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Professor Mark Luttmann 2/17/23 MGMT 498

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Executive Summary

The Mickey Mouse Clubhouse's paper provides an in depth view on Disney Company's current position in the entertainment industry and how they compete effectively to retain their current customers and gain newer customers. Starting with the pestle analysis for the organization which illustrates the dimensions of the entertainment industry's macro environment as it affects the entire industry. These dimensions are business tools that include political, economic, social, technological, legal, and environmental factors.

Furthermore, during the process of analyzing Disney's competitive forces (Porter's five forces), we came to a few conclusions. The rivalry among existing competitors in the entertainment industry is high. The competition is quite fierce and seems to possess high barriers to exit.

In the entertainment industry, it is difficult to compete against established companies. The more established brands have the backings of their ever-loyal customers and their gigantic resources. The threat of new entrants into the industry is therefore low.

The bargaining power of suppliers is low due to the amount of power the big companies have.

We concluded that the bargaining power of buyers is moderate. This is pulled both ways because of two reasons; there are many choices for the customers and there are many loyal customers who stay loyal to their favorite brands.

The threat of substitutes is high because there are numerous alternatives alongside the fact that the cost of choosing these alternatives is cheap or totally free.

Disney's major strengths include its brand recognition, smart acquisitions, integrated branches, and content variety. The company's weaknesses are frequent management changes, merchandise planning, risky movie investments, and expensive products & experiences. The option for opportunities is through international expansion, social media, and video games. While the company faces threats from competition, piracy, weather dependency, and covid-19.

In addition, we recommended some competitive strategies for Disney to follow. Through maintaining competitive prices, they will be able to keep their current fan base with the possibility of gaining more. The future of the entertainment industry belongs to the company that is able to offer more content for the cheapest price. Also, the introduction of Meta Verse brought along the opportunities to expand in the virtual-reality space. Although the company had previously made an effort to create a metaverse, they need to speed up the process so they do not get left behind.

Lastly, the key resources that we developed (based on our recommended strategies) includes using Disney plus as a loss leader for the organization, forming partnership with game console giants, and the establishment of more Disney theme parks around the world. These resources will help Disney to compete effectively in the entertainment industry.

PESTLE Analysis

Industry: Entertainment					
THE WALT DISNEY COMPANY					
Political	Economic	Social	Technological	Legal	Environmental
Shifting trade policies (Merchandise trade)	Inflation rate	Demographics and skill level of population	Recent technological developments	Anti-trust law in Entertainment	Weather and climate changes
Intellectual property protection	Exchange rates & stability of host country currency	The class structure and power structure of the society	Technology's impact on product offering	Discrimination law	Pollution regulating laws
Political conditions in major markets	Supply and demand in Entertainment	Product preferences/flavors	Technology's impact on cost structure and value chain structure	Copyright, patents / Intellectual property law	Recycling/Waste management
Bureaucracy and interference in Entertainment	Infrastructure quality in Entertainment	Cultural differences in various countries	Rate of technological diffusion	Consumer protection and e-commerce	Attitude towards ecological products and services
Level of corruption	Skill level of workforce	Consumer attitudes toward Disney		Employment laws	Attitude towards renewable energy
Anti-trust laws related to Entertainment	Type of economic system in countries of operation	Social responsibility		Health and safety laws	
Pricing regulations	Efficiency of financial markets	Leisure interests		Data protection laws	
Taxation	Labor costs and productivity				
Product labeling and other requirements	Economic growth rate for entertainment				
Wage and employment regulations	Business cycle stage (currently in recession)				
Industrial safety regulations	Interest rates				
	Unemployment rate				
	Discretionary income				

Porter's Five Forces
Industry: Entertainment & Media

Rivalry Among Existing Competitors	**HIGH** *Differentiation*: Mild differentiation between competitor offerings. *Competition:* Many big established entertainment companies. High barriers to exit/high sunk cost if companies cannot compete leading to fierce competition. *Branch of Market is in Decline:* Major cash flow is weakening (consumer preference shift away from traditional movies, cable TV) increasing competition in other branches such as direct to consumer streaming services
Bargaining Power of Suppliers	**LOW** *Supplier Availability:* Supplies and skills shortage because of the pandemic and supply chain disruption present but has *not* led to the intense concentration of supplier that would provide suppliers with more bargaining power. *Company Bargaining Power:* Big companies with more power can push for longer more favorable contracts and reach economies of scale with certain supplies
Bargaining Power of Buyers	**MODERATE** *Buyer Options:* Many choices for customers e.g., Netflix, Six Flags etc.. . *Loyalty*: Customer loyalty is strong for certain IPs such as *Star Wars* and *Marvel.* Subset/segment of customers who adamantly support Disney (Disney Adults)
Threat of Substitutes	**HIGH** *Availability of Alternatives:* Many alternatives include companies offering streaming services and movies, amusement parks, and notably video games (a popular hobby for Gen-Z) *Pricing:* The cost of switching to an alternative company or service is relatively low. In addition, some substitutes, such as social media like TikTok and YouTube, are free as are some streaming services like PlutoTV, Roku Channel, and Tubi
Threat of New Entrants	**LOW** *Success of Some*: Amazon Studios, A24, and other indie film companies in addition to Indie video game companies *Barriers to Entry*: Distribution of products such as films is easier due to internet access and phone cameras, however, to produce high-quality films that would threaten major companies the costs of production are high *Difficult to compete against established companies:* Bigger companies have economies of scale, expertise, strong reputations and have garnered brand loyalty

Evaluation of the External Environment (PESTLE & 5 Force Analysis Discussion)

Based on our PESTLE analysis of the entertainment industry:

With Disney being such a vast company, there are a variety of external factors (Political, Economic, Social, Technological and Environmental) that affect each branch of the company.

Since Walt Disney Company is in the entertainment business, the political factors that affect the merchandise trade and access to entertainment, are macro-environmental. Disney's global business is affected by intellectual property policies. In the media, entertainment and amusement park industry, there are stronger intellectual property protection, shift of trade policies and stable political conditions in major markets that could affect Disney.

The Walt Disney Company's economic success depends on a lot of external factors, for example, a major part of the revenue comes from Disney's amusement parks and resorts in the U.S. Other factors that show the company's success is dependent on developing markets and their rapid economic development, as well as the inflation rate and in what stage of business cycle the economy currently is.

The social factors which majorly affect the Walt Disney company are the behavior of their customers and skill level of their employees. Customers' behaviors are shown in their attitudes towards the products like movies, TV programs and amusement parks. The Company needs to build strategies to manage their customer attitudes and work according to their expectations. The increasing interest of the people in leisure activities and recreation products as well as the increasing cultural diversity is also helping the company from the social standpoint.

As for the technological factors, digital technologies play a major role in enabling the company to produce films and become a part of the international industry as well. Disney's use of advanced Computer-Generated Imaging (CGI) has helped them to provide better and more competitive products. Even the use of mobile devices and the availability of games as well as other technologies is important for their success.

The rules and regulations that pertain to the working of the Walt Disney Company are the biggest legal factors. For the most part, the regulations of the U.S. and European market for the mass media and the entertainment industries are the strategic influences for the rules to be followed by the Walt Disney Company. However, some of the limits and laws implied are the environment protection laws, which play role in Disney's resort and theme parks operations. In addition, the intellectual property protections which give them licensing for the movies is another limit they must follow.

The most important environmental factors include the operation of Disney's resorts, theme parks and cruises. The resource availability as well as the changing and worsening climate is becoming a big concern for the company. In addition, the increase in the availability of renewable energy is becoming a significant influence. In a remote environment, the use of renewable energy is important for a company to function.

Based on our analysis of the entertainment industry using Porter's 5 Forces Framework:

The availability of substitutes and intense rivalry between existing competitors are the two strongest market forces in the entertainment industry. Walt Disney Company currently enjoys the advantage of its brand name and reputation within the entertainment industry. Consumers expect Disney movies to be of a certain caliber. However, with the saturation of the entertainment industry and the decline of traditional TV and movies, Disney will need to refocus to remain profitable with less revenue from ad sales and ticket sales. Simultaneously, the company will have to uphold the standard of quality consumers expect. The company has an opportunity to achieve further differentiation through customer experience in addition to mindfulness in price and content.

In the Parks & Experiences division, upkeep of Disney resorts will be important to keep people coming despite recession. Customers may be more inclined to opt for a cheaper method of entertainment. Disney parks are not cheap, so the Company will want to make sure the experience at the parks is as valuable as the price of admission. The company can also explore new avenues of value adding. For example, park goers spend a considerable amount of time in line waiting for rides. Perhaps the Disney+ app can have a feature that integrates with the ride such as an exclusive movie scene or interactive mini game.

The Media & Entertainment Distribution division may struggle to maintain profits as consumer preference shifts away from traditional television and movie theaters. As rivalry within the entertainment industry intensifies, Walt Disney will need to stand out in the eyes of consumers. Although the Disney+ content library is limited compared to the library of Netflix, the quality of Disney content is perceived as timeless and benefits from nostalgia. The company has an opportunity to combine its library of familiar favorites with new technologies such as deep-learning AI to provide a customized experience to each user. Testing new technologies may also allow the company to provide the interface of its streaming services with a uniquely magical feel.

SWOT Analysis	
Strength	Weakness
• Brand Recognition • Smart Acquisitions • Integrated branches • Content Variety	• Risky Movie Investments • Merchandise Planning • Frequent Management Changes • Expensive Products and Experiences
Opportunity	Threat
• International Expansion • Video games • Social Media	• Piracy • Competition • Weather Dependency • Covid-19

Strength:

Brand Recognition

The Walt Disney Company brand has existed since 1913 and is renowned globally as a family entertainment provider. Its name and logo are known to almost everyone around the world. This strength is basically drawn from the company's objective to be the world's leading entertainment provider, differentiating its products and services from the competitors'.

Acquisitions

Walt Disney is one of the largest media and entertainment companies in the world and is perhaps best known for the Walt Disney Studios, its film division including Marvel, Pixar, Lucasfilm, and other production firms. The company's portfolio also includes TV networks such as ESPN, Freeform, and ABC. The company has extensive customer reach through all these brands and can differentiate themselves by relating to a wide audience of customer values.

Content Variety

Disney is known to appeal to all ages and provide content for everyone. It has notable content for children, teens, and adults. Disney has had success with its original content and in acquiring a diverse amount of content as well. One of its more notable acquisitions is the purchase of the rights to Marvel Universe in 2009.

Weakness:

Large Movie Budgets

Unsuccessful big budget movies are risky for Disney's potential growth. Some examples include Strange World (2022), Mulan (2020), and The Lone Ranger (2013) which cost Disney hundreds of millions of dollars of potential revenue because of their unexpected low views. Film operations account for 12% of Disney's total revenue, therefore if any large-scale film production flops are a definite weakness to the company.

Merchandise Planning

Disney spends a lot on their merchandise and the demand for these products varies with market conditions. Therefore, the company needs to plan its manufacturing unit perfectly based on the demand obtained from market research. One example would be the manufacturing of merchandise for *Encanto* (2021) where Disney produced a larger supply of Mirabel and Isabela merchandise, however they did not anticipate the demand for characters like Luisa and Bruno.

Frequently Changing Management

The Walt Disney Company has changed CEO twice in the past 3 years. Robert Iger had a 15-year run as CEO executive before Bob Chapek took over in 2020. Iger moved into the role of executive chairman to help Chapek during the transition before retiring at the end of 2021. Chapek guided Disney through the pandemic, but ultimately the company decided that its future was in better hands with Iger. He is not expected to remain CEO instead he will serve as CEO for two years in order to groom his successor.

Opportunity:

International Expansion

Disney has a very strong loyal fan base within the United States, however, it only added 100,000 domestic subscribers in the period, out of the 12 million acquired overall. Therefore, there is an opportunity for the company growth to expand and develop in foreign markets. The company should consider expanding into other countries. As of May 2020, Disney+ had attained over 164.2 million subscribers worldwide and $21.5 billion in total revenue. If Disney focuses on expanding Disney+ into developed and emerging markets.

Video Games

Currently, Disney has an untapped market in the video game industry. They choose to license out their characters for other video game publishers to use. In 2016 Disney closed down their 6 game development businesses and opted for a licensing model. However, after its success with the Marvel Universe it may be time to consider self-publishing games.

Threat:

Competition

The threats for Disney in the Recreation and Parks industry are that it has very high competition from companies such as Six Flags, Universal Studio, Treasure Island. It also is a late adopter of streaming services relative to other companies who began their businesses focused solely on streaming. Netflix and Amazon are long-established players in this industry that Disney will find difficult to compete with.

Piracy

Most media companies have to deal with the threat of piracy since people look for cheaper or free alternative ways to stream media. During the pandemic, piracy sites saw a prominent spike in viewers as people were on lockdown. This combined with the shutdown of theaters was a major threat to Disney+ and streaming services overall.

Recommended Competitive Strategy

After taking into consideration Disney's strengths, weaknesses, and the impact Porter's Five Forces have on the company, the recommended competitive strategy is to continue differentiating their products and services. One thing that Disney is currently trying to get ahead in the creation of Meta Verse. This looks to be the next big thing as other media giants are also moving towards creating their own metaverse. Facebook is one of those companies who are seriously investing into the metaverse with even recently changing their name to Meta. The second recommendation is implementing a low-cost strategy. Currently, 56% of Americans are subscribed to cable TV, while 78% of U.S. households have subscriptions to a streaming service such as Disney+. The average cost of cable TV per month is around $60, whereas the average cost of having a streaming service is $12 per month. Over the last couple of years, major US cable TV has lost 25 million subscribers since 2012 and are projected to lose another 25 million by 2025. If Disney+ continues their low subscription cost, it would maintain its competitiveness in the streaming service market.

Competitive Prices

One strategy Disney+ can implement is to price their subscription service far lower than Netflix and other competing streaming services. This will allow the company to maintain its current subscribers and gain new ones. Maintaining lower prices than other competing streaming services would make the cost to switch to Disney+ relatively low. We have seen price increases by streaming leaders such as Netflix in the past year and how this has negatively affected their subscriber counts. During the first two quarters of 2022, Netflix lost over one million subscribers after announcing a price increase in January and beginning to implement it in March. So, for instance, someone who sees the price increase for Netflix might look for a lower-priced service. They could also notice they can bundle Disney+, Hulu and ESPN+ for less than the price of their HD Netflix subscription and decide to subscribe to Disney.

Disney META Verse

Another strategy that has been gaining traction in Disney is the creation of a Metaverse. A metaverse is a virtual-reality space in which users can interact with a computer-generated environment and other users. Disney has already made efforts to begin the establishment of a Metaverse by hiring "metaverse executive," Mike White. This strategy would incorporate well with Disney because they have both the digital component with their streaming service, Disney+, and they have the physical aspect with their numerous parks. One thing that Disney is doing differently from other companies trying to compete in creating a metaverse is not only focusing on creating a VR, virtual reality, or AR, augmented reality space. For Disney, creating a metaverse means integrating all the services they provide in order to create an immersive experience for their customers. This would include enhancing their cross advertising among their different services, which is something they already excel at.

Key Resources for Disney to Compete

In accordance with the recommended strategies stated above, Disney can utilize some key resources for them to be able to compete effectively in the entertainment industry. First, they need to use their streaming platform (specifically Disney plus) as a loss-leader for their other businesses. With streaming prices on an increasing slope, Disney can ensure that their streaming platform is the most affordable to consumers. This action will attract new customers to the brand, while keeping their current customers.

Another key resource for Disney to compete effectively in the entertainment industry is the creation of more Disney theme parks in other places around the world, especially in the most populated cities or countries. Currently, Disney parks are located in four countries on three continents. There are six parks in the United States, two parks in France, two parks in China, and two parks in Japan. This is not enough considering the global presence of Walt Disney's company. They can potentially extend the excitement that Disney offers to places like India, Australia, Lagos, Dubai, Brazil, etc. There are potential theme park markets that are waiting to be tapped in these places, especially by lifelong Disney lovers.

Moreover, through partnerships with console giants such as Sony, Microsoft, or Nintendo, Disney can develop video games based on their film characters and based on their theme parks. Not only will this action attract new customers to the company, but it will also rekindle the love that their lifelong followers have for the brand. Disney has more than enough characters to create elite video games based on. On this list are the likes of Aladdin, Cinderella, Pinocchio, Snow White, Tarzan, Coco, Simba, Mickey Mouse, Marvel characters, etc.

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