# Unit 3 Assignment - Written Case Analysis: SWOT

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BU 690 Business Integration & Strategic Planning

**INTRODUCTION**

This paper is a case analysis to analyze a company’s Strengths, Weaknesses, Opportunities, and Threats (SWOT). The organization that will be analyzed is Walt Disney Company. In particular, the focus of the case analysis will be the company’s diversification strategy. A model for external analysis will be applied as well as a technique to perform internal analysis. findings will be presented in the form of a Strengths, Weaknesses, Opportunities, and Threats (SWOT) report. Finally, an action plan will be proposed as a remedy to the identified issues.

**COMPANY DIVERSIFICATION HISTORY AND OVERVIEW**

Walt Disney Company began as an animation company in 1923 in Los Angeles, California. It revolutionized animation with the short film *Plane Crazy, The Gallopin’ Gaucho*, and *Steamboat Willie* having synchronized sound which debuted Disney’s Mickey Mouse character. In 1929, the Mickey Mouse club was created and paved the way for the huge popularity of Mickey Mouse, placing him as the face of Walt Disney Company. The organization expanded its success record with collection of highly successful animated films and by adding to its lineup of characters. The diversification of the Walt Disney Company continued with the creation of Disneyland Park in Anaheim, California in 1954. This was followed by a second Disneyland Park in 1965 located in Orlando, Florida and Walt Disney World Resort in 1971. Additional Disney locations were created with Epcot in Orlando and globally with Tokyo Disneyland.

The company’s television and motion picture involvement was deepened with the creation of the Disney Channel in 1983 and acquisitions of ABC, ESPN, Miramax Films, the Anaheim Angels, and the Fox Family Channel. A growing global footprint continued with the development of Disneyland Paris, Walt Disney Studios theme park in France, and Hong Kong Disneyland. While stateside is domestic locations grew with the establishment of Disney-MGM Studios in Orlando, Disney California Adventure Park. Walt Disney Company did not stop there. The company continued its market diversification with the launch of the Disney Cruise Line, the Disney Interactive game division, and the Disney Store retail chain. In 2006 Disney acquired Pixar animation studios and, in 2009, acquired Marvel Entertainment to become involved in the superhero movie production of comic book characters created by Stan Lee. The company’s strategy is to create high-quality family content, exploit technological innovations to enrich entertainment experiences, and to expand internationally.

**EXTERNAL ANALYSIS**

The PESTLE analysis model is being applied to perform an external analysis of the six principle components of the business environment and its potential impact on the business.

1. **P**olitical factors – Disney has locations in other parts of the world. International tariffs and political relations appear to be stable at this time and thus its global operations should not see any politically related issues.
2. **E**conomic conditions – The general industry of the company is that of entertainment. Entertainment is a luxury. Discretionary household funds are the dollars that are normally spent for the types of extras that Walt Disney Company offers. The state of the economy and its effect on society’s earnings will impact their spending power. If the economy is good, people have the money to patronize Walt Disney Company. Otherwise, the population may have to forgo Disney until the upcoming year when it is possible to be in better financial standing.
3. **S**ociocultural forces – The call for environmental responsibility has been a constant topic in various social circles. Environmental advocates are an ever-present voice demanding that companies commit to environmentally responsible practices. To mitigate the direct and indirect impact of company operations, Walt Disney Company has an environmental sustainability policy that aims to conserve water, utilize renewable electricity, conserve fuel with the use of recycled cooking oil and 50% renewable diesel fuel; to reduce greenhouse gas emissions; greening production of studio live-action feature films; to minimize waste and to inspire public consciousness. Walt Disney Company is family-oriented and very inclusive of all members of the family. Though the larger part of target market is the younger family members, the business has managed to cross age barriers and appeal to all ages. Overall, the company has a track record of being good and wholesome.
4. **T**echnological factors – Technology is constantly changing and affecting the industry. When Walt Disney Company first opened, animation was hand-drawn. Today animation is achieved via computers as in 3D or computer-generated imagery (GCI) technology. Such technology has innovated the animation industry. As the capabilities of computers continues to improve, that technology will be applied to the animation industry. Just as hard-drawn technics are a no longer used, today’s technology may be retired for the next latest technics.
5. **E**nvironmental factors – There are a total of twelve Disney parks in six locations: California, Florida, Tokyo, Paris, Hong Kong, and China. The United States locations are situated in the warmest climates to allow maximum tourist access. Aside from occasional unfavorable weather conditions, the U.S. locations have the benefit of sunny weather year-round.
6. **L**egal/regulatory conditions – There has been no major developments in regulation and other laws. At this time, the legal/regulatory climate appears to be stable.

**INTERNAL ANALYSIS**

The Value Chain analysis model is being applied to perform an internal analysis business’s primary activities and related support activities that create customer value.

**Table 1. Walt Disney’s Operating Income, Fiscal 2009–Fiscal 2013 (in millions)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Business Unit | 2013 | 2012 | 2011 | 2010 | 2009 |
| Media Networks | $6,818 | $6,619 | $6,146 | $5,132 | $4,765 |
|
| Parks and Resorts | $2,220 | $1,902 | $1,553 | $1,318 | $1,418 |
|
| Studio Entertainment | $ 661 | $ 722 | $ 618 | $ 693 | $ 175 |
|
| Consumer Products | $1,112 | $ 937 | $ 816 | $ 677 | $ 609 |
|
| Interactive Media | $ (87) | $ (216) | $ (308) | $ (234) | $ (295) |
|

**Table 2. Comparison: Operating Income, Fiscal 2009–Fiscal 2013 (in millions)**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Business Unit | 2013 | 2012 | 2011 | 2010 | 2009 |
| Disney | $10,724 | $9,964 | $8,825 | $7,586 | $6,672 |
| Comcast | $13,563 | $12,179 | $10,721 | $7,980 | $7,214 |
| Sony | $(7,873) | $(8,813) | $(8,243) | $(11,585) | $20 |
| Viacom | $3,836 | $3,901 | $3,710 | $3,348, | $3,045 |

Based on the reported operating income of the competition comparison, Walt Disney Company is 2nd among its tops competitors. The annual operating income over a five-year span reveals an upward trend. Disney is moving in the right direction resulting in positive gains. The company is above average in the rankings though not the number one, which translates as more improvement is needed.

**SWOT REPORT**

|  |  |  |  |
| --- | --- | --- | --- |
| **INTERNAL** | | **EXTERNAL** | |
| **S**trengths | **W**eaknesses | **O**pportunities | **T**hreats |
| \* Studio entertainment production of branded films Disney, Pixar, and Marvel.  \* Disneyland popularity | \* DVD & Blu-ray Production  \* Congestion  \* Video games market | \* On-Demand Video  \* Video Games (preteen & younger ages, portable, and mobile)  \* Media World/Media Everywhere | \* Declining DVD sales |

**PLAN OF ACTION**

1. Leverage the branded film strength of Disney, Pixar, and Marvel. Increase the number of films being produced yearly.
2. Expand present locations and create new locations to absorb the congestion at present locations.
3. Redirect the focus on a certain demographic of the video game target market. Steer away from popular gaming platforms that cater to an older demographic.
4. Divert Blu-ray and DVD resources to on-demand video and developing media world/media everywhere opportunities.

**CONCLUSION**

Walt Disney Company has experienced tremendous success. Some areas have had more success than others and still others have simply run their lifecycle. Non-revenue producing projects should be discontinued, with low revenue-producing projects being restructured and strong revenue-producing operations leading the way and being developed even more. Hence the branded film strength of Disney, Pixar, and Marvel should release an increased number of films being produced yearly. The extreme popularity of Disneyland has resulted on crowed locations. Crowd congestion at its locations reveals a capacity weakness that will hurt revenue. Existing locations should be expanded and new locations created to absorb the congestion. Disney’s interactive media has struggled with the video games market. Though Disney appeals to all ages, the core of its market are below teenage years. The company should steer away from popular gaming platforms that cater to an older demographic and shift to portable and mobile platforms. Blu-ray and DVD sales are steadily declining. Its lifecycle has run its course like that of VHS video. The media world/media everywhere platform will allow access to a variety of content at any time and from any location via smartphone, tablet, computer, as well as television.

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