To what extent has the launch of Disney+ allowed Disney to successfully penetrate the online streaming service market from 2019 to 2022?

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Introduction

The Walt Disney Company, known as Disney, is an American multinational mass media conglomerate. Their mission to "entertain, inform and inspire people around the globe through the power of unparalleled storytelling" (The Walt Disney Company) is explored through a wide and multidivisional breadth of operations, ranging from theme parks and entertainment studios to merchandise and resorts.

In November 2019, the organization launched 'Disney+' - their online streaming service that provides viewers access to content from their Studios Content Group and exclusive Disney+ original content (Fiscal). In doing so, Disney initiated a growth strategy encompassing the penetration of the profitable but highly competitive streaming market.

Table 1. Ansoff Matrix

<table>
<tr><td colspan="2"></td><td colspan="2">Products</td></tr>
<tr><td colspan="2"></td><td>Existing</td><td>New</td></tr>
<tr><td rowspan="2">Markets</td><td>Existing</td><td>Market Penetration</td><td>Product Development</td></tr>
<tr><td>New</td><td>Market Development</td><td>Diversification</td></tr>
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The organization's Disney Media and Entertainment Distribution (DMED) segment oversees the company's international business units and various direct-to-consumer (DTC) streaming services, including ESPN+ and Hulu before the launch of Disney+. This classifies the launch of Disney+ as a low-risk organic growth strategy that falls under market penetration (see table 1). This is because Disney was promoting their existing products and content to a market where they had pre-existing experience and presence. Hence, the firm could increase their market share and gain market dominance in a highly competitive sector.

However, despite their presence in the market, Disney+ represents Disney's first non-acquired streaming platform and would go on to stream exclusive Disney+ content. Since they are adding this new service and new content to their existing portfolio, the launch of Disney+ can also be classified as product development (see table 1). This is a medium to low-risk internal growth strategy, and, despite their prior experience, several internal and external factors can influence the OTT platform's success. Hence, a critical evaluation of this growth strategy's success in penetrating the online streaming market is essential. The following supporting documents are used:

- News Publication Article (NYT)
- Digital Consulting Service Report (Indigo9Digital)
- Business Publication Article (Forbes)
- Disney Annual Financial Report – Fiscal Year 2020

Analysis of Operational Environment

The 5C analysis is a marketing framework that will holistically analyze the environment in which the launch of Disney+ took place; this will be combined with disciplines from Porter's 5 Force Model to assess Disney's critical drivers of success and risk exposure.

Table 2. 5C Analysis

Company	- Strong brand name, can leverage brand equity to enter new markets - Large customer base
Collaborators	- Local expertise gained from acquiring Star India's parent company - Strategic alliance with Verizon to attract more customers
Customers	- Primary customer segment is families and children - Market oriented approach - High threat of substitutes and low switching cost
Competitors	- Biggest competitor, Netflix, is a very experienced market leader - Risk-bearing economies of scale offer a strategic advantage - Rapid growth of market share in global streaming
Context	- COVID-19 pandemic lockdown increased popularity of streaming services

Company

Disney's pro-innovative culture promotes strategic risks, like penetrating a market with well-established market leaders. However, as a multinational conglomerate, they have established a strong brand name and built a large loyal customer base; thereby allowing them to leverage their brand’s equity when introducing the new platform into the market. Though they were marketing a digital service, Disney strongly emphasized in-person marketing at their parks and resorts where customers could try out the platform (McKinnon). Additionally, the Disney+ marketing campaign began at the annual D23 expo, a yearly Disney fan event where an exclusive 33% discount was offered (McKinnon); this demonstrates how the company used a sales promotion penetration strategy to attract customers and boost initial sales of the streaming platform. Other promotional strategies were employed when announcing that new projects like ‘Frozen 2’ would be exclusively available on Disney+ before the official release dates, offering additional incentives for fans of the popular franchises to purchase a subscription. Such methods attracted nearly 50 million subscribers in only the first five months (McKinnon). On the other hand, the company faced “peak losses” in Q3 of 2022 (Barnes) due to the higher production, marketing, and technology costs associated with Disney+. However, they remedied these losses by increasing the price of monthly subscriptions to the ad-free version of Disney+ (Barnes).

Collaborators

Understanding their customers' local preferences is crucial for success as an international multinational. Following their acquisition of 21st Century Fox, Star India's Hotstar was integrated with Disney+ as 'Disney+ Hotstar' (Fiscal). This collaboration through inorganic growth allows Disney to benefit from synergies and competitive advantage by exploiting Hotstar's local knowledge and reputation, allowing them to assume a dominant position in the South Asian Region. Another beneficial collaboration was their strategic alliance with Verizon, an American telecommunications conglomerate, to offer eligible Verizon subscribers one year of free access to Disney+ (McKinnon). Once again, this exemplifies how exclusive sales promotions were utilized to attract customers.

Customers

Disney's primary customer segment is families with children; hence, adding features such as Kid Profiles and creating up to 7 profiles operating on ten different devices ("Disney+ Launches") allows the organization to use demographic segmentation to address the needs and wants of their target audience. This market-oriented outward-looking approach reveals that Disney's organizational culture prioritizes customers as the business's key stakeholders, allowing Disney+ to secure a competitive position in the market. Retaining customers and strengthening brand loyalty are imperative to the success of Disney+, especially considering the many available streaming service options. This means that the threat of substitutes is very high as consumers' psychological switching cost is relatively low, so offering innovative features and a surplus of exclusive content provides Disney+ with a unique selling point that increases preference for their service over available substitutes.

Competitors

When discussing competitors, disciplines from Porter's five force model can be employed to evaluate the competitive landscape of the streaming industry. With a few organizations dominating the market and significant barriers to entry, the streaming market can be classified as an oligopoly. Hence, the high substitute availability and low switching cost increase the bargaining power of buyers; consequently, the competitive rivalry within the market rises. The current market leader, and Disney's most significant competitor, is Netflix – a multinational organization that arguably pioneered online streaming services. However, Disney+ has proven itself as a powerful competitor to Netflix by reaching 100 million subscribers in the first 16 months of operation – a milestone that took Netflix 10 years to achieve (Trainer). Disney+ has amassed such rapid user growth that it increased its market share of global streaming subscriptions from 7% following the platform's launch in 2019 to 13% in 2020 (Trainer) and 18% in 2021(Barnes). These figures suggest that the presence of well-established popular competitors like Netflix does not hinder Disney's growth in the streaming market. Furthermore, it demonstrates the success of Disney's penetration strategies and marketing techniques.

Moreover, unlike Netflix, Disney's profitability is not solely dependent on revenue generated from streaming due to its diversified product portfolio and multiple revenue streams (Trainer). This offers them risk-bearing economies of scale, allowing them to operate Disney+ at a lower, more competitive price without compromising its overall profitability. It is also important to note that market leader Netflix has lost legal rights to stream some of its most popular content because production companies like Disney, Warner Bros, and Paramount are starting their own streaming platforms (Trainer). Consequently, Netflix has had to shift focus to creating original content, which is very expensive and may be unsustainable in the long term considering the company can only monetize through one channel (Trainer). This offers Disney a strategic advantage over its biggest competition by being at a lower risk of experiencing long-term liquidity issues to remain competitively operational.

Context

The launch of Disney+ coincided with global quarantine policies implemented to prevent the spread of the COVID-19 virus. This health emergency had a prolonged impact on people's lifestyles; consequently, it influenced consumer behavior and business activity. Due to the severity of the pandemic and per health and safety regulations, all non-essential services were shut down; this included cinemas, theme parks, and resorts – some of Disney's most valuable revenue streams (Trainer). Millions of people could not leave their homes, which increased the popularity of online streaming services worldwide, creating the perfect opportunity and environment for Disney to introduce their own OTT platform. The shift from physical content sales to e-commerce through digitalization shows Disney's ability to respond appropriately to changes in the external environment. Additionally, this strategic timing ultimately benefited Disney because there was an increased customer base within the streaming market that could be persuaded to purchase Disney+.

Conclusion

As per the above analysis, Disney's decision to launch their streaming platform, Disney+, was an organic growth strategy that falls under market penetration and product development due to the organization's nuanced operating background and the product's duality in offering both previously existing and new exclusive content. The extent of success of their attempt to penetrate the online streaming service market was controlled by the operational environment in which the launch took place in 2019, as this impacted how the project was perceived and received by consumers.

Despite incurring higher costs for the conglomerate during a period of revenue shortage due to the pandemic placing limitations upon revenue streams such as Disney's parks and resorts, the launch of Disney+ can still be deemed a successful penetration of the streaming service. The firm was able to leverage the pandemic-led changes in consumer behavior, their brand image and large customer base, and the local expertise and synergies from their collaborators and strategic partners to appeal to their targetted customer segment of families and children. Moreover, using sales promotion penetration strategies such as exclusive discounts and competitive pricing boosted the initial sales of the streaming platform. This all contributed to allowing Disney to gain strategic advantages over the market leader Netflix and build a stronger

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