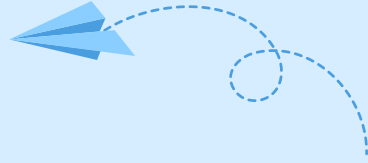




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Walt Disney World Pricing Strategy

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WALT DISNEY WORLD PRICING STRATEGY

Walt Disney World is a successful theme park with a long history. Analysts note that pricing system is a part of the company's success. For instance, the park's management uses pricing strategy as a way of attracting customers.

When the theme park sets the prices, it takes into consideration few factors. First, tickets price depends on the number of additional options you have. For instance, visitors can pay additional \$57 for park hopper option, \$57 for water fun and other options. However, if visitors buy both options, they pay only \$79, which is also one of the ways to make customers spend more money in the park. Secondly, competitor's force influences the ticket price, as well. For example, when Universal Studios Orlando raised its basic ticket to \$88, Disney World increased price to \$89. Multi-day passes became more expensive too (Tuttle, 2012). Thirdly, special factors such as age and place of living affect the price. For instance, residents of Florida pay less money than non-residents. One of reasons of such price discrimination is an attempt to avoid big crowds. However, the company always needs to get high revenues. Therefore, it needs to choose the group of customers that will bring the biggest profit. The residents of Florida look more prospective in such a context because there are many chances that they will use the park's service again after the first successful experience. On the other hand, visitors that live far from Florida usually go Walt Disney World just once in their lives because of additional transport and accommodation expenses (Tomas & Maurice, 2010).



In addition to that, the management of Walt Disney World concentrates on promoting of the longer stays in the park, especially four, five, seven-day passes. It allows the company to generate more repeat business, higher ticket prices and higher margins. For instance, people who have an unforgettable experience are more likely to return. Moreover, even the price increase will not frighten them. This tendency indicates the high price elasticity of this kind of service. Besides, higher ticket price is also very convenient because revenues grow without having to increase the number of customers. In addition, Disney gets higher revenues per customer with each added day. Lastly, Walt Disney World has higher margins due to selling multi-day tickets because customers that buy such tickets are not likely to spend every waking hour in the park. Therefore, the company's costs decrease. On the other hand, revenues per customer hour spend increase yielding higher margins on multi-day tickets. Besides, it allows allocating labor force more effectively. However, multi-day tickets are advantageous for customers, as well. Firstly, customers get flexibility because they cannot only entertain in Walt Disney World but also visit other sights of Orlando. Secondly, visitors receive a more leisurely pace because they do not need to run around in order to try all the attractions of the theme park for one day. Thirdly, multi-day ticket offers a greater variety due to the opportunity to try more things and consequently expend the whole experience. Lastly, visitors have a more enjoyable experience because of having flexibility, a more leisurely space and greater variety (Furtwengler, 2011). Besides, there is one more strategy about a multi-day ticket. They set small charges for adding additional days. For example, the difference between four-day and five-day pass is about \$10 (Garcia, 2011). Such strategy helps Walt Disney



World to compete with other theme parks in Florida, as well because it is more convenient to buy a multi-day ticket and spend time in four theme parks of Disney than to buy one-day ticket to other parks (Garcia, 2011).

As for single-day tickets, they account only for a small part of tickets sales (Furtwengler, 2011). However, they are still important for the company because they demonstrate the industry's pricing overall and can affect "affect travelers' perception of theme parks' affordability (Garcia, 2011). Despite price elasticity of demand, Walt Disney Demand has been increasing ticket prices. For example, the base admissions price was \$82 at the beginning of June in 2011, \$85 by the end of the same month. Moreover, the price was increased to \$ 89 for adults in 2012. Now, a year later, it is still \$89. In addition, the analysts predict the ticket will cost \$100 by 2014. This assumption is based on the company's strategy to increase prices by about 6% (or a little under \$4) per year. If the company approaches \$100, the number of visitors will possibly decrease due to an emotional impact of three digits. For instance, specialists say that tree digits create a barrier for clients that nobody wants to cross. Therefore, Walt Disney World should be careful increasing the price to \$100. Besides, it is important to indicate that \$89 is only a minimum price that customers spend because the park tries to make them pay for food, parking souvenirs, etc. On the other hand, not only executives are guilty in price increase but also customers themselves. A new report states that, despite slow economic growth, uneasy situation with the state jobs and real estate and price hikes of Disney and Universal, theme park attendance rose about 3 percent in 2011. The attendance growth of Universal's new "Wizards World of Harry Potter was bigger, but Disney had higher

revenues, as well (Tuttle, 2012). This fact indicates that income elasticity of the service is high. As a result, the company's revenue and yield management concludes that it is undercharging for admission and increase the ticket price. Besides, it has been already mentioned that the theme park does not want to boost attendance too much. Therefore, price hikes are also used as crowd control. For example, this measure helps to avoid clients who are not ready pay for additional options and extra services. On the other hand, visitors who are ready to pay for tickets even increased sum of money are usually more desirous. For instance, they can easily spend about \$500 per day on short experience for their families (Tuttle, 2012).

To sum up, Walt Disney World pricing strategy is based on focus package sales, which involves additional options and bigger number of days that visitors can use the company's service. As a result, the theme park reduces its costs because people that buy a multi-day tickets use less service per hour than those who purchase a single-day ticket. Besides, four, five-day passes protect the company from greedy customers because those are ready to pay for multi-day attendance then spend bigger sum of money on additional services such as food, parking souvenirs, etc. In addition, Disney Park uses price hikes as a way of avoiding crowds. Despite the price increase in previous years, the revenues of the company still grow. This fact demonstrates that price elasticity of the service offered by Walt Disney Park is big. Besides, the income elasticity is high, as well because people believe that enjoyable experience is worth of spending money. Moreover, even slow economic growth in the country and unstable situations with jobs and real estate did

not stop increasing the revenues of the park. In addition, Walt Disney World applies such pricing strategy as price discrimination. For example, they offer lower prices for residents of Florida than for visitors from another place. One of the possible explanations is that it is more convenient for people from Florida to buy multi-day tickets because they have to spend less money on transport and accommodation. Besides, there is a bigger probability that they will come again to the theme park. Another strategy of Walt Disney World is giving discounts. For example, the difference between a one-day ticket and five-day ticket is \$36. Such policy clearly helps Walt Disney World to be the leader among other competitors, especially small parks because the last ones cannot afford to give such discounts on multi-day passes. Moreover, small parks do not have such big entertainment facilities as Walt Disney World does. For example, one of advantages of Disney Park is the number of theme parks. Therefore, this peculiarity gives customers the opportunity to enjoy different experiences for four days. In addition to that, the company opened Water Park, which is sold as an additional option. As a result, the management of the theme park can change prices without affecting the total sales.

