney – capturing that untapped market, while serving as synergistic promotion for other offerings – such as streaming and theme parks.
4. One of the most effective ways to guaranteeing that team members are enthusiastic about their project is to allow them to volunteer for the project. While it is beneficial to reach out to top performers, giving them the opportunity to volunteer instead of assigning them will create stronger momentum for the project. Combining this with earlier steps, it's easy to get

volunteers if vision and urgency are properly communicated. In a creative field such as this, many will jump at the opportunity to be among the first to create a brand-new experience.

5. According to Dr. John Kotter, "innovation is less about generating brand new ideas and more about knocking down barriers to making those ideas a reality". This perfectly illustrates the situation that the Walt Disney Company finds itself in. Hall of Disney might give many leaders a reminder of past failures (i.e. DisneyQuest) which stops them from investing financially and mentally. Starting with a clean slate and no preconceived ideas will allow team members to develop an offering that outshines prior missteps.
6. When developing any long-term project, deadlines and milestones are important markers of progress. However, not giving teams and individuals recognition for their hard work will lead to bitterness and mediocre results. Taking this a step further, one shouldn't just reward teams with cake after every deliverable, instead leaders should announce, for example, when the project has been greenlit. Similarly, the company could release internal videos where team members share their excitement of the project (without revealing confidential details, of course).
7. The penultimate step is all about maintenance. Unfortunately, as goals loom near, many will find their energy and initial spark start to diminish. On the other hand, pushing too hard might create bad culture at best, and burnout at worst. The best way to help maintain the momentum of change is two-fold: expanding teams and supporting team members. The first is evident, as the project grows more individuals are needed to complete the work. Noticing when it's time to add more logs to the fire will keep employees from feeling like they're drowning. The second focuses more on supporting employees with the resources needed for them to perform at their best. This could be new equipment, updated software, and budget increases. It could also be coaching, wellness efforts, and mental health resources. Keeping employees supported allows them to achieve the strategic goals set out by the organisation.
8. Lastly, after doing all this, one needs to make sure it sticks. Leadership needs to fully commit to the strategic vision throughout the lifecycle of the project. This includes after turnover, once Hall of Disney becomes operational. It's important to not just celebrate this big win, but to keep the momentum going into the next project. Ideally, Hall of Disney will be more than just one entertainment centre!

The Transition

As with any major disruption, not everybody will be as eager. Everybody will go through their own internal, mental transition regarding this new change. While some will jump at the opportunity to be among the first to create this brand-new experience, others will be hesitant to this new model. Here, the author will use William Bridges's Personal-Transition Model to examine how to best lead those more hesitant to change.

1. The first stage is all about endings. In this stage, many might feel guilt, denial, sadness, and disoriented. First, it's important to acknowledge that these reactions are completely normal. Leadership must help employees understand their feelings before they can move on. Once they accept their emotions, then one can help them accept the end of the old ways. The coalition can allow team members to express their thoughts on the old model and listen empathetically. Once employees have expressed their concerns, the coalition can educate them on this new type of experience and what it means for the organisation and for guests. Emphasising how team members will be able to apply the same skills and knowledge will ease trepidation.

2. Next is the neutral zone, the lukewarm middle area between endings and beginnings. Here, employees might express confusion, anxiety, scepticism, and impatience. This period is also marked by uncertainty and unproductivity, which might add to the above feelings. Again, the first step is for leadership to acknowledge and understand where employees are coming from. They might be unclear on the change and how it affects them. They might feel stifled and unable to continue working. This is where morale boosts are desperately needed to get over the slump. This can come by celebrating small wins, as mentioned in the previous section. Lastly, clear guidance and understanding of the new model will go a long way to help team members feel included in this new venture.
3. Once employees have understood and accepted their emotions and hesitations, they can move to the final stage of transition: the new beginning. Here, people are excited to be a part of the new venture. This is akin to the final stage of Dr. Elisabeth Kübler-Ross's Change Curve where individuals embrace the change and commit to new beginnings. In both models, the focus is to celebrate and reward individuals. At this stage, the importance should be to establish a track record of success, keeping team members motivated to continue the work.

The Conclusion

The themed entertainment industry is booming, especially as restrictions from the COVID-19 pandemic ease up. Still, the Walt Disney Company has already signalled that theme parks will most likely not return to previous capacities. If the company is willing to lessen capacity in parks, it should look into adding new revenue streams to recapture that market. This also allows it to compete with emerging experiences that reach smaller audiences that might not make the trip to flagship destinations such as Walt Disney World. Lastly, technological economies of scale will allow for the development and maintenance of new experiences that leverage cutting edge technology. If positioned correctly, Disney will be able to continue being the leader in themed entertainment while simultaneously securing a new piece of the experiences market.