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## Disney's Retail Plan Is a Theme Park in Its Stores

By BROOKS BARNES

LOS ANGELES—The Walt Disney Company, with the help of Steven P. Jobs and his retailing team at Apple, intends to drastically overhaul its approach to the shopping mall.

At a time when many retailers are still cutting back or approaching strategic shifts with extreme caution, Disney is going the other way, getting more aggressive and putting into motion an expensive and ambitious floor-to-ceiling reboot of its 340 stores in the United States and Europe—as well as opening new ones, including a potential flagship in Times Square.

Disney Stores, which the media giant is considering rebranding Imagination Park, will become more akin to cozy entertainment hubs. The chain's traditional approach of displaying row after row of toys and apparel geared to Disney franchises will be given a high-tech makeover and incorporated into a new array of recreational activities. The goal is to make children clamor to visit the stores and stay longer, perhaps bolstering sales as a result. Over the next five years, analysts estimate that Disney will spend about \$1 million a store to redecorate, reorganize and install interactive technology.

"The world does not need another place to sell Disney merchandise—this only works if it's an experience," said Jim Fielding, president of Disney Stores Worldwide. The company plans to unveil the new look in May in Southern California, Long Island and Madrid, and is close to signing a lease for that Times Square flagship.

Theaters will allow children to watch film clips of their own selection, participate in karaoke contests or chat live with Disney Channel stars via satellite. Computer chips embedded in packaging will activate hidden features. Walk by a "magic mirror" while holding a Princess tiara, for instance, and Cinderella might appear and say something to you.

It's your birthday? With the push of a button, eight 13-foot-tall Lucite trees will crackle with video-projected fireworks and sound. There will be a scent component; if a clip from Disney's coming "A Christmas Carol" is playing in the theater, the whole store might suddenly be made to smell like a Christmas tree.

The makeover happened only after much internal debate at the company. Indeed, some Disney board members fretted that the concept was so lavish that parents would try to use the stores as day care centers. Others worried that people would come for the entertainment but not buy anything.

"It's time to take risks," Mr. Fielding said he told them. "When consumers are ready to spend again, we will be ready."

The involvement of Mr. Jobs, the Apple chief executive who joined the Disney board with the 2006 acquisition of Pixar, is particularly notable. For the first time, Mr. Jobs's fingerprints can be seen on Disney strategy, in the same way that he influenced the look and feel of Apple's own immensely popular retail chain. While Mr. Jobs did not personally toil on the Imagination Park

concept, he pushed Disney to move far past a refurbishment.

"Dream bigger—that was Steve's message," said Andy Mooney, chairman of Disney Consumer Products.

Mr. Jobs provided access to proprietary information about the development and operation of Apple's highly successful stores, and Disney executives visited Apple's research operation in Cupertino, Calif. Mr. Jobs, who declined to comment, also insisted that Disney build a prototype store to work out kinks, a costly endeavor that most retailers skip.

The company followed his advice, working for the last year on a full-scale, fully stocked store inside an unmarked warehouse in Glendale, Calif. The prototype was crucial to shaping an overall philosophy, Mr. Fielding said, noting that he discovered the shops needed more "Pixar-esque winks and nods." To that end, one sales area is now labeled "WWTD: What Would Tinker Bell Do?"

Disney will adopt Apple touches like mobile checkout (employees will carry miniature receipt printers in their aprons) and the emphasis on community (Disney's theater idea is an extension of Apple's lecture spaces). The focus on interactivity—parents will be able to book a Disney Cruise on touch-screen kiosks while their children play—reflects an Apple hallmark. Employees can use iPhones to control those high-tech trees.

Disney is a merchandising titan whose licensed consumer products generated \$30

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billion in global sales last year, up from \$12 billion when Mr. Mooney joined the company a decade ago. But Apple is king of the mall. Its fleet of stores generated sales of about \$4,700 a square foot in 2008, by far the highest for any retail chain, said Charlie Wolf, an analyst at Needham & Company. In comparison, Best Buy's sales are about \$1,000 a square foot.

The Disney board approved the Imagination Park concept on Oct. 1 after touring the prototype and receiving hand-made books from Mr. Fielding that pitched the concept as "the best 30 minutes of a child's day." Now Disney is bringing in landlords, trying to pit them against one another to secure top-tier locations and favorable leases.

"We will essentially be the only toy retailer left at the mall because everybody else has evaporated," Mr. Mooney said. Mr. Fielding added, "Every mall in America is desperate for newness and freshness."

The Disney Store chain, introduced in 1987, was initially so successful that the company overexpanded to more than 600 locations. Buffalo alone had five. But consumers overdosed on the animated-character merchandise and by 2002 the chain was losing about \$100 million a year.

Judging the upkeep too burdensome and focusing on the safer licensing business, Disney sold the chain to Children's Place Retail Stores in 2004.

But Children's Place failed to meet contractual renovation obligations and consumers complained of poor service, Mr. Fielding said. The vaunted Disney brand was in peril. "Let's face facts," he said, "some of those stores looked like a dog's breakfast."

In March 2008, Disney bought back part of the chain on undisclosed terms and the remaining stores, about 100 of them, were closed. A spokeswoman for Children's Place declined to comment.

Dressing up a toy store with entertainment is hardly new. F.A.O. Schwarz has its famous floor piano, Toys "R" Us operates a Ferris wheel inside its Times Square outpost and American Girl jazzes up its retail outlets with theaters and doll hair salons. But the emphasis on programming—via the theaters, Disney is essentially creating a mall-based television channel—and the degree to which the media giant is pouring on the razzle-dazzle in every store is unusual.

The nation's largest mall operator, Simon Property Group, however, said Disney might be overly optimistic about how far landlords will bend. "No one comes in here and dictates terms," said Bruce Tobin, a Simon executive vice president.

That said, however, Mr. Tobin had pinwheels in his eyes after touring the prototype. "It's truly spectacular—beyond our imagination," he said. "These are going to be true destinations."

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