

A successful global strategy



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Executive Summary:

This Report outlines how Walt Disney did successfully in global strategy. We found that the root issues include the need to expand into new markets and/or industries. We used a Porter's Five Forces analysis to develop the alternatives. The alternatives that we proposed were to expand globally and enter the China market. We analysed how the alternatives fit with Disney's corporate culture if the alternative would provide a competitive advantage. Upon the completion of our analysis, we recommend that Disney should expand globally in order to capitalise on unrealised markets in order to alleviate its root issues.

1. Introduction

The Walt Disney Company, also known simply as Disney, is the largest media and entertainment conglomerate in the world. (<http://money.cnn.com>) The Walt Disney Company, together with its subsidiaries and affiliates, is a leading diversified international family entertainment and media enterprise with four business segments: Media Networks, which includes the company's television and Internet operations; Parks and Resorts that featuring the company's theme parks, cruise line, and other travel-related assets; Studio Entertainment, which includes the company's film, recording label, and theatrical divisions; and Consumer Products, which produces toys, clothing, and other merchandising based upon Disney-owned properties.

(<http://corporate.disney.go.com>)

A strategic analysis of The Walt Disney Company will be conducted to explore the globalisation aspects of strategy within the organisation.

Relevant theoretical frameworks and empirical information will be used to

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assess the viability of Disney's current global strategy and recommendations will be made if any appropriate changes should be considered. The Five Forces Model will be used in the report to analyse the competitive advantage of Disney.

The Walt Disney Company's objective is 'to be one of the world's leading producers and providers of entertainment and information, using its portfolio of brands to differentiate its content, services and consumer products. The Company's primary financial goals are to maximize earnings and cash flow, and to allocate capital profitably toward growth initiatives that will drive long-term shareholder value.' (<http://corporate.disney.go.com>) It is influenced Disney's strategy towards making the company works globally. The following findings will analyse how Disney using taken a global approach in order to expand the business and will highlight areas of improvement and apply them into theoretical frameworks. And the issue will mainly focus on the plan of building a new Disneyland in Shanghai China

2. Findings

2.1 Current Strategy

The current strategy of Disney is mainly depends or influenced by their mission statement that mentioned above: 'Be one of the world's leading producers and providers' The success of Disney is obvious, but how and why it was able to achieve that success is not as plain. The biggest strength of Disney as a company, is really the firm's 'share of mind' and it is also the company's strongest competitive advantage, or its economic moat. To illustrate this, each one of us, after hearing the name 'Disney' will automatically have something in mind – an animated film, perhaps, or

a character, or a theme park. No matter what that is, the association is most likely a very positive one: One of entertainment, imagination, and perhaps a family setting. In contrast, the mention of Columbia Pictures or Universal Studios will not evoke the same type of response.

However, their main global strategy is really in public eyes: building another theme park in Shanghai China. The Chinese government has approved plans for the Walt Disney Company to build a theme park in Shanghai, its first in mainland China. (<http://news.bbc.co.uk>)

According to the Disney Annual Report (2009), they will remain focus on advancing their strategies objective of building the Company's position as a leader in the creation of high quality branded content and making Disney an even more prominent and successful provider of entertainment globally.

2. 2 International composition and expansion

According to Bob De Wit and Ron Meyer (2004), international composition is an international firm operates in two or more countries. When a firm starts up value adding activities in yet another country, it is called internationalisation. Disney is actually doing this to meet their goals. In 2005, Disney has opened the fifth theme park and it is located in Hong Kong China. It can see that there is a trend of Disney wants to do business in China. Disney has won approval to build a theme park in Shanghai after nearly 20 years of courting the Chinese government.

1 International Scope

As everyone knows China is one of the fastest-growing economies in the world, is a huge potential market for any foreign brand aiming to expand

abroad. Shanghai, arguably the most international and diverse city in China. It will allow Disneyland to utilise the largest tourism resources in Eastern China for example sightseeing spots, tourism infrastructure. On the other hand, the world recession and other difficulties in the industry, Disneyland hasn't been doing well in recent years. Seeking a more profitable market is essential, and it is estimated that Shanghai Disneyland will attract 30 million visitors every year. (<http://business.globaltimes.cn>)

I International distribution

The international composition of firm also depends on how it has distributed its value-adding activities across the countries selected. In some firms, all national subsidiaries carry out similar activities and are of comparable size. For example R&D, and production concentrated only in few countries. (Porter, 1986) At the moment, Disney and build 5 theme park in the world and they distributed in different part of the world. The cultural differences will affect how Disney works for the business. Mention about how to establish the foreign subsidiary, firm can work independently or joint venture with local player or foreign partner. This could refer to the theme park as a joint venture company the cost of inputs, the investment is not just for theme park, the park also includes a variety of capital costs, land costs, environmental costs, part of the regional transport infrastructure costs, relocation costs. And the joint venture partner for Shanghai Disney is the State-owned enterprises Lujiazui Group. (<http://www.chinafinancialdaily.com>)

2. 3 Porter's five forces framework of Disney

Disney has a favourable marco-environment. Its microenvironment will be examined using Porter's five forces model (Porter, 1980). This model seeks to measure the competitiveness of a company by reference to five forces: competitive rivalry; buyers; suppliers; potential entrants and substitutes.

In the case of Disney, most of the major things bought such as the rides and buildings are one-off purchase. The suppliers that affect daily operation are food and beverage, fireworks etc. All these are replaceable and will not directly affected Disney competitive advantage. Secondly, the bargaining power of buyer is determined by the concentration of buyers and how much customers can impose pressure on volumes and margins. Let's take Hong Kong Disneyland as an example; their customers have relatively low bargaining power because the theme park is differentiated in its industry. So the threats from buyers are low. There is a direct competitor for Hong Kong Disneyland, Ocean Park. Most teenagers will prefer Ocean Park as the entry fee for Disneyland is almost US\$24 more than Ocean Park. That is why Hong Kong Disneyland has steadily lost money since opening in 2005 (<http://www.businessweek.com>)

However, there is a dilemma happen to Disney: there will be a greatest threat or opportunities for Disneyland overall as mention above, the proposals for the second Disneyland in China. This new Disneyland will be eight times bigger than the one in Hong Kong (Subler, 2008). So Disney faces a same brand competitor within Asia and competing in the same market. And the substitutes would affected by other leisure and retail industries. It is because in China, shop normally close at 10pm rather than

5/6pm in western countries. Customers might have other alternatives instead of theme park.

Overall, the microenvironment analysed by Porter's five forces has revealed that Disney has a competitive environment.

2. 4 Localisation or Globalisation?

When the Hong Kong Disneyland was under construction, it was reported that the design plan of this park had been reviewed by Feng Shui experts to bring prosperity and good luck. Now, Disney will set up its second theme park in China. Will Shanghai Disneyland contain more Chinese features? Should Disney stick to internationalised and standardised route or positively adopt the localisation strategy?

According to the report from The Times (<http://business.timesonline.co.uk>), Disney said that Shanghai Disneyland will be a fantastic world with Chinese characteristics, including the Chinese food and the suggestions from Feng Shui experts in the design of the park. To address this possibility, the spokesman of Disney made this official statement: " Shanghai will feature a Magic-Kingdom style, in keeping with its cousins in Asia, the U. S. and France. It will also have Chinese characteristics as a part of the localization process that is a part of the deal."

3. Conclusion

After analysing the Walt Disney case, the current strategy for Disney is being one of the leading producers and providers of entertainment and information, using its portfolio of brands to differentiate its content, services and consumer products. And other strategy is made looking forward to build

the sixth theme park in Shanghai China. They will need to consider how they work successfully in order to avoid making the same mistake of Hong Kong Disneyland. Though it is not a big mistake, the issue they need to concern would be how they operate the new Disneyland. Would they stick the Chinese feature in the theme park? Is localisation or globalisation better suit for the new Disneyland? Also, the Porter's five force Model has shown that Disney has a competitive advantage to the microenvironment. No matter how they operate, the Walt Disney still has a high reputation in everyone heart.

4. Recommendation

In order to make a better improvement for Disney in doing business globally, there are several points I would like to focus on and help Disney works efficiently. The managers of Disney are believed to have made up their minds between globalisation and localisation. But like the saying “Disneyland's construction will not be stopped if there is space for imagination”, numerous guesses will haunt Shanghai Disneyland before it is finished. I would say localisation is not a bad thing. Disney should integrate the Chinese features into Shanghai Disneyland. Even the theme park can be called ‘Disney Oriental Park’. However, on the other hand for using the idea of globalisation, the special cultural characteristics would makes Disney become what it is. And too many local elements may exert negative influence upon its attraction power. Therefore, Both localisation and globalisation should focus on transferring the cultural elements into something needed by the industry chain.

Also, for even more expansion, as everyone knows, the size of Hong Kong Disneyland and Paris Disneyland is relatively small comparing to other Disneyland. They still have room for further expansion. Such as Hong Kong, it is a right decision to expand the theme park further for the preparing of new opening of Shanghai Disneyland. Once they expand, they would not lose the competitive ability against the rival or internal competitors.

Therefore, in my opinion, Disney has successful expand globally in order to capitalise on unrealised markets in order to alleviate its root issues. But there are still unforeseeable potential for Disney. So in short term, a carefully formulated brand strategy will be the key for Disneyland's China dream to come true.

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