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Part A

Introduction

Fortune 500 companies are the top 500 companies in the US which are listed by Fortune magazine every year. The companies are generally ranked on the basis of their gross revenue (Fortune 500). The Fortune magazine started to enlist these 500 best company in 1955 for the first time. The concept of selecting best 500 American companies was first created by Edgar Smith, the editor of Fortune 500. In these 500 best companies, the top companies are Wal-Mart Stores, Exxon Mobil, Chevron, Berkshire Hathaway, and Apple (Fortune 500)

The company chosen for this research paper is Disney. Fortune 100 companies are the business tycoons in America's corporate world. Walt Disney is among the top 100 companies in this list. Walt Disney is an American company in the field of media and entertainment. The Walt Disney Company is an enterprise of five business segments: Media Network, Parks and Resorts, Studio Entertainment, consumer product, and interactive media (The Walt Disney Company). It has been eminent in the field of entertainment for more than 9 decades. Walt Disney has succeeded in maintaining the quality of its entertainment programs since its foundation. 'Beginning in the late 1920s and with accelerating speed over subsequent decades, the multifaceted Disney enterprise flooded in the United States and indeed much of the globe with short cartoons, feature-length animations, live-action films, comic books, record nature documentaries, television shows, colossal theme parks, and consumer merchandise' (Watts, 2001).

The History of the Company

The founder of this company, Walt or Walter Disney was a producer of American motion-picture and television. Born in 1901, Walt Disney was passionate for drawing and animation. At the age of 16 Walt moved to Kansas City and started his career as a newspaper artist. He worked there at Kansas City Film Ad Company. After experimenting with camera, he decided to start his own business.

After the bankruptcy in the business, Disney and his brother went to Hollywood and started Disney Brothers' Studio. They invented characters such as Oswald, the lucky rabbit. In 1928, Disney created Micky Mouse. Till 1928, the era can be called as a silent era. After one year of Micky Mouse's creation, the mouse started speaking in 1929 which was a wonder for the children. Walt lent his own voice to the Micky Mouse until 1947. In 1932, after signing the contract with Technicolor, Disney began to produce colored cartoons. 1937, the world's first animated movie was also produced by Walt Disney. The name of the movie was " Snow White and the Seven Dwarfs" (Walt Disney Biography).

In the World War II, Walt Disney played a very significant role. He formed various educational films for several federal agencies. Most of Disney's animations during Second World War came into arm forces. In 1942, an animated shot called " The New Spirit" was created to spread awareness among the people to pay their income tax to support the war activities. In the same year, almost 90% of Disney's employees were engaged in making cartoons based on war. The Walt Disney products during the World War aimed at gaining support to the war from the public. So Disney was involved

in the activities of propaganda. The film Donald Duck was famous and it was nominated for Academy Award. Disney also created training films for American military (Nix, 2015).

In 1966, the founder of Disney, Walt Disney died of lung cancer and after his death the company was renamed as “Walt Disney” in the memory of its founder. After that, the company’s progress and development was freeze. It was criticized as an outdated and old fashioned. After the strategic leadership of Michael Eisner and Frank Wells, the company flourished in 1983, it expanded. The milestone of its success was the takeover of Capital Cities/ ABC Group in 1997. Eisner’s strategic policies made him one of successful corporate leaders. From 1983 to till date, the company has been enjoying a special respect and reputation in American Media Industry. It has expanded itself beyond media industry and started new segments.

SWOT Analysis of Walt Disney

SWOT Analysis is a systematic analysis and a complete overview of the company. The year 2014 was very good year for Walt Disney. The shares of Walt Disney were soaring upwards.

Strengths of Walt Disney: The first and foremost strength of Walt Disney are its characters. The company cannot survive without its characters. These characters helped Walt Disney to be a business giant in the entertainment world (Marketing 91). Micky Mouse, Goofy, Donald Duck, Ariel, Simba and the recent characters like Rapunzel from Tangled and Elsa from Frozen are all among the most popular animated characters Walt Disney gave the world. The world of cartoon cannot be even imagined without these characters. The

special characteristic of Walt Disney production is the quality and perfection. Walt Disney was a perfectionist. While telling the story of his perfectionism, his colleague Ward Kimball states, “ If you want to know the real secret of Disney’s success, it’s that he never tried to make money. He was really more concerned with the end result than the money. If it made money, fine. He felt that if you put your heart into a project and if you were a perfectionist, people would automatically like it” (Linetsky, 2009). Even today the legacy of perfectionism of Walt Disney has still been carried forward in Disney’s animation films.

One more strength of Walt Disney Company is its commitment towards values and ethics (Marketing 91). If we observe the animated films of Walt Disney, we always see that the company has spread some or other ethics and values (Marketing 91).

Walt Disney has been successful in developing brand image of the company (Marketing 91). Walt Disney has captured diversified audience regardless of gender, ethnicity, race age, culture, education etc. It has established a positive image among the minds of the people. It’s long legacy and its established brand has made the company one of the much sought-after business organization in media and entertainment. The major reason behind preserving the status of Walt Disney is its diversification in its business. The company has carved its niche not only in media and entertainment; but it is functioning in retail as well as consumer sector.

It has proved to be the profitable business with a high cash inflow. Not just in America, but in the whole world, Walt Disney and its services are popular.

Weaknesses: Though the audience of the company includes the adults also,

it is still limited to children and mother (Marketing 91). Not all types of audience have been yet generated completely by Walt Disney. Moreover, the company's internal atmosphere is fluctuating with frequent changes in the management. The company has a high operating cost which will probably be the hurdle in the growth of the company (Marketing 91). To overcome this weakness, Walt Disney has adopted the strategy of foreign outsourcing. Walt Disney has set up a park that costs \$1.8 billion. By spending such an enormous amount there are only 16 attractions in the park. The huge investment may result into high risk. There is a series of flop movies the Disney Company had to bear. Among them are Lone Ranger and the big budget movie John Carter.

Opportunities: The Disney Company has a lot of potential in the developing market and among them, the huge market for Disney is India (Marketing 91). Like India, there are many other developing market where Disney's films can be popular. Taking the benefits from prolong legacy, the Disney can establish business in other types of entertainment such as music channel. It can further use social media for its business growth. It is because the audience is attracted towards social media. The video games are one more tool for the entertainment of children. It is actually a threat for Walt Disney, but it can be taken as the opportunity by making video games for the children.

Threats: There are both internal and external threats that can hamper the business of Walt Disney. The foremost and one of the most important threat is the cut throat competition which media industry is facing. In the American operation as well as in global level, many production houses are active. It is

really very challenging to sustain in such a fierce competition. When Walt Disney plans to establish its functioning in the other markets, the cultural barrier can be one of the threat. For example: In India, the local channels or other channels make the animations based on Indian mythology. Walt Disney is reluctant to get into the local culture as its philosophy does not allow them to make the cultural constrained films. This policy of Walt Disney can be a threat to them from their local competitors as the people from other culture prefer to see the movies that have the essence of their respective culture.

Brief Financial Summary of Walt Disney: 2014-15

Note: Adapted from The Disney. Fortune 500 <http://fortune.com/fortune500/disney-57/>

The Future of Walt Disney

The future of Walt Disney will be full of challenges. The company should now pay attention to increase the number of audience. Currently the main audience of the company is children between the age group of 8 and 12. Sometimes the women also watch Disney movies. But, they will watch the movies just to accompany their children. The adults would hardly go to the theatre and watch the animated movies by spending their money if they are not accompanied by their children. Considering this fact, Walt Disney should not turn their attention to attract the adult audience. The programs and movies should be made that could meet the expectations of the adults. The company can think of starting informative channels for adults like Discovery or National Geographic or any such kind of channel.

It is a general perception that the animations and cartoons are only for the

children. Walt Disney tried to change this approach by making films on related to the World War II and the military. But these films were just to make people aware about the current political situation. Moreover, the adult animations never came in the main stream of animated films. Only Walt Disney can change the established conception from the people's mind that the animated movies are exclusively for children. They can make animated movies suitable for adults also. They can handle every genre in their animated movies like Hollywood cinema.

If the effective and strategic leadership remains for a long time in Disney, it would certainly take the company in the list of first top 10 companies in America.

Part 2

Economic Indicators of Walt Disney

The above charts show the revenue generation of the company in the year 2014. The charts are based on the five major divisions of Walt Disney; Media Network, Resorts and Parks, Studio Entertainment, Consumer Products, and Interactive media.

The Six Economic Indicators of Walt Disney Company

The overall economic performance of the company is necessary to be evaluated. There are many factors that shape the economy of the company. These factors are called Economic indicators. These indicators can give us a brief idea of where the company is exactly going. There are two types of economic indicators: Leading Indicators and Lagging Indicators (Smith, n. d.).

The leading indicators frequently show changes and they can be used to

predict the future whereas lagging indicators reflects the company's historical performance.

The Economic Indicators of Walt Disney

Here in our paper basically we are focusing on the six economic indicators of Walt Disney Company.

Stock Market: The stock market of Walt Disney is really promising and it is giving positive sign by making money. In current situation the Walt Disney Company is appearing as overpriced (The Walt Disney Company Stock Price and Value Analysis). If we analyse the value investing system, there are advantages as well as disadvantages. The advantage of the company that it has a high reputation and it is well established company. Moreover the company has been showing consistent growth. The disadvantages are mainly with the low dividend (The Walt Disney Company Stock Price and Value Analysis). The following free cash flow chart shows the positive growth.

Figure 1

Source: trendshare. org. website: <https://trendshare.org/stocks/DIS/view>

Manufacturing Activities of Walt Disney

The Manufacturing Activity is the conditions in the business that includes production of goods in factories or plants. The manufacturing activities are majorly performed on 5 different divisions. Walt Disney is functioning on both product and service industries. The products of Walt Disney are produced and sold by independent licensees that are given the right to produce and sell the products of their own account or through the retail operations around

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the world (Licensees, Vendors and Facilities, n. d.). Disney involves the vendors for the obtaining Disney branded products for their vertical business that include the internal operations and their own retail operations such as Theme Parks and the Disney Stores. Disney needs licensees and vendors to stick to the set of labour standard while producing the product that contain their intellectual property. They primarily rely on the vendors and the licensees. In the manufacturing activities of Walt Disney the following codes of conduct are strictly followed:

Child Labour

Involuntary labour

Coercion and or harassment

Discrimination

Serious Health and Safety Condition

Freedom of Association

Unauthorized Subcontracting (Walt Disney Company).

Gross Domestic :

The primary aim of Walt Disney is always to be the best producer and provider in the world of entertainment. The company's goal is thus to maximize the earnings and cash flow and thus generate capital that will drive the long term shareholder value (The Walt Disney Company).

According to the report released in May 2015, ' The Walt Disney Company reported earnings of \$2. 1 billion for its second fiscal quarter ended March 28, 2015. Diluted earnings per share (EPS) for the second quarter increased 14% to \$1. 23 from \$1. 08 in the prior-year quarter. Excluding certain items

affecting comparability, EPS for the quarter increased 11% to \$1. 23 from \$1. 11 in the prior-year quarter. EPS for the six months ended March 28, 2015 increased 18% to \$2. 50 from \$2. 11 in the prior-year period. Excluding certain items affecting comparability, EPS for the six months increased 16%' (The Walt Disney Company Report, 2015). The result reflects the strength of Walt Disney Brand. The franchise strategy of Walt Disney proved long term value across all the other businesses of Walt Disney. The Cable Networks of Walt Disney decreased 2%. The operating income at broadcasting increases 35% to \$240 million due to the higher program sales (The Walt Disney Company Report, 2015). The Parks and Resorts revenue also increased by 9% to \$3. 9 billion and the segment operating income increased 20% of \$805 million (Walt Disney Company). There was a decrease in the revenue of studio entertainment by 2%. Consumer products revenue increased by 22% while the interactive revenues decreased.

Revenue:

In the revenue generated by Walt Disney is no doubt substantial that is why the rank of the company leaped from 61 to 57 in the year 2014. Let's have a look at the revenue. In chart 1 the revenue is in Billion US Dollars while in Chart 2 the revenue is described in percentage.

Chart 1

Adapted from Statista, The Statistic Portal

Chart 2

Adapted from Disney 2014 Q3 Earnings

Level of New Businesses Startups:

The number of new businesses that enter the economy are also the economic indicator of the healthy economy. The new businesses can contribute significantly to the GDP. It is because for surviving themselves they always have new and innovative ideas. Start-up is the term generally used for the small businesses which entering in the market. In case of Walt Disney we can say that the business start-up is in form of new ambitious ventures of Disney to catch more market and thus expand the target group.

Income and Wages:

The income and wages offered by the company should have a consistent increase that should ensure the average cost of living. If the company's income declines, the company lays off the workers or reduces working hours or cuts the pay rates. Decline in income is also a great threat for the investment opportunities. In case of Disney, it will not happen at least in near future. The increase in the revenue of Walt Disney is consistent. Even during economic recession in the United States, the company performance was very good. In the year 2010, there was a rise of 21% in the net income of Disney (The Walt Disney Company Report, 2011). If Walt Disney can stand firm even in recession, it can sustain any time and in any situation. It is because the recession in the year 2009 was really very serious and alarming. Many companies had to shut down their businesses. In such circumstances even, Walt Disney was making profit. Hence the salary and wages hike will certainly be consistent.

The Corporate Profit:

The Corporate Profit is also one of the major economic indicators. The corporate profit reflects the increase in sales. It also reflects the stock market performance as the investors think it the proper place for investment. Walt Disney is one of the most valuable brands of the world according to the report of Forbes. Walt Disney with its five different divisions making consistent profit though couple of divisions are not showing profit as per Walt Disney standard. But overall profit is increasing hence it has shown the outstanding stock market performance. It is certainly a good place for the investors to invest the money in Walt Disney.

Employment:

Walt Disney World Resort employs more than 30000 people. The overall employees working in Walt Disney are 180, 000 in 2014 (Forbes, 2015). If the branches of Walt Disney increase in near future, more and more people are likely to get employment. The rise in employment opportunities is also a major economic indicator. It indicates the consistency in the growth of the business.

Goals to Maximize Revenues in Future Years

If we compare the statistic two different sources, we find that in the year 2014, the highest revenue generated division was Media Network followed by Parks and Resorts. Walt Disney proved to one of the business leaders just because of these two divisions. As compared to these two divisions, the remaining three divisions have not shown that much good performance. Currently the rank of Walt Disney in Fortune 500 list is 57. If the company

wants to place among the top ten companies, it has to pay attention the less generated divisions. The last division is interactive media which has just 3% share in overall revenue, which is negligible. The company should pay attention to the interactive media; because the future world will be based on interactive media. The new generation, unlike the previous generation does not want to be the passive consumers of media. They want to express themselves, they want to communicate with the help of media. The advent of internet and social media sites has given a plenty of room for the users and consumers to be interactive. Hence in the field of media also there is a competition. Twitter is the social media site which has recently entered the list of Fortune 500. It is because they give opportunity to the users to interact with the world. If in future Walt Disney does not pay attention to the interactive division, they will have a threat from Twitter and other social media sites.

There is also a cut throat competition in the consumer market these days. If Disney wants leap into this market in near future, they have to design strategies that will ensure the growth in their revenue which currently is very negligible. These two divisions can hamper the overall revenue in future. So these divisions should be strong.

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