Disney

ASSIGN
BUSTER

Disney is considered to be one of the pioneers in the entertainment industry, and for almost one century, the company have managed to grow successfully and to respond tremendously well to global changes such as the rapid technological evolution and the constant variations in customer trends. The reason they have accomplished that is because Disney shaped in people's mind the assumption of permanent, combined with an outstanding delivery of their products and services, which in simple word means: ' we are always going to be here'. This is described by Miles and Snow (2003) as the ' Defender' strategic approach, where large corporations fights to preserve and maintain their top position in the market.

Despite all external factors affecting Disney's profitability, the company has built over decades a very strong brand image in the family entertainment business, which makes their brand the most important value, hence providing a differentiate position in the market that distinguish the company from their rivals. As showed in the Brand Leadership Matrix (Fill and Fill, 2005) Disney utilises their brand as the main marketing tool to position themselves as market leaders of the industry (see fig. 1). The fact that Disney have been in the market for so long, generates the need to invests heavily in brand development, so as to keep the brand image fresh, innovative and relevant to the 21st century.

In addition, Disney has achieved its top competitive position by embracing the Ansoff's Matrix approach (see fig. 2) from an early stage (Gilligan and Wilson, 2009). As perceptible, Disney utilised this strategy to continuously develop new products to consumers e. g. producing new cartoons and characters regularly; which helped the company to attain competitive

advantage by responding effectively to different segments within the market.

Moreover, after building a strong brand image, Disney differentiated their business through a diversification strategy, where the company took the risk to enter new markets with new products such as parks and resorts, cruising lines, cable network, publishing, shops and even by procuring a baseball team. Additionally, Disney also moved to new geographic locations (market development) either in domestic or international markets such as the Hollywood film industry and Amusement Parks e. g. Disneyland Paris and Hong Kong Disneyland.

Furthermore, to increase market share, VIP tours in the Parks were implemented. This approach aims to add value to the service and to attract new customers. In compliance with Porter's five forces (Porter, 2004), by differentiating and expanding their products and services over the years, Disney has created a high barrier for new entrants by simply reaching a large number of diverse segments in different markets, which automatically reduces the level of competitiveness in the market.

By reading their Mission Statement on page 2 of the case, Disney have achieved their mission successfully with no doubt; nevertheless, after a massive growth over the past decades the company seems to have reached a mature stage, where according to the industry life cycle (see fig. 3) this stage is noticed when companies' growth becomes sluggish; yet, in this context, the maturity stage is recognisable because Disney is one of few firms that have survived for a long period and dominates most of the market along with other market leaders, also known as an Oligopoly (Jones, 2008) e.

g. Park and Resorts, where the main players in the industry are The Magic Kingdom at Walt Disney in Florida, Six Flags in Oklahoma City and Ocean park in Hong Kong. (See pages 11 and 12).

In order to best analyse the competitive environment based on Porter's five forces (see fig. 4), it is necessary to divide Disney's SBUs into strategic groups, because while Disney's Parks & Resorts and Media Broadcast Network maybe considered as part of the entertainment industry, the five forces may have a different effect on each group, due to the fact that dissimilar barriers of entry or power of buyers can vary between each group (Johnson et al. 2011).

Down to the fact that Disney's major competitors in the Media Network/Broadcasting are also big conglomerates, this creates a tough competitive environment, because when consumers have a range of option to choose it from, automatically the power of buyer increases (Boddy, 2011), and the only way companies managed to compete is via dropping the price and attempt to persuade consumers to switch from one company to another. This conflict is noticeable when looking into the average number of audience between the most popular network televisions, where Disney is in the 3rd rank with 5. 4million viewers per night (see page 11, 2nd paragraph).

Regarding the studio entertainment group, again, Disney stands in a very competitive environment controlled by seasonality, predilections and taste of consumers. This indicates once more the high power of buyers, and additionally, the threat of substitute products or services may occur e. g. because of the decline on consumer spending, people may choose to watch

a movie on the free channel rather than by a film on a Pay-per-view channel or to go out for dinner instead of going to the movies.

Overlooking Parks & Resorts, mainly in the parks segment, Walt Disney is the number one leader in the industry and only competes with two major rivals: Six Flags and Ocean Park. Nevertheless, despite the fact that Disney have a strong brand image and experience in other markets, Ocean Park in Hong Kong is a massive threat to Disney, purely because by understanding the market for over 30 years, (see page 12, 2nd paragraph), Disney has the disadvantage of having a shorter learn curve than Ocean Park in that particular market, and according to The Experience Curve concept (see fig. 5), companies that have a longer experience curve line creates substantial entry barrier by achieving competitive advantage (Hill and Jones, 2009); however, in this situation the learn curve has stopped Disney to gain extra market share and to understand better consumer trends in that region.

To conclude, Disney is part of a very competitive environment and has maintained its position by developing a strong differentiated brand, and through expanding this brand into different markets. Disney brand communicates quality and value to consumers, and that will always be an unbeatable competitive advantage.

Value Chains

As competition increases around the world, adding value to products and services is essential to gain competitive advantage. The Porter's Value Chains concept (see fig. 6) is purely used to analyse where value is added to the organisation and to measure which activities brings the most ROE to the business (Walsh, 2011).

Regarding Disney’s Marketing and Sales activities, the company creates value through brand identity and also by providing a unique experience to customers which makes very difficult for rivals to copy it. According to Bowman’s Strategic Clock, by applying the position 4 - The differentiation strategy (see fig. 7), Disney offers to their customers a high perceived value for their product and services, which allows the company to become synonymous to quality and premium price (Baden-Fuller and Thomson, 2010).

Additionally, Disney’s Customer Service activities also differentiate and add value to the business, possibly because they are very good at attracting and hiring the best people, as stated in the case (page 11, last paragraph), around 500, 000 workers are hired each year. By captivating, employing and retaining the best staff in the industry, the company developed a very significant reputation as well as employee, supplier, distributor and services know-how, also called the experience curve and recognised as Intangible Assets and Resources (Johnson et al. 2011).

Furthermore, other factors worth looking at are Disney’s history and culture. Certainly, besides its brand, culture adds big value to the business, and helps to sustain competitive advantage position. As part of their cultural web (see fig 8), Disney has a cultural approach of differentiating their employees by calling them ‘ Cast Members’ (Rituals and Routines), in simple words: Artists (Jones, 2012), and even by using their character’s image (Symbols) as the main symbol of the company e. g. Mickey Mouse (Alevesson and Sveningsson, 2008).

Nevertheless, with the increase of technology and the constant variation in consumer trends, Disney’s future maybe threatened by these culture changes. Nowadays, kids have a different approach in life, what seems to be fun in the past may no longer be attractive to the upcoming generation, so the question is: Will it always be a Mickey Mouse? Will people continually go to Theme Parks? It is hard to predict. Disney needs to have that in mind in order to prevent the development of a strategic drift, as explained by Dziri (2011, p20) as “ the misfit between the changes in the organization’s strategy and its environment changes”.

In contrast, areas such as Consumer Products, Inbound and Outbound logistics are also significant activities when establishing new strategies; however, maybe Disney does not add so much value nor has the ability to transfer their core competence into these particular activities. The problem of being a split business is that sometimes is difficult to measure where the value comes from and how to make the business better.

Lastly, is important to mention that this combination of activities creates linkages throughout the value chain, and perhaps, because Disney’s Human Resources Department works effectively with Marketing & Sales and Customer Service divisions, it automatically increases competitive advantage and adds a great value to the company (Botten, 2009).

Strategic Choices

Strategic choice is about taking an organisation down to a specific direction and Disney must think carefully when decide on which path the company should go to. Observing the company broadly and linking to Porter’s Generic Strategies (Griffin, 2010), as a very famous differentiated brand, and

perhaps, because they expanded rapidly to so many different areas, it is likely that Disney became slightly unfocused, therefore, a possible solution for the company is to concentrate on the units that are more sustainable e. g. Parks & Resorts, and to achieve again a solid position, pulling the business backwards to some extent is one choice.

It is valid to mention Whitbread Company as an example, because they were in a situation comparable to Disney, and the company managed to solve their issues by knowing how they could best be placed in the market with the best products, and to focus on the areas that had future potentials rather than investing money on products that would not continue to grow (Blitz, 2010).

This focus strategy can also be related to the BCG Matrix module (see fig. 9), where occasionally Dogs can be turned into a new growing Stars (Field and Pringle, 2008), so for instance, if Disney's Studio Entertainment unit is the poorest performance division, the company should investigate (see p. 9, 3rd paragraph), which of the sub-brand names are worth investing capital, and decide to get rid of the unprofitable components of this unit.

By getting rid of loss-making units, or in other words by retrenching some units, Disney then, could leverage successful divisions such as Park & Resorts to expand to new geographic markets in BRIC countries (Ansoff's market development) e. g. Disneyland Rio, and also to invest into new products within existing markets (Ansoff's product development) e. g. kid's games for IPads and IPhones apps. Nevertheless, considering the World's current economic situation, probably, another option for Disney is to adopt

the strategic move called stability and attempt to defend their market position (Kazmi, 2008).

Another option Disney has is to analyse their strategic choices by applying the GE-McKinsey Matrix to measures each SBU’s strength in relation to the long-term market attraction. Let’s take the Media Network division as an example (see fig. 10): Disney have 68% market share of the age segment 18-24, and the market desirability is high. This suggests that Disney should keep this unit because is a strong division in a long-lasting attractive market (Chau and Witcher, 2010).

As a contrast example, the Studio Entertainment unit has only 11. 7% of the market share of an average level market attractiveness, which demonstrates a week SBU division; therefore, Disney should consider leaving this market, or reducing this unit to increase its market share.

Despite the range of options Disney has to solve their current financial situation, the most sensible move to cogitate is to be focus on what they are good at. Over the years, Disney saw the opportunity and expanded into a large number of different markets; whereas, by growing too much, the company perhaps entered markets they had lack of knowledge on understanding the environment, which in a long-term route, together with a lingering recession made a huge loss to the business.

To conclude, as long as Disney succeed to re-establish their attention on the business’ strength and to continue to leverage their brand, undoubtedly the company will remain on the top position of the entertainment industry for another century.