The walt disney company essay sample

Literature, Russian Literature

1. Introduction

This assignment will introduce the background and summary of the Walt Disney Company at the beginning. Then its external and internal environments will be analyzed specifically by method PESTEL and SWOT. Thirdly, a brief present strategy of Disney will be explained. Finally, the strategy formulation and some recommendations will be applied to the company.

2. Introduction of The Walt Disney

2. 1. Company summary:

Name: The Walt Disney Company

Founders: Walt Disney and Roy O. Disney

Founded: 1923

Headquarter: Burbank, California, United States

Industry: Mass media

Area served：Worldwide

Employees: 180, 000

Vision: To make people happy

2. 2. Background:

The Walt Disney Company is an American diversified multinational mass media corporation, which is commonly known as Disney (Sammond, 2005). It is the world’s second largest broadcasting and Cable Company. However, it was only established in animation industry by Walt Disney and Roy O. Disney in 1986. With the continuous development, the company begins to diversify its industry and products into television, live-action film production and theme parks (Ayres, n. d). (Table 1, Appendix 1: There are five business segments of the Walt Disney Company)

3. External analysis:

Basically, there are three terms for analyzing the external environment: macro-environment, industry and competitive analysis (‘ PEST Analysis’, 2004). In this essay, a specific method PESTEL analysis will be mainly applied to elaborate the external environment of the Walt Disney Company.

3. 1 PESTEL Analysis:

Table 2 PESTEL Analysis:

Political

Tax benefits for the animation industry

Tourism policy

Facilities are provided in the special economic zone

Tighter regulation of product safety

Economic

General economy growth in global

Economic downturn in Western Europe in 1993

Inflation and Devaluation of Currency

Growth of entertainment industry in Emerging markets

Cost advantage in India

Social

Different local cultures and history

Changes in customers preferences

Significant role of television & film

Significant role of kid’s and family’s entertainment

Technology

Technological advancements

Recent social trend in smart phones and apps

Development of world’s media

Environment

Eco-Friendly Philosophy

Sustainable Development

Legal

Antitrust Law Limits Opportunities

3. 2 PESTEL Analysis - Conclusion

From the analysis of PESTEL, there are a quantity of factors tend to impact the Walt Disney to change. However, the social factor is the most important one (Kara and Ozturk, 2014). The key drivers are identified as following:

Various new media platforms appear due to technologic advancements. As the development of technology facilitates generating of various new media platforms, smart phone and computers are used by people more frequently than watching traditional television (Kara and Ozturk, 2014). Moreover, people may choice to see films in the APP and Internet instead of going cinema. The Walt Disney has to update the technology and create products in new media platforms in order to meet the changes of people’s life style.

The needs of entertainment are multiple and volatile.

Nowadays, the demand of entertainment increases as development of overall economic. However, the people‘ s needs of entertainment are volatile and multiple, which means they usually are attracted by fresh and prefer trying new products (Bailey and Harindranath, 2007). Moreover, they may not be satisfied with just seeing films in the cinema but going to theme park to gain live experiences. Last but not the least, people may pay more attention to quality of services rather than product itself (Bailey and Harindranath, 2007). Therefore, the Walt Disney has to improve the ability of innovation and quality of service in the future.

4. Internal analysis:

In terms of internal environment of company, a tool that identifies the strengths, weaknesses, opportunities and threats involved in a business venture called SWOT (Pahl et al., 2009). It is a common structured planning method used to evaluate the internal environment.

4. 1 SWOT Analysis:

Table 3: SWOT Analysis

Strengths:

1. Strong Diversification

2. Brand Reputation

3. Loyal Customers

4. Acquisitions & Alliances

5. Economies of Scope

6. Creative process

7. Large investment in R&D

Weakness

1. Cultural Difference
2. Low financial management & operation
3. Limited targeted markets
4. Large R&D cost
5. High sunk cost
6. Risk factories

Opportunities:

1. Growth of entertainment industries in emerging markets
2. Further expansion in new emerging economies
3. Global localization
4. Development of technology
5. IT Advances & Mobile Gaming
6. Cost advantage in India

Threats

1. Intense competition national & global.
2. Increasing piracy
3. Change of customer's taste and preference
4. Continuous Need For Technological Updates
5. Economies Recession
6. Negative Publicity Due to Unexpected Event

4. 2 Some Important Elements in Details.

Strengths:

Firstly, the Walt Disney Company has highly diversified products and service portfolio. Therefore, it can conducive to reduce the business risks and enter new market to increase the revenue (Ammons, 1975). Most importantly, all kinds of tangible and intangible resources will be shared and utilized more effectively (Ammons, 1975). For example, the same trademark can be used and Disney cartoon characters in television can be copied into clothing and stationery. Secondly, the Walt Disney Company has strong brand reputation. Brand Value Listed 27th in the world’s 500 most valuable brands ($ 20, 548 million brand value in 2013 • $ 23, 580 million brand value in 2014). Meanwhile, brand reputation also strengthens the customer’s loyalty (Uncles, 1995). Last, the Strategic and Tactical Acquisitions help the company to accelerate the global expansion and become the leader of its industry.

Weakness

As an international company, the cultural difference could be an obstructive element to run business successfully in each geographic segment (Bailey and Harindranath, 2007). For example, the revenue of North America is quite outstanding while there is a great loss of Disneyland in Europe Paris. It states that the company is more concentrated on North American as it is based on native cultural but misunderstanding the consumption behavior of European. Moreover, the financial management is one of capacities. As operation cost is high in company, it leads to low profits and earning rate. Finally, there is limited range of targeted audience group as targeted markets of company are mainly focused on children and youth

Opportunities:

There are a number of opportunities in emerging markets like china and

India whose entertainment industries is in growth (Bakker, 2008). China has large population, which exists huge potential population consumption. In the meanwhile, entertainment industry will be supported by sustainable tourism policy introduced in China as it can attract more tourists. India has a cost advantage in terms of salary and overall cost of production. It illustrates that making an animation movie in India costs 60, 000 dollar compared to 250□000-40□000 dollar in USA (Bakker, 2008). Therefore, it is opportunity for the Walt Disney Company to expand products and invest in emerging markets. Furthermore, as development of technology, company may benefit from IT advance like designing mobile gaming with Disney characters to meet the new demands of customers.

Threats

Disney faces many media conglomerates competitors includes Viacom Inc (VIAB), Time Warner Inc. (TWX) and Comcast (CMCSA) in its various segments. The strong competition is not only from national but also from global (‘ Mass Media’, 2011). Secondly, as piracy is increasing, some companies copy the trademark and images of the Walt Disney for business purpose. It damages the reputation and rob the revenue of the Walt Disney (THOMAS, 2013). Thirdly, the preferences and tastes of customers would be changed over time. The company needs to do market research and keep innovating to meet the needs of consumer. In the meanwhile, the company also has to keep technical update to catch the technical advancement.

5 Strategy Formulations

5. 1 Strategy Levels

Strategy can be formulated on three levels:

At the corporate level, strategies are developed with the intent to align business practices with the organization's mission and it usually diversified into a number of markets and industries (Furrer, 2010). In term of business level strategy, it may be a division or production line that can be planned independently from the other units of the company, which focus on individual market and single industry. The functional level strategy encompasses a wide range of areas like human resources, marketing and sourcing (Furrer, 2010).

5. 2 Present strategy of the Walt Disney

According to the five business segments of Disney, it can be realized that diversification is one of main strategies that company has applied and diversification is part of the four main growth strategies based on Ansoff Matrix, which aids a business in determining the product and market growth (Lowy and Hood, 2004).

Ansoff Matrix:

Ansoff's Product/Market matrix

Specially speaking, Disney produces various products like films, radio business, theme park, and stationery which related to entertainment industry. It helps company to target market not only children and youth but adults.

5. 3 TOWS Strategy Alternative Matrix

In order to improve the performance of the Walt Disney and align its mission, TOWS Strategic Alternatives Matrix will be formulated in accordance with SWOT analysis in 4. 1. TOWS Strategic Alternatives Matrix assists the company in determining strategic alternatives by examining external opportunities and threats and how they compare to existing strengths and weaknesses of a company (Fan and Wu, 2013).

5. 4 Modal of TOWS Strategic Alternatives Matrix

External Opportunities

External Threats

Internal Strengths

(S)

SO

“ Maxi-Maxi” Strategy

Strategies that use strengths to maximize opportunities.

ST

“ Maxi-Mini” Strategy

Strategies that use strengths to minimize threats.

Internal Weaknesses

(W)

WO

“ Mini-Maxi” Strategy

Strategies that minimize weaknesses by taking advantage of opportunities.

WT

“ Mini-Mini” Strategy

Strategies that minimize weaknesses and avoid threats.

Based on this model, the TOWS Strategic Alternatives Matrix of the Walt Disney will be illustrated according to the analysis of SWOT in 4. 1 (Look at table 3 Appendix 3)

Table 4: TOWS Strategic Alternatives Matrix of the Walt Disney

SO

ST

“ Maxi-Maxi” Strategy

2-5. Design mobile game with Disney characters

4-2. Expansion in new emergent markets through alliances and synergies

“ Maxi-Mini” Strategy

3-5. Offer discount to all members of Disney club

7-4. Increase R&D in high technology department

7-3. Doing monthly customer R&D

WO

WT

“ Mini-Maxi” Strategy

2-4. Digitalization of operation to decrease cost

2-6. Expand consumer products in India

4-4. Consumer research via online polls

“ Mini-Mini” Strategy

6-5. Re-edit and release old classic Disney films

1-1. Create films combining with local culture

3-3. Set “ Leisure zone” in Disney Park for the old.

6 Conclusion

In conclusion, the Walt Disney is a diversified multinational mass media corporation launched in international markets. The external analysis by PESTEL explained the elements in six areas which will impacts the Disney. It includes political, economic, social, technological, environmental and legal. However, social factor is the most significant one for Disney. Furthermore, internal analysis by SWOT provides a clear insight of company, which assists Disney to find the opportunities and threats in the markets. Finally, strategy formulation TOWS Strategic Alternatives Matrix is applied to improve the performance of company.

7 Recommendations

In order to reach greater success of Disney in the future, the following recommendations are proposed

1. Increasing expansion in international market especially in emergent market like India, China and Brazil through mergers and alliances. Because the demand of entertainment in developing countries is increasing rapidly

and there is advantages of low labour cost to produce the products. Merger would be an effective way to achieve the expansion.

2. Take advantage of technology advancements The Walt Disney should increase research and development in high technology department to keep technology updating. The significant reasons are that technology contributes to social media development, provide a more effective method to customer's R&D and even help to lower the operation cost.

3. Combing local cultural to create Disney products. As the Walt Disney is an international America company, it is necessary for company to understand the culture of Europe and Asia in order to fit the preferences and tastes of local customers better. For example, company adopts particular scene and historic story of a country as the background to design the film plots, which could attract more local customers to see the film.

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