



Reshaping Disney's Strategy for the Digital Age

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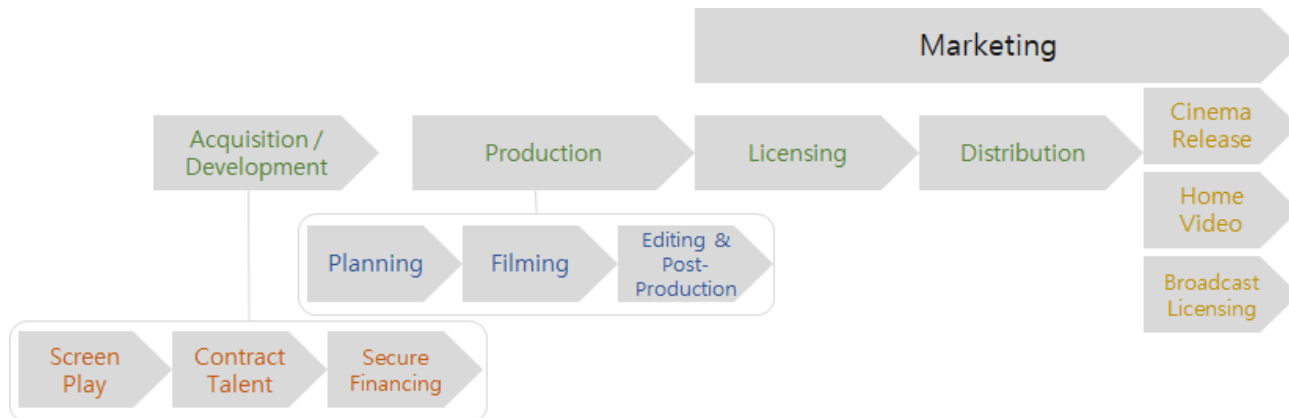
Agenda



- Disney's presence in the information chain
- The Evolution of Netflix
- Strengths and Weaknesses of Disney's business model
- Future: Disney streaming services
- Appendix

Movie Information Chain: Where does Disney stand?

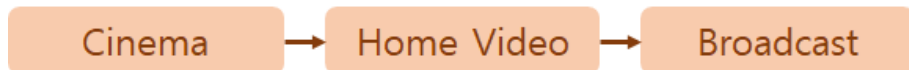
Overview of Production Value Chain



Source: Value Chain – The Film Industry: Küng et al. 2008, pg 143; and Küng 2008, pg 71

Traditional vs. Digital

Disney typically released its films in the following order:



Growing demand in the subscription business disrupted Disney's traditional business model to adjust into a digital platform.

How has Netflix evolved over the years?

Evolution of Netflix over the years:

Netflix has evolved from an online DVD rental company in 1998 to an online streaming success in 2019. It has **165.5 million subscribers** as of now. Netflix successfully dominates the streaming market by leveraging its strong subscription fee based business model. Netflix has also increased its international presence in the online streaming market since 2010. Additionally, it has been creating its own original content - starting with ***House of Cards***, which debuted in 2013. It has disrupted Blockbuster with its digital initiative - Netflix's recommendation feature that uses AI and Predictive Analysis.

The Netflix logo, consisting of the word "NETFLIX" in white, bold, sans-serif capital letters with a slight 3D effect, set against a solid red rectangular background.

NETFLIX

What are the strengths and weaknesses of Disney's business model?



Strengths of Disney's business model:

- Strong product portfolio and diversified businesses such as:
 - Studio entertainment - Walt Disney studios, Pixar etc
 - Media networks - Disney Channel, abc and ESPN
 - Parks, Experiences and Consumer Products - Disneyland, Disney Cruise Line etc.
- Competency in acquisitions (Pixar, Club Penguin, Marvel Entertainment, Playdom, LucasFilm, Makers Studios and BAMTech).
- Strong Brand reputation



Weaknesses of Disney's business model:

- Lack of marketing promotion
 - Only promotes new movies and toys
 - Need to address larger market (targeted towards children)
- Development of content
 - Only creates content for a local audience (United States had 76.1% of its revenue)
 - Withdrawing from international markets (manufacturing and marketing)
- Disney is not adjusting to the competition. Instead, they are trying to buyout their major competitors instead of gaining their own loyal customers.



Should Disney offer its own streaming services? Why or why not? If so, how should it implement this service: grow organically or acquire content? Make the content exclusive or license it to other streaming services?

Yes, Disney should offer its own streaming service.

- Disney should enter the online streaming market to be able to stay relevant in the content delivery market. The past few years have seen an increase of subscription businesses & content creation businesses (Amazon, Netflix, Youtube, Hulu) which have disrupted many other businesses in the past such as Blockbuster. If Disney doesn't enter the content streaming market, it is very probable for Disney to get disrupted by these businesses in the future.

Furthermore Disney should focus on growing organically.

- Their massive library includes many beloved classics in movies and TV, lots of which are currently unavailable to stream. Furthermore many titles on other streaming services such as Netflix and Hulu will transition to Disney's streaming service, decreasing options for Netflix and Hulu subscribers.

Disney should then make this content exclusive to their streaming service.

- If many Disney titles are still available on other platforms, their streaming service won't be as desirable
- If Disney is concerned with what to do with their adult oriented content, they could continue to license with other platforms, for example *The Simpsons* on Hulu





Appendix

- A. Disney's acquisitions
- A. Netflix: Ultimate digital disruptor

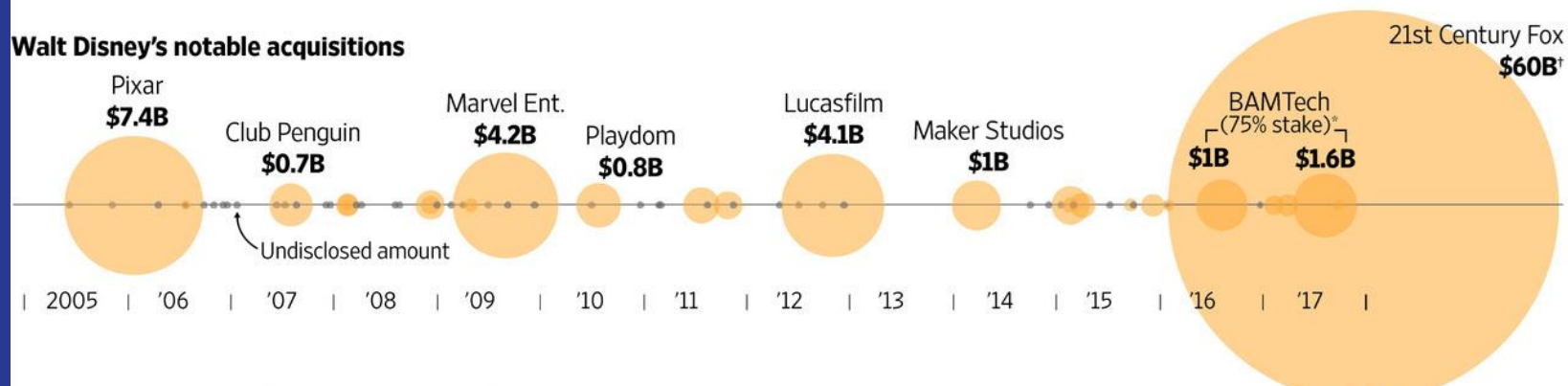
Disney's acquisitions



Expanding the Kingdom

In recent years, Disney has shifted from acquiring entertainment brands and content to buying distribution platforms and other technology to help deliver programming directly to consumers. 21st Century Fox would be the company's biggest deal yet since Robert Iger became CEO in 2005.

Walt Disney's notable acquisitions

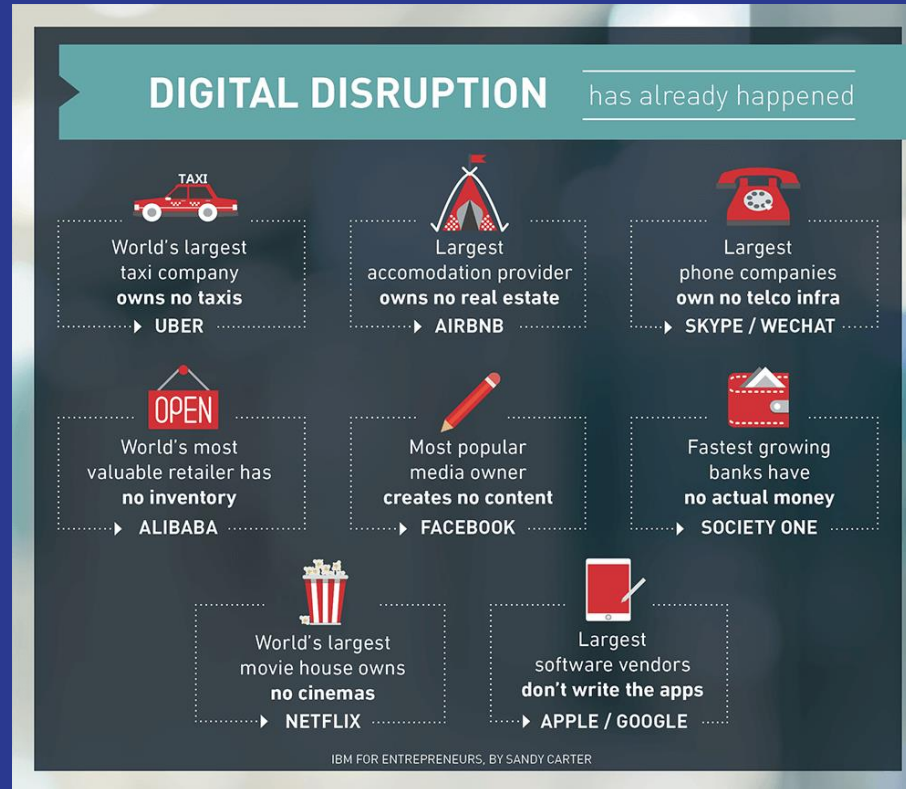


*Separate stake acquisitions †Estimated, including debt Source: Dealogic

THE WALL STREET JOURNAL.

Source: <https://www.wsj.com/articles/disney-finalizing-pact-to-acquire-assets-from-21st-century-fox-1513203075>

Netflix: Ultimate digital disruptor



Citations:



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