

The walt disney company



Questions:

Did Disney still have a coherent strategy for its business mix?

No. Its mix of creative production, business expansion and marketing was hampered by financial restraints and increased competition between divisions.

Did Eisner's 20% growth target still make sense, particularly when Disney faced ever-increasing competition across all its businesses?

No. The expansion of the market previously cornered by Disney had become a threat. The market share was stratified. With the creative teams facing difficult management guidelines it was challenging to create new innovative products. Further, Disney would reduce marketing ventures to cut costs.

Disney's expansion into other ventures, such as television and non-animated based film distribution and production, were high-risk, high-reward ventures. While some of these high-risks were successful they further deviated from the core ideals and products of Disney. They also did not offer the type of cross-promotion and marketing opportunities previously provided through the standard Disney brand.

Can Disney be run [successfully] by single person?

No. Eisner attempted to be both a leader and a manager. Disney required a manager who could balance and shape the different divisions while encouraging Eisner's vision of a holistic organization.

Does Eisner need to change his approach to running his entertainment empire?

No. Eisner's primary strategy involved synergy, both vertically and horizontally. Eisner's idea of synergy includes cross-marketing and branding.

This is successful amongst the core of Disney activities and products, such as theme parks, licensed characters, and branded items (such as toys). The vertical component of the core brand involved the distribution and production aspect of Disney – an ability to leverage costs. This was a successful strategy.

However the expansion of Disney into other entertainment venues proved challenging. There were limited opportunities to cross-market television production with other parts of the company (Disney movies on TV). There was not an opportunity to brand a live action films via the integrated, synergistic marketing systems at the core of the company. For every ESPN spawning a restaurant there was a ABC television show with no ability to expand revenue beyond its initial value.

Introduction

In 1923 Walter Elias Disney moved to Hollywood, California where he founded the Disney Brothers Studio (Disney) with his brother Roy. The company suffered a rocky start; however the creation of Mickey Mouse in 1928 and the introduction of synchronized sound provided Walt the momentum he needed to get the company moving forward. The success of utilizing synchronized sound taught the Disney brothers how technology would be a key factor in growth. The ground-breaking full-length feature film Snow White and the Seven Dwarfs began Disney's foray into the licensing of its products. Brand management became a fundamental ideal at Disney.

As the company released more successful films it realized the value of a holistic marketing approach. Disney diversified its holdings creating a

conglomerate including Walt Disney Music Company and Buena Vista Distribution. Disney's goal was to management their ventures from beginning to end. Cross-marketing and branding continued to be fundamental concepts in Disney's endeavors, including its investment in theme parks and television programming. Over the next decades all new divisions were a part of Disney's large scale marketing machine. Each division fed each products and creative outlets. However as creativity dwindled due to financial pressure the company suffered – Disney required products to maintain its market share.

When Michael Eisner took the helm at Chief Executive Officer (CEO) of Disney in 1984 he sought to again instill Walt Disney's original concept into the company. He announced a goal of growing Disney shareholder equity (net worth) 20% per year. Eisner believed in “managing creativity,” or encouraging development divisions to work collaboratively with business divisions. Eisner understood Walt's initial management concept of balancing the corporate ideals of “quality, entrepreneurship, and teamwork.”

Eisner pushed the Disney to heavily reinvest in its original products, such as television production and films. With Disney solidifying its market share it was free to undertake new ventures in live action films, high tech animation production, and new theme parks. Eisner utilized these new ventures in the same manner Walt built his company – cross-marketing and brand management.

But as Eisner expanded the company to meet his annual net worth rate of growth Disney undertook a number of high-risk/high-reward ventures. As the

conglomerate grew Eisner's micro-management style was unable to produce the success it once had attained.

Further discussion of marketing.

Growth/How Disney grew (theme parks, etc)

How Disney changed – acquisition of other organizations/firms

Nature of the Problem

- Suffered a major slump starting in 1994 until the turn of the century.
- 1994-2000, lost several high-level executives
- Eisner took on sole leadership of the organization
- Synergy did not account for the “ culture” of new acquisitions

When merging firms/media ie Touchstone Television from NY to LA (p12).

- Seen as “ traditional”

Alternatives of the Firm

Overall idea for all alternatives is that 20% growth is unreasonable. Growth rate should be development on a medium term scale – 5 years at a time.

Status Quo

- Disney continues with Eisner at the helm and no President to work in finance, mediation, and labor relations. Continues current strategy of controlling costs and placing a financial check on division managers.

One Company – Two Major Divisions

- Separate Entertainment Divisions into Adult (ABC Television, Touchstone, Hyperion Books) and Children's (Buena Vista television, distribution, publishing and theme parks)

New Leadership

- Use Eisner to continue synergy through the hiring of an experienced President/COO.
- Fire Eisner and establish a new management that is experienced in large conglomerates and cross-marketing

Return to Basics – creativity, animation, stories w/good morals

- The green movement
- Religion/wars/differences

Take more international theme and

Marketing Concepts

- Brand Management
- Cross-Promotion/Marketing
- Holistic Management of Product

Recommendations

Combination of New Leadership and One Company/Two Divisions. Bring in President/COO to work with divisions. Release creative divisions from strong-armed financial management to increase opportunity for cross-promotion. Separate company into two primary factions to preserve the Disney name – one related to family entertainment.