Dean's Executive Leadership Series - Pepperdine University / DELS 2007-2008

Transcript of Presentation by Andy Bird, President of Walt Disney International – Part 1

About DELS: The Dean's Executive Leadership Series at the Graziadio School of Business and Management features in-depth audio or video interviews with today's top business practitioners and thought leaders. Listen or subscribe to the podcast to hear their views and insight on the current challenges and opportunities facing the business community.

Start

Voice Over: The Graziadio School of Business and Management at Pepperdine University, proudly presents The Dean's Executive Leadership Series. This podcast invites top business practitioners and thought leaders to share their view on the real world of business.

Dean Linda Livingstone: It's good to have a room full of folks in here tonight. We're so glad you're here to join us for the second installment of our Dean's Executive Leadership Series this year. I'm Linda Livingstone, Dean of the Graziadio School of Business and Management, and we began this year's DELS with a kickoff in Orange County. We had not ever done one of these in Orange County. We had Deborah Platt Majoras with us, the Chairman of the Federal Trade Commission, and did anybody here attend that in Orange County? We had just a fabulous event. She did a wonderful job.

And so we're glad to be back in Malibu for our second event this year, and we'll be featuring Andy Bird who I'm going to introduce in just a few minutes. But before I do that I do want to give you a little bit of an update of a few things going on in the school and remind you of some upcoming events that we hope that you will be able to join us for. Before I do that, though, I do want to introduce or reintroduce to you many of you, Faye McClure, who is with us. Faye is a member of our Board of Visitors, a Seaver College graduate and she works with Farmers Insurance Group, and they are the very generous donors who help support and fund the Dean's Executive Leadership Series. So, Faye, this is the third year that they have done this and we just really appreciate it so much.

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Just as a reminder, our next DELS will be on January 22nd. We'll have another entertainment guest with us, Bruce Rosenblum, who's the President of Warner Brothers Television, so we'll see a bit different picture there, but we hope you'll join us here in Malibu for that.

Just a couple of updates, I'm really proud to tell you that we had a group of our students from our full time MBA program go to Baylor University last week and participate in an Ethical Leadership Case Competition there. Schools that were there included Notre Dame, University of Arizona, Texas A&M, Babson, University of Florida, University of Washington, and our team won the competition, so we were thrilled with that. Are any of the members of that team in the room tonight that we know of? Anybody? Well, if you're not, be sure and tell your classmates that they were well received, warmly welcomed for that, but we were really proud of that. It's a great group of schools. And Professor Samuel Seaman led that group and he just said they did an amazing job and represented us all so well, so you should be very proud of them.

I also want to mention that beginning next fall we're actually rolling out a couple of new degree programs, a couple of Master of Science programs. One of those will be offered here in our full time program, a Master of Science in Applied Finance. It's designed for students who- with limited work experience or no work experience, primarily those without business undergraduate degrees, so they come through a liberal arts back ground, do the MS in Applied Finance and it really prepares them for entry level jobs in the finance industry, so we're really looking forward to that.

We're also going to be rolling out an MS in Management and Leadership. This will be offered at our regional campuses, probably Orange County and West LA, and also as a possible onsite. And it's really designed to help prepare people with technical backgrounds for leadership positions, management positions in organizations. And we have a really strong set of faculty in that area. It's going to be a real wonderful program. We've had lots of good interest in that so far.

And then the last one is one we're also very proud of. We are going to be rolling out a joint degree with Seaver College and their business division. It's going to be a five-year BS/MBA. They'd do three and a half years at Seaver College's Business Division, a year and a half with us in our MBA program. That class, the first class in that group will kick off in January of 2009.

So faculty have worked extremely hard on all of those programs and so we're really looking forward to building on the wonderful programs we already have, but to tap into some different markets and some niches that we think will be very effective and build on what we're already doing.

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Those of you that are students in the audience I want to remind you that you can participate in the first annual Graziadio School Student Paper Competition. I'm sure you're not doing enough writing in class and that you would like to do some more outside of class. But our *Graziadio Business Report*, which is an online practitioner journal, is hosting a competition, and with a thousand dollar prize and you can go online and find out more about that. But it's a great opportunity if you've written about something interesting an applied kind of way to do that. So we're looking forward to seeing what comes out of that and the articles that are submitted.

Let me mention just a couple of things coming up that you should have on your calendars. These will all be listed on our website, but we will have our Orange County Alumni Sharing Knowledge ASK reception this Thursday, November 8th, so if you'd like to join us we'll be at the Discovery Science Center in Santa Anna. So that should be a wonderful event. We'll have a spring ASK reception in LA, so you'll get more details about that later.

And then some of our faculty are doing some very interesting things in the weeks ahead. Dr. Chris Worley will be the first presenter in a new webinar speaker series that we're rolling out, and his program will be *Strategic Decision Making: A Key Lever for OD Practitioners* and that will be online after November 16th and you can look for that.

Dr. Bob Fulmer, who teaches strategy for us primarily in our executive programs, has a new book coming out, *The Leadership Advantage* and he'll be doing a signing of that at Borders in Santa Barbara on November 28th.

And then also on November 28th in Northern California Dr. Demosthenes Vardiabasis, who teaches economics for us, is going to be dong *A Forecast of California and the Global Economy*, and he's recently been put on a commission by Governor Schwarzenegger that looks at economic issues in California, so that will be fascinating.

So as you can see we have a lot of really wonderful things going on in this school both internally with our students, but also to engage you as alumni and friends. And so be sure and watch our website and stay updated on those things, and we look forward to seeing you at many of those activities in the weeks ahead.

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I now want to introduce our guest speaker for this evening. We are just really privileged to have with us the President of Walt Disney International, Andy Bird. And I know many of you that got a chance to meet him at the reception know what a warm person he is and how gracious it is for him to be with us. But he works with all of Disney's business unit leaders around the world coordinating and overseeing growth opportunities for the Walt Disney Company outside of the United States. He reports to CEO Bob Iger and is responsible for targeting new businesses, growing and increasing penetration of existing businesses, and leading the development of business and operations in emerging markets.

He spent many years in the UK and worked at Time Warner for ten years before coming to Disney serving initially as Senior Vice President and General Manager of Turner Entertainment Networks Limited and then became President of TBS International in 2000 and was responsible for TBS broadcasting outside the continental United States. Prior to that he had a lot of experience in the radio industry in Europe and just brings a wealth of international background and experience beyond even the work that he's done at Disney. We did a podcast earlier this afternoon so you'll be able to see that, or listen to it online within a few days and I know you'll enjoy that in addition to what he has to say tonight. But it's really my pleasure to introduce Andy Bird. He's going to share a few words then we'll have a brief conversation before we open it up and let you all join us in the discussion as well this evening. So, Andy, welcome.

Andy Bird: Good evening. Thanks very much, Linda. Thanks very much, Faye, for generously supporting these events and thank you all for coming.

It's a bit daunting sitting here. Recently I visited before some of my university in England, which was Newcastle University, to address some of the students there. And I said, "Never did I ever believe when I sat out there that one day I might be stood down here addressing you." And the other thought that I had as I was going was sort of when I graduated the students who were there then the vast majority of them weren't even born. It was a very daunting prospect. When I was at university I studied literature and English language, and so it's a bit daunting, also, being surrounded by people who I know are immeasurably more smarter than I am and more intelligent than I am, but at least when *Beowulf* comes out I'll be able to say with authority, "It's not as good as the book."

And I want to talk to you a bit about what we're trying to do at Disney in terms of how our international operations are being developed and how really, I guess, the thesis of what I want to talk about-- thesis, that's a big word for me. I'm Virginia Wolfe, by the way—multiplicity of consciousness, no speech. It'll go all over the place, but hopefully we'll pull it all together. Really, I guess what's at the core of what I want

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to talk about is change, because what we've had to do, and what I spend a lot of my time doing is really changing the way the Walt Disney Company thinks internally, and the way that it operates and executes with partners externally as we take our brands and our franchises and travel around the world to international markets.

But since I'm here and feel like I'm in a privileged position I want to get a bit of audience participation and feedback before we start, and I do that—do this—and I ask this question pretty much everywhere where I go speak because the topic is going to be international. I just want to see from a show of hands how many here in the audience have been on vacation to international? It's quite a lot of you. Those of you who didn't put your hands up either haven't been abroad or are smarter than the smarter people in the room who did put their hands up, because if you learn only one thing tonight that is you cannot go on vacation to international.

International as a place does not exist. When you go to LAX you're on a plane to a country or to a city in a country. And it's very important, I make that point and I ask the question, and those of you who put their hand up don't worry it's about the same response it doesn't matter where I do it. I was a bit nervous here because there are very smart people in the room, but I thought I'd just test it out. And the reason I bring it up, and I do this with the speeches I do internally as well as to external speeches like this, is it's a very-very important point in terms of the philosophy of how a company thinks and of how individuals think.

Because so many American companies, particularly entertainment companies, thought of the world as the U.S. and international, two buckets. And historically they've looked and viewed at how they allocate resources—both human capital and financial capital—using these two buckets. The U.S., the country I know, they all speak my language and I can go see and observe what's happening, and this thing called international which is this sort of amalgamation of all those different cultures, and countries, and time zones, and maps and all different things. So let's just all put it together in one big homogeneous lump and call it international. And as a result of that, historically, what tends to happen is of course what you know most, and what is closest to you, and what you're most comfortable with gets the greater attention.

So that's why you see a disproportionate amount of investment both in human and financial terms within the U.S. So as a company and as a person who's charged in terms of growing our company internationally it's very-very important to change that mindset from the two bucket approach to one where we do business in over 200 countries and territories around the world, and each one of them are individual, and each one of them have their own set, unique set of criterion and circumstances. So I

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promise you there's no more interaction on that, but it is a very-very important point and something that is at the root of the sort of the philosophy that I'm trying to espouse within our company.

All of you I'm sure also are very-very familiar with the Walt Disney Company and its products and brands and everything like that. I hope you are, and I hope that many of you, if not all of you, are consumers of the products and brands and services that we offer to the world. But being an entertainment company no speech would be complete unless I showed a video. So for those of you who may have been asleep for the last 80 years, or on a different planet, I'm going to show a little sizzle reel which acts- seriously, sort of illustrates the breadth of products, services, brands and companies that fall within the Walt Disney Company. So if you wouldn't mind just playing the DVD and then I'll pick up on the back of it.

<video presentation>

Andy Bird: It's a lot of stuff. A lot of businesses, a lot of brand. And it's the culmination of over 80 years of creation of intellectual property. And I think, often, we are referred to as a media and entertainment company. But at the heart of the Walt Disney Company, from way back from Walt's day, what is at the heart of the Walt Disney Company is the creation of intellectual property. And what you saw on that screen there is very much an amalgamation, a collection of intellectual property—the vast majority almost exclusively, all of which is produced here in the United States. And that has been the model that for the past 80 years has been the model that is being followed by our company and, also, many of the other U.S. media and entertainment companies.

In terms of- whether it be a television program, a movie, or even a theme park attraction, the IP is created here in the United States, in Burbank or Glendale in our case, and then, exported around the world. And so we've had-- when I came to the company, just shy of four years ago, very much of an export mentality, in terms of how we treat this product. There was almost a sense of if there's something that has the Disney name on it, then it has to be made here. It can't possibly be made outside of the US and LA. And that's just come through this legacy issue of decades and decades of doing it the same way. But the other thing that's very important about how we've been changing the way the company thinks and operates is that the exploitation of that intellectual property was done in a very linear manner. Because that's the way people consumed—up until quite recently—the intellectual property that we created. It went through these various windows. And so therefore, we created uh.. organizational structures that were very siloed and very linear in the way that they operated.

Now, as many of you in this room know, the way that you consume your media today, and the way that my two children consume media is certainly not in a linear way in any way. It's in multilinear and is multifaceted. And so we've been spending a lot of time now-- I want to talk a little later about some of the ways in terms of we've changed the philosophy and the structure organizationally within the company and some of our International markets to adapt to the way that our consumers and our guests utilize the intellectual property that we create.

And we also believe, you know, in this world that's becoming more and more fragmented and more and more chaotic, with more and more choice on more and more devices, if at our heart we are an intellectual content producer, branded content producer—and you'll notice in that video three main brands, ABC, ESPN and Disney and then, a lot of franchise creation, whether it's *Pirates of the Caribbean* or *Cars* or *High School Musical* or *Hannah Montana.*

So that is what is at the core DNA of the Walt Disney Company. And it's also what sets us apart from our competition, both, here in the United States and Internationally. Because in this confusing fragmented world, the fact that we actually put our name above the door and consumers make a conscious effort to go out and watch a Disney movie, watch Disney Channel, go to Disneyland, buy a Disney DVD, visit a Disney store, versus some of our peers, we believe is going to set us apart, particularly, in the online world where there is a lot of consumer choice in a very chaotic environment that's out there.

So that's why you've also seen a very focus in the past two or three years. A very focused approach to aggregating what we produce under one of those three banners, Disney brand, ABC or ESPN. Because you just don't go out to the movie. I was talking to some of you in the room earlier. And you don't go out and say, "Oh, we must go watch the latest Universal movie" or Warner Brothers movie, or Viacom or whatever. But you do that with Disney. And particularly, as we move out into international territories, we believe that sets us apart from our competition.

We also have to benefit from the fact that Walt was internationalist at heart. He derived a lot of his inspiration for the product from the early animated classics, a lot of European influence. He and his animators, many of whom were Europeans themselves. He traveled to Europe, brought back lots of literature and reference materials. Of course, some of the European-- the early Disney animated classics were based on European fairy tales. He traveled down to Latin America. And he also understood the export model. And he also understood the export and licensing model. So from the early 1930s-- Snow White-- 1937 in China-- it was Snow White. And so what that has resulted with over time was the Disney name being very, very well known, almost universally known.

And, you know, I carry my business cards. And it has Mickey Mouse on it. And trust me, I've been in most places in the world. I can get my card out, and everyone goes, "Oh, Disney," "Oh, Mickey Mouse," or "Mila Shu" as Mickey's known in China. Or "Topalino" as Mickey's known in Italy or wherever. You know, customization, also, of our content to fit local culture has been very, very important. But the one big difference between the United States and our international markets has been in terms of the depth of knowledge and understanding of the Disney brand and of our stories and of our characters in relation to that in the United States. And many times, there's a great assumption, because particularly if you've grown up here in the US, you have a greater deal of knowledge and understanding of what is the Disney brand. And what we find as we travel out into international markets, even Western European markets that are relatively well exposed to the brand, and economically and technically quite developed, the depth of knowledge and understanding of the Disney brand is not there to the same extent as it is here in the United States. And that's because the Disney brand is an experiential brand.

It's not like my Coca-Cola, wherever it is, which is all classic FMCG brands, which is, you know, the marketing of Diet Coke is a relatively straightforward proposition, in terms of it's fizzy and it's refreshing, and it wakes you up. It's got lime and zero calories, so buy it. And once you've got that message or whatever the geniuses of Coke come up, which would be far more sophisticated than that. And once they've done that, it's then, please buy more. And that's the fundamental tenets of, you know, classic FMCG marketing. Whether it's soap powder or Starbucks or whatever it happens to be. That's it.

You can't do that with Disney. You can't say the Disney brand is this, and it does this type of stuff. So buy it and then, buy some more. It's an experiential brand. And you experience it when you're a child. And your experience with the Disney brand, it's a bit like the layers of an onion or the petals of a flower or whatever analogy you want to use. In terms of-- as you experience a little bit of a program on Disney Channel or you get to go to Disneyland or you go watch a Disney movie or you read a Disney comic or you get a Disney toy, each of these experiences over your time build up your own emotional connection, your own emotional resonance with the brand. And that's why the brand works particularly well, and our brand equity is so strong here in the United States.

I was down at Disneyland recently, and sitting, like some of you earlier, and saying one of the great things I like to do is just sit down and watch the world go by. Because you learn a lot by just listening and observing and looking. And in this hectic world, too many of us don't take time to do that. So I sat in the lobby of the Grand Californian, just watching, seeing who our guests were that were coming in. And in ran these two children, I guess, I don't know, maybe, five or six, jumping up and down, full of excitement. And they didn't want to go through the check-in period to get into the hotel. They just wanted to go. It

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was clearly their first time at Disneyland and this was the big thing. And they were bundles of energy and excitement.

Next to them were their parents, who I guess, were early mid-30's, something like that. And you could see in their faces, I could see, the excitement that they themselves, which, like, it was almost a rite of passage that at long last, here we are. And we can bring our children to experience the same things that we did when we were children. And there's a great advocacy in parents coming to give to the next generation the same sort of values and experiences that they had when they were children.

And next to the parents were the grandparents. And so here in just that little cameo in the United States, you have these three generations of families who've grown up being immersed to different types. You know, what today's children are growing up-- and it's Disney Channel and it's Hannah Montana and it's High School Musical. And then, it's Zack and Vanessa and all different types, and Johnny Depp and Pirates of the Caribbean. It's a different Disney too, maybe [from] the Disney that certain I grew up with, and some of you in the audience grew up with. But it's still Disney, and it's a contemporary Disney. And it creates an emotional resonance, has an emotional touch. That's why Disney works so well.

Now, if we go outside of the United States, we don't have that same degree of asset base to create that degree of emotional resonance. So take myself, for example. I come from the United Kingdom. And if you go back to when-- not even when I was a child, unfortunately. But even if you go back to when a first time-- you know, those parents, if they were in the United Kingdom in their early 30's, when they were children. If you regress back to when they were children, five or six years old, sort of, 1980's. So if they were around that period. Well, we had no theme parks in Europe, because Disneyland Paris is only 15 years old. We had no Disney Channel, no Disney DVD's. There was the odd Disney movie, maybe, I don't know, once, twice a year. There were some consumer products and some magazines. And four times a year, there'd be a Disney special on the BBC. And that was kind of it in the UK in the 1980's.

So that's good news/bad news. The good news is there's a lot of opportunity for us to grow our brand in even the more-- what would be perceived as the more developed markets. But it also provides a challenge to us in terms of how we start to build that understanding and that resonance of the Disney brand as we go from market to market to market. If you transfer over to Japan, where they'd had a very successful theme park there for 25 years, the experience is completely different. Because the ability of our guests and consumers to consume the Disney brand has been more akin to actually, say, here in California where you've had, for over 50 years now, Disneyland down in Anaheim.

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So what I'm spending a lot of my time with my team is mapping out, on a country by country basis, not only where our asset base has been, but where we believe the asset base is going. Since we're in Malibu, I often use a—I live just down the road in Pacific Palisades—and I sometimes come to watch the people, the guys surf down by Gladstone's, and sometimes, come up here and watch the people surf. And the art of surfing, not that I can do it, but I've been told, is not necessarily standing on the board, which I'm terrible at. But the positioning of yourself in the water so that you catch the break at the right time. So after you've struggled to get out there, you take-- you ride the wave into the maximum effect.

In many instances, what I'm doing, and this is a change in the way the company thinks, is I'm positioning the company in these markets for when the wave of that country starts to break. And the three factors that determine that wave for me are the growth of indisposable income—what's happening in the growth of GDP in these markets. Because if break even, you know, for people putting food in their stomach, clothes on their bodies and roofs on their head is 100, and in five years time that's going to be 100-- or, you know, next year, it's going to be 105, they've got 5 whatever it happens to be, currencies-- the currency is, to spend on entertainment—disposable income to an entertainment product. And then, the next year that goes to 110, we've just doubled the size of the market. And so we look very closely at the size of disposable income and how that maps out on a country by country by country basis.

And the second thing is the advent of technology and the growth of technology in each of these countries. It's the second key factor for us. And because—unlike the developed markets here in the US and developed markets in Western Europe,—many of these emerging markets, of course, don't have the legacy of technology. They don't have anything to undo before they take on a new technology. India's a great example with cell phones. Six years ago, five years ago, you had a one-year wait if you wanted to get a landline. Now, there's over 100 million cell phones, 140 million cell phones, in India. And they're selling at 6 to 10 million a month. And those cell phones are of a higher quality and provide better services than the cell phones we can get here in the United States. They completely leapfrogged technology. Because there's no inbuilt redundancy. You don't have to go back.

You know, you go to countries like South Africa or Russia or even China. China has more cable households than the United States. And it also has a higher grade of cable than the United States. Because when it lays cable, it can lay fiber. Korea, another great example. So technology's very, very important, particularly in the business we're in, in terms of where we're going. And then, the third instance is what's happening to the regulatory environment in terms of, you know, how easy it is for us to operate in those markets. So we build strategies across each of those criteria on a country by country basis. The other thing that we have done is we really wanted to break up what I call the siloed mentality of a traditional studio model. It's very, very important. If we're going to really act very quickly in these--

particularly, in the emerging and developing markets where technology and infrastructure and consumer choice is changing so rapidly, we're going to get left behind. New brands are emerging. We're going to get left behind.

So what we decided to do was completely break the paradigm. And three years ago, just shortly after I joined, we identified five markets. And in those five markets, we said we're going to take a completely different approach to how the Walt Disney Company works and operates. And we chose China, India, Russia, Korea and Latin America. We were already operating, to some extent, in Latin America and across the mode that I'm going to describe. But we chose those five markets because in the first three, when I joined the company, we didn't have a single employee in India. And we didn't manage a single business in China-- from within China. We managed our China business from Tokyo, from Hong Kong, from Burbank, from London, from everywhere outside of Mainland China. And in Russia, we had two people in our consumer products business sitting in a hotel room trying to run a consumer products business. And that's three and a half years ago. And that was the state of where we were.

And so in order for us to move rapidly, we needed to break convention. So what we did in those five markets was appoint managing directors for the entire country. They're almost like little Bob Iger's, mini CEOs who had complete autonomy and authority across the entire operations of the Walt Disney Company in that particular market. And we built from a blank sheet of paper-- Brian Spaulding's with me, who's my CFO. And sat down with Brian and some of our colleagues. And we went out, and we hired the individuals. And we devised strategies to completely break the paradigm. And to adapt the Walt Disney Company model organizationally to fit the dynamics of each of the markets. And I'll very briefly talk to you about, give China and India as examples of how we altered the way that we think. And changed the way, internally, that the Walt Disney Company thinks from having a studio business, a television business, a home video business, a consumer products business, Internet group business, et cetera.

So China, the media, those of you who are familiar with it, the country's very, very heavily regulated. Traditional media very, very heavily regulated. The Chinese government only allows 20 foreign language movies into the country every year. Not 20 US movies, 20 foreign language movies a year. And so that is clearly, when you look at the combined output of the US studios and then, Italian, French, UK, and other country's production that's tough going. And foreign television channels are very, very heavily restricted into the marketplace. Restricted to three-star hotels and above, delivered by satellite, very, very limited penetration. So that the traditional television business is very, very difficult to break into, and changes very rapidly, just over, I think it's now two years ago, I think, that SARFT, who are the government agency who regulates radio, film and television in China, sent out a letter banning foreign animation in prime time on Chinese television. So for companies such as ourselves or traditional media companies, that could pose a great deal of difficulties. And that's why sometimes you read of the challenges that the Time Warner's and the Viacom's have in a market like China.

Fortunately for us, we also have a very robust consumer products business, and consumer products in China—not only, from a sourcing perspective but also from a retail perspective—is very well advanced and very developed in the Chinese market. So our entire China strategy was focused and centered around our consumer products business and our retail business, and we built, in essence, a four-tier strategy to deliver our consumer products experience to consumers in a controlled and very visible and regulated way through a series of corners, what are called Disney corners, which can be where an individual licensee within a department store has an area, maybe the size of this podium, or maybe something the size of a quarter of this room. And to date, we've grown the Disney corners in China to about just shy of 5,000; 4,800, 4,900 Disney corners.

We then have stand-alone as the second tier. Stand-alone Disney branded stores. But they're not Disney stores as you see here in the US because we believe in those markets that their time has passed onto something I'll come onto very shortly. So if you go into the shopping malls in China, which have been growing at a very fast rate, you will be able to go and you'll be able to go and shop in the Disney baby store. And then, the same shopping mall down will be the Disney Princess store. And in the same shopping mall will be Disney Sports, which is like a Foot Locker, but everything's branded Disney. In fact there's a Disney Jeans store, where you go in, and you can buy Disney branded jeans. And this isn't jeans with characters and apparel on them. This is jeans with a "D" on the back pocket. And because such is the power of the brand in that marketplace, and there's a number of Disney artists. There's another specialty retail store. We have a Disney Home. So if you want home furnishings through the Disney brandage, you go to the Disney Home Store. So within a shopping mall, you have the department store, where you can go, and within a shopping mall have five, six, seven, eight Disney corners. And then, in the shopping mall, you maybe have three, four of these specialty stores.

And then, what has replaced the traditional Disney store are the big box retailers who are piling into China like nobody's business, which are your Wal-Mart's, your Carrefour's, Maestros, Tesco's, the big multinational retailers. And there, we take up and manage a great deal of shelf space for Disney branded products. Whether it's in the food categories, in the toy categories, publishing, retail, DVD's, et cetera.

And then, finally, the fourth tier in our consumer products strategy there is we have a store in Shanghai in a place called Shentandi. Which is a very upscale, trendy part of Shanghai, and it's called Dock 28, after

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1928, when Mickey was created. And that just sells high-end, limited edition Disney apparel —fashion apparel appealing to the very aspirational qualities that a lot of Chinese population have. And again, the great brand affinity that they have towards Disney and our characters. So in Shanghai, you can go into a store like Giordano, and you can buy a six, eight-dollar Mickey Mouse t-shirt. You can go into Dock 28, and you can buy a 1400-dollar Mickey Mouse t-shirt. There are not many brands in the world that have that degree of elasticity. One's made by Dolce & Gabbana, and one isn't. You can choose which one is which.

So once we built that strategy in China, we then used the other assets that we have within the company to help support our consumer products business. So we get into the way we use the Internet, the way we use mobile phone services, which, again, is an interesting way of connecting with our Chinese consumers. The way we can use television and work with CCTV, so we introduced into China recently The Magical World of Disney. Those of you who grew up here, on a Sunday night, watching *The Wonderful World of Disney*. And, you know, it goes back to that's how Walt introduced Disney to the great American public —where he'd get up, and he'd introduce, you know, something, you know, either, a movie or a television program, nature programs. And, you know, that's how he introduced them to Walt Disney World and Disneyland. And so we're doing a similar type of experience in China. We also opened a park in Hong Kong two years ago, as a way of just developing the other businesses to support, you know, what is going to be-- which, at the moment, is called a consumer products business.

Flip over to India: India is dominated by movies and television so it's the complete inverse. And this is why you can never go on vacation to "international." Because it's the complete inverse to China. So there, everyone devours-- 97 percent of all the movies watched in India are local indigenous movies, known as Bollywood movies where there are, you know, some of them are in Tamil and different languages, but they're indigenous movies. And they literally devoured this, some three, four thousand-- there was 3,062 Bollywood movies made last year, which is quite a lot by anyone's nature. So there's that and then, there's television: 100 million television households, cable in about 60 million of the households. And those two media really dominate entertainment. There is nothing else, really outside of going to the movies and watching television, or watching cricket, there's nothing else to do in India. There really isn't anything else to do, at all, if you're a family. There's no other form of recreational experience available, on any sort of scale.

So there, and conversely, very immature and fragmented retail space. Up until very recently, there was a ban on foreign direct investment in the retail space. So the Carrefour's and the Wal-mart's of the world couldn't get in. And now, they're starting to get in, but only through joint venture. And there's been a very slow roll out of the shopping mall and organized retail infrastructure. The landscape is dominated by mom-and-pop shops, dispersed over a very, very wide geographical area. So the strategy that worked in China is actually not going to be, clearly, the strategy that works in India.

So there it's all about, so how does Disney play in the movie space? And how does Disney play in the television space? So we did a couple of things. One, we introduced, three years ago come this December now, a Disney Channel and Tune Disney. And we put it not only in English and Hindi, but also in Tamil and Telegu, I think, were the four languages we have the channels in. And just over 12 months ago, we acquired the leading local Indian kid's channel, a channel called Hungarma, to give us a three-channel portfolio of television products. And I'll talk a little at the end about local content.

But the need to take Disney and localize it is very, very important as we enter these markets. And then, what we've been doing is spending a lot of time working on how does Disney play Bollywood? How does Disney fit into the Bollywood landscape? The easiest thing to do, but the wrong thing to do, would be to go along and just slap our name on a load of movies. And just say, "Well, there it is. It's a Disney movie." Now, the harder thing to do and the tact that we-- or strategy we're following is how do we create the niche within the Bollywood movie-going genre that clearly identifies Disney and a genre of movies on an ongoing basis. So that in a decade's time, I want an Indian family to say, "Hey, let's go watch a Disney movie," just as an American family says, "He, let's go watch a Disney movie." And they're not going to watch *Pirates of the Caribbean 8*.

They're going to go watch a movie that's being produced for them locally. And it has the same sort of emotional resonance and the same sort of relevance that a Disney movie here does in the United States. And so we partnered with a company called Yash Raj Films and they're currently finishing the production, and coming to the end of production, of the first animated movie. Because the other thing there hasn't been a lot of in India is animated features. A lot of the Bollywood movies are live action movies. And we're going to do live action movies, as well. And we're going to start with a movie called *Roadside Romeo*. Which is going to be-- it's based on an Indian tale. And it's going to be 100 percent produced Disney branded feature animation in Hindi and in Tamil, for the Indian market. We just did one in China, I neglected to say, as well, which is a way of getting around the 20 film in position, called *The Secret of the Magic Gourd*, which was based on a very, very popular children's book in China. It did very, very well. Very successfully, just won last week, the week before last, the equivalent to the Chinese Oscars for the best animated movie, for best kids movie. And every year, the Chinese government nominates three movies that it recommends to elementary school children to schools for their children to watch. And see that *The Magic Gourd* was fortunate enough to be nominated one of those movies.

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So having the Disney brand in front of the movie, creating an indigenous language product, is going to be very, very important as we play this game. So hopefully, that gives you a snapshot of how we develop our strategies. And we developed our organizations to reflect those different strategies on a country by country basis. And moved away from this export mentality to one that is much more locally focused. I say, and this is where the local content piece comes in, very, very important, you know, we currently have the Disney Channel India or the Disney Channel China. What we need to do is create the Indian Disney Channel, the Walt Disney Company India or the Walt Disney Company China. What we need to do is create the Indian Walt Disney Company or the Chinese Walt Disney Company.

And that's a subtle, but very important difference, to go from a company that has an export mentality to a company that is really going to make a series and products and brands that have the same emotional resonance to the population of these markets as it does here in the United States. And that's going to take time. And it's going to take a lot of patience. And a lot of what I do is thinking 10, 15, 20 years down the road, as I was talking about earlier, to see where we need to be. And I thought, because probably, I've bored you into submission, talking for too long-- and leave you with a little clip that illustrates some of what we're trying to do. And it's a clip from *High School Musical*, which some of you can even admit to have watched.

Dean Linda Livingstone: Many, many times.

Andy Bird: Many times. Especially, if you're fortunate to have girls. It's a little movie that was made for under 5 million dollars that's gone on-- last year, it's produced 100 million dollars of operating income for the company. It's been very successfully globally. It's again, about-- it's a movie, for those of you who haven't seen it or aware about it, it's very much centered in a high school, but also, around basketball.

Basketball in India is not that big of sport, compared to cricket. And in fact, no sport is a very big sport in India compared to cricket. And so we were set with the challenge of how to induce the franchise into the Indian culture. Because what we want to do, is ultimately we want to make an Indian *High School Musical*. As we're starting to do in Latin America. We're currently in the throes of producing local versions of *High School Musical*. And not only are we going to produce the Latin American version of *High School Musical* in Argentina, in Mexico and in Brazil. But we're in the midst of American Idol type television series, to find the stars in each of those countries who are going to play Troy and Gabriella, in their respective countries.

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And so we're working out how we take even the American franchises, that IP that used to be solely the preserve of the people here in Burbank, because you had the Disney name on it. And allowing, in the space of just three years, to get to a stage where we can create and take that idea. And create not only local and original content, but take local franchises and adapt them to the local market sensibility. So I thought I'd leave you with a little taste.

This is a promo to try and introduce the audience, the kids in India, to the concept of the American *High School Musical* 2. But to try and bridge that gap between the American references to *High School Musical 2* and the great Indian culture. So if I go over here and press this button, hopefully, it will all work. Okay. I put a picture, and it's working here. It's not working there. Oh, there we go.

End

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