

INTRODUCTION

The purpose of this Product Concept is to express ideas upon which Walt Disney Productions, Inc. (Disney) and the Enterprise Development Company (Enterprise) might combine forces (the “Joint Venture”) for the development of a new urban entertainment development (the “New Product”).

Specifically, the Product Concept attempts to articulate the Core Concept and Key Qualities behind the viability of such a New Product and the Supporting Assumptions, which are necessary or would avail; themselves to the Joint Venture (Section A).

Secondly, a Space Program for the New Product is suggested (Section B).

Finally, an Economic Model for the Joint Venture is expressed in terms of Development Costs, Operating Results and Venture Returns (Section C, D and E respectively).

In order to put the balance of this Product Concept in perspective, the Joint Venture’s mission may be assumed to be:

To meet the need for quality urban entertainment through the profitable development of commercial real estate, by employing the combined and expanded human resources and products of the Disney and Enterprise organizations.

Contained within this mission statement, there exist two important assumptions which merit further discussion.

The first assumption is that of a perceived need for quality urban entertainment. The New Product is not attempting to create demand for a new form of development. Its impetus is the observation that the American public is seeking more and more entertainment in all aspects of its daily life. Today’s television and high-tech society has placed a much greater premium on social entertainment. It is clear that people want to have fun with and around other people. Also, they want to have quality fun. While it wants good value for its money, the public is interested in first-rate creative and stimulating experiences. Disney’s theme parks and Enterprises’ festival marketplaces demonstrate both the accurateness and economic potential of this assumption.

The second assumption is that the combined human resources and products, which each organization possesses, will work synergistically with the other. The cross fertilization of creative minds and the integration of successful development approaches can lead to an enormously fulfilling and economically rewarding process.

The Joint Venture's mission will be achieved within the following Parameters:

- The New Product will not be a theme park
- The New Product will not be a substitute for a visit to a pre-existing Disney or Enterprise destination.
- The New Product will not be fixed in terms of either its programming or its design, i.e., each one would be tailored to best meet the needs of the local community.
- The Components of the New Product will be executed in the same quality fashion as all other Disney and Enterprise developments.
- The New Product will be located in large metropolitan areas of varying climatic conditions.
- The New Product will be developed in rapid succession and the Joint Venture will significantly contribute to the profitability of Disney and Enterprise.

CORE CONCEPT AND KEY QUALITIES

As opposed to a national attraction, the Core Concept of the New Product is to create a development, which enjoys a high level of Market Penetration, largely within a single metropolitan area. Repeat visitation is the demographic foundation of the New Product's viability. Of course, the corollary to this mandate for Market Penetration is high Per Capita Spending. Together they multiply to create the economic potential needed to justify the large development costs of the New Product.

While many strategies can be employed to generate high levels of Market Penetration and Spending, they may all fall under the Key Qualities that the New Product must possess: Centerplace, Choice and Chance. These three Key Qualities can serve as the guiding strategy for most everything that might be considered to create high levels of Market Penetration and Per Capita Spending. In fact, unless a specific strategy serves to contribute to at least two of these Key Qualities, it probably should not be pursued.

CENTERPLACE

Centerplace is a concept. It can be defined as a Predictable Social Convergence. These three words help to define qualities of Centerplace, which will generate Market Penetration.

The public frequents a Centerplace because it is Predictable. It is real, authentic, all year round, all weather, and specifically local space. It evokes a sense of the place in which large numbers of people feel very comfortable. Centerplace is an urban space of institutional magnitude. It is a commercial homecoming.

Centerplace is a Social place. It is where the people are. Some people come to get their needs met. Some people go through Centerplace because the “paths” Converge on it. Some people come because the rest of the people are there. People Watching by itself is a form of live entertainment. Social fulfillment is very habit-forming and is critical to creating the qualities of Centerplace and high levels of Market Penetration.

Lastly, Centerplace is the Convergence of many public functions. Centerplace enjoys the Convergence and traffic of multiple anchors, Centerplace also benefits from the Convergence of pedestrian and vehicular access. Carefully orchestrating a sense of Convergence of retail, food, and entertainment will greatly assist in creating the quality of Centerplace. These organized and spontaneous Centerplace functions may spill out and move into the surrounding communities, as well as from the communities to the Centerplace.

If the New Product can be designed and executed to generate this same sense of Centerplace, it will help the public feel very comfortable on a regular basis. This comfortable environment is necessary in order for the real and fanciful entertainment to coexist. Fanciful entertainment alone is a non sequitur to the urban experience. However, fanciful entertainment intertwined in the Predictable Social Convergence of Centerplace will dovetail into the public’s daily habits and rituals.

CHOICE

The Key Quality of Choice means meeting needs of the public, whatever its mood. (This is in sharp contrast to other urban entertainment developments which demand that the public conform to their predisposed format.) Choice creates Market Penetration because people’s needs change and they will choose to come back repeatedly to meet those varying needs.

Three elements of Choice are: Contrast of Experiences, Unbundled Attractions and the Merchandising Effect.

By offering a Contrast of Experiences the New Product offers Choice. It must appeal to families and adults. It must be active during the day and during the night. It is a combination of real and fanciful entertainment. It should permit both casual and formal dress. It can either be a quick or leisurely experience and it can either be an expensive or inexpensive form of entertainment. Not all of these Contrasting Experiences need to exist simultaneously, e.g. the family environment is likely to be the daytime environment, while the adult time is likely to be a night. On the other hand, the intimacy of dining can be experienced simultaneously with the crowds enjoying the live entertainment next door.

By providing Contrasting Experiences the New Product will provide Choice, and by providing Choice it will serve to generate greater Market Penetration.

Unbundled Attractions refers specifically to the Disney type of entertainment. The New Product may not be defined as an \$ 8.00, three and a half-hour experience. The Time/Price Threshold may need to be lowered in order to permit the public to define its own experiences. In so doing, the public may experience the New Product more often. In order to lower this Time/Price threshold, it may be necessary to Unbundle the paid attraction, i.e. to have individual gates for individual attractions. This would allow the couple, who just had dinner to choose to see the new twenty minute Circlevision film on Australia for \$ 2.00, as opposed to being forced to experience what may be perceived as an expensive and time consuming package of entertainment.

In addition, the Unbundled Attractions strategy would also allow for Flexible Gating. For instance, during the evening hours a cover charge might be levied for all live entertainment opportunities, while at the same time the Circlevision Australian film experience can still be purchased separately. Unbundled Attractions and Flexible to define a price/quantity curve which best fits the public's propensity to spend on entertainment.

The Merchandising Effect is the premise upon which any aggregation of retail is founded. As people move between destinations they will be attracted by both the merchandising of Benetton's new fall selection of sweaters and the Circlevision film on Australia. (Merchandising is a form of advertising, and it is probably the most efficient form of advertising because the ad is the product.) By bringing together many retail and entertainment destinations, people will come for one reason and leaving having spent money for others.

By providing Choice, through Contrast of Experiences, Unbundled Attractions and the Merchandising Effect, a paradox will emerge. The paradox is that providing Choice, most everyone will choose each of the available experiences over the course of time. This is another definition of Market Penetration.

CHANGE

The last Key Quality to generate Market Penetration for the New Product is that of Change. The New Product must represent Change. It is requisite if the development is to be perceived as an opportunity for frequent and different experiences. There are three primary ways in which the New Product can create and project a continuously changing entertainment opportunity to the public. They are: Flexible Entertainment Hardware, Special Programming, and Collateral Merchandising.

Flexible Entertainment Hardware is a cost effective way of bringing a new attraction to the development on a frequent basis. Unlike the Magic Kingdom, the New Product cannot afford the economics or timing of installing a new multi-million dollar entertainment facility every other year. Flexible Entertainment Hardware such as Circlevision, 3D Theatre, Simulator and Live Theatre provide the opportunity for a constantly changing array of entertainment.

Special Programming is another way in which the New Product can be perceived as a constantly new attraction. Special Programming such as the celebration of Festivals, Special Exhibits and Holiday Decorations can all be marked as uniquely distinct opportunities for the public. They create the “always something new” environment.

Lastly, Collateral Merchandising can be employed to create the sense of Change, Collateral Merchandising means that when the Circlevision movie on Australia debuts, hundreds of Australian retail products, from apparel to art, would be offered to the public, as well as distinctly Australian food products. Of course this Collateral Merchandising must be completely orchestrated and planned months, perhaps even years, in advance. This may require the Joint Venture to own or control these Collateral Merchandising opportunities.

The Key Quality of Change suggests that each development will be perceived as being unique both physically and programmatically. While Change is important to the penetration of the local market, it is also important to the attraction of the transient population. The New Product must not be thought of as an “If you have seen one, you have seen them all,” type of attraction. By developing a system of twenty such developments, the Joint Venture’s management and programming staff will facilitate each development’s continuing uniqueness.

The Key Qualities of Centerplace, Choice and Change are necessary for the New Product to generate, year-after-year, the level of market Penetration needed to be economically viable. It should not come as a surprise then, that the qualities of Centerplace, Choice and Change can also be said to define the urban experience itself. For the new urban entertainment development to be successful, its Product Concept must meet the public on new and urban terms.

SUPPORTING ASSUMPTIONS

While the Core Concept of the New Product is that of achieving high levels of Market Penetration, there are two other Supporting Assumptions, which also are very important. One Supporting Assumption, Public Sector Support, is requisite for successful urban development. The other Supporting Assumption, Mixed-Use Development, can be thought of as an enormous economic bonus.

Development is challenging. Urban development is difficult. The development being contemplated herein is not feasible without active and substantial Public Sector Support. It is neither economically or practically feasible without the Public Sector Support. There are three things the public sector can contribute. It can Acquire the Site, It can provide Public Infrastructure, It can be Advocate.

Acquiring the Site and Providing Infrastructure (pedestrian and vehicular circulation, parking, utilities, urban context improvements and the on-going programming and promotion of the city) are economic issues. Without the public sector's substantial contribution in these areas it is unlikely that the New Product will be able to support the total cost of development. Hence, the public sector must play a critical role in making the New Product economically feasible.

In addition, the public sector will also play a critical role in making the New Product practically feasible. Some arm of the public sector must fully embrace, protect and Advocate the development of the New Product in order for the development to proceed on any timely basis.

The Joint Venture offers the public sector a great deal. The names Disney and Rouse, and all of their attendant images of happy throngs of people and economic progress, should garner the support in most American cities. The thoroughly thought-out utilization of Public Sector Support in each host city is an integral part of the Product Concept.

The other Supporting Assumption, Mixed-Use Development, can be considered a well-deserved bonus. The New Product will invariably create enough critical mass to leverage many other forms of development, such as office, housing, hotels and parking facilities. The economic potential of each one of these uses is very substantial. In addition, savings can be generated, by sharing infrastructure costs.

Mixed-Use Development offers the Joint Venture a great deal of Flexibility. The Joint Venture can create a menu of Mixed-Use Development choices from which to choose and implement in any specific location. Additionally, Mixed –Use Development does not need to be done directly by the Joint Venture in order for economic gain to inure to the Joint Venture. Lastly, there will exist flexibility with respect to the phasing of the Mixed-Use Development. The New Product may generate an instant demand for more hotel rooms, though the development of an office building may be started at a later date.

While the economic significance of Mixed-Use Development is not included within the Economic Model, it surely is part of the Product Concept.