



## Doing it the Chinese way

**As trite as the phrase ‘think global, act local’ may be, it nevertheless encapsulates The Walt Disney Company’s approach to making a success of its business in China. To that end, producing content that has a cultural and emotional resonance with Chinese consumers is crucial, says Stanley Cheung, Disney’s managing director for Greater China.**

“We see it in China today, that if you look at the box office, local consumers connect very well with their own movies,” says Cheung.

“The movies that are based on Chinese stories, the movies that are acted by Chinese actors, the movies that are produced and directed by Chinese directors and producers because they understand the consumer. When they speak, they speak to their hearts.”

“We want to connect with the consumer in a way that emotionally bonds with them. So that’s why we said we want to be developing local content as a key part of our strategy.”

Last year Beijing gave the green light for Disney to build a theme park in Shanghai which is estimated to cost \$3.5 billion. The resort, which is expected to open in five or six years, will include a local version of a Magic Kingdom-style theme park, hotels and shopping areas. It will be slightly larger than Disneyland in California, taking up 1,000 acres in Shanghai’s Pudong district.

Disney will reportedly own about 40 per cent of the Shanghai resort, with the majority stake owned by a consortium of state-linked Chinese companies.

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Cheung would not be drawn on the issue in an interview with INSEAD Knowledge, saying only that Disney is in the midst of negotiating a final contract with the Chinese government. Citing confidentiality reasons, Cheung declined to comment about the joint venture equity ownerships in the theme park.

To date, Disney has about 6,000 retail outlets selling its merchandise like Mickey Mouse apparel and plush toys in department stores and supermarkets in 25 Chinese cities. It also owns a chain of English-language schools for children in Shanghai.

In terms of its



movie-making franchise, Disney produced ‘*The Secret of the Magic Gourd*’ in 2007, its first movie for the China market,

based on a popular Chinese novel, which was made with a Chinese film crew and cast, according to Cheung.

“We know for a fact that Disney’s values in a large way are very consistent with what Chinese parents and Chinese consumers want their kids to grow in. You know, optimism, aspirational, family, kids, fun, that’s what they want and that’s what we embrace,” says Cheung, who expects Disney’s business in China to grow at an annual compound rate of more than 40 per cent, even though, in its current form, the company is only about five years old in China.

Cheung points to Disney’s English language schools as a good example of its localisation efforts. The schools have been successful because they develop their curriculum with the needs of the children and the expectations of their parents in mind, says Cheung, adding that Disney provides a fun learning environment through the use of stories and technology in its curriculum.

Asked about the rampant DVD piracy and weak intellectual property protection in China, Cheung says he is optimistic about Disney’s prospects in the mainland. While he sees piracy as a form of competition, Disney is working with retail partners such as Wal-Mart, Carrefour and other local department stores to fight piracy.

“Our job is to provide legitimate alternatives ... a great product, at a great price and (with the right) distribution,” says Cheung, adding that Disney is pushing for more regulation and more stringent enforcement.

To be sure, Disney views China as a major long-term growth driver. Cheung says the company will focus on expanding its base of licensees, its retail presence, as well as investing in its language schools and its movie franchise.

Currently Disney’s international business accounts for about a quarter of its total business. But in the last five years, its international business has been growing twice as fast as its main business in the US, thanks to emerging markets such as China, India, Russia and Latin America, says Cheung.

When asked about how Disney plans to penetrate China’s television market given Beijing’s restrictions on foreign media, Cheung says local partnerships are the key to the company’s success.

“We’ve partnered with CCTV (the main Chinese broadcaster) on a variety of fronts and we want to make sure that what we do is actually consistent with the government’s agenda, with what the people want, rather than what The Walt Disney Company wants. So that is going to make us different and

make us The Chinese Walt Disney Company.”

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