GEE - Case Study 2

The Walt Disney Company Streaming Services

The Walt Disney Company

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Introduction

Walt Disney Company

- Global phenomenon in the entertainment industry, with its influence spanning movies, television, theme parks, and beyond
- By acquiring cultural powerhouses like Pixar, Marvel, Lucasfilm, and 21st Century Fox, Disney has fortified its position as a leader in global entertainment

Content diversity - Disney's portfolio, enriched by its acquisitions, spans a spectrum of genres, ensuring its relevance to multiple demographics and tastes.

Disney Streaming Services

ESPN+ was the **first** entry into streaming services, launching in April 2018

In 2022, the **total subscribers** to the 3 services was **221.1M**

Disney presents **various revenues models**: from ad-free and ad-supported to bundles

The **exclusive content** offering and exploring **new pricing models**, have exponencial its growth in the competitive streaming market

Disney Segmentation Variables

Geographic Segmentation

- Different approaches depending on the **country**;
- India, Indonesia, Malaysia & Thailand - **Disney+ & Hotstar Bundle**.

Socio-Demographic Segmentation

- **Income -** Various subscription options. (Ad-supported and ad-free plans);
- **Age -** Different content depending on the age group. (Animated movies for children and mature content for adults);
- **Family -** Vast content library caters to families of all sizes, providing entertainment options suitable for both individuals and multi-person households.

Disney Segmentation Variables

Psychographic Segmentation

- **Family-Oriented** subscribers;
- **Franchise Affinity -** Exclusive original content from Disney, Pixar, Marvel, Star Wars and National Geographic;
- **Sports Enthusiasts -** ESPN+ targets sports enthusiasts who enjoy a wide variety of sports content;
- **Convenience Seekers -** Access to their favorite content anytime, anywhere;
- **Budget-Consciousness -** Some users opt for ad-supported plans to save money.

Behavioral Segmentation

- **Advertising Interaction -** Hulu examine how their users engage with their ads. This covers measures like the timing and what kinds of advertising that people respond to the best.
- **Recurring Subscriptions -** Disney streaming services offers different types of subscription: Monthly/ Annual

Disney Target Market

Disney is able to target various markets through its diverse streaming services

- Target users from **different** countries. (Different products depending on the location. e.g **Asia bundle**);
- **Franchise Fandom -** Exclusive content from Disney, Pixar, Marvel, Star Wars and National Geographic;
- **Sports Enthusiasts -** ESPN+ targets viewers who fancy sports content;
- **Content Variety -** Showcases a vast amount of content suitable for both kids & family but also adults;
- **Price-Conscious Users -** Offers different subscriptions & bundles to suit the users varying incomes. Budget-conscious options featuring **occasional ads**, while those with higher spending capacities can opt for **ad-free** experiences.

Customer Relationship Management strategy

Strategic CRM :

Understanding customer needs and preferences through CRM can help Disney **create and deliver better value propositions**, leading to increased customer satisfaction and loyalty.
By adopting a customer centric culture and focusing on winning, developing, and retaining profitable customers, Disney can align its entire organization towards delivering exceptional customer experiences.

Operational CRM :

Implementing CRM software applications can streamline sales, marketing, and customer service processes, **improving efficiency and effectiveness in customer interactions**.
By using CRM tools, Disney can enhance the customer experience and engagement through **personalized interactions**, targeted marketing campaigns, and efficient customer service.

Analytical CRM :

Analyzing customer data through CRM can provide Disney with actionable insights to make informed decisions about content development, pricing strategies, and service offerings, ultimately enhancing customer and company value .

The Disney Bundle

Value Proposition

- **Cost-effective** way to access **multiple streaming services** at a discounted price.

Content Variety

- Disney Bundle provides a **wide range of content** across various genres and interests

Audience Segmentation

- The bundle allows Disney to **target different segments of the market** based on their preferences. For example, sports enthusiasts may be drawn to ESPN+, while families may prefer Disney+ for its family-friendly content.

The Disney Bundle

Competitive Advantage

- Disney Bundle gives a **competitive edge**;
- Package that combines **entertainment**, **sports**, and **exclusive content**.

Subscriber Retention

- By **bundling services** together, Disney can potentially increase subscriber retention rates as consumers are **less likely to cancel multiple services** included in the bundle;
- This can lead to higher customer loyalty and lifetime value.

Disney+ Ad-Supported Service

PROS

Increased Subscriber Base - A lower price point could attract **cost-conscious consumers**, expanding Disney+'s reach.

For instance, Hulu's ad-supported plan **accounts for 70% of its subscriber base**, highlighting the market potential.

New Revenue Stream - Advertising revenue offers a new income source, **reducing reliance on solely subscription fees**.

Based on industry averages, ad-supported tiers could introduce a **CPM** (Cost Per Mille) revenue of **$20-$30**

Competitive Pricing - Aligns Disney+ with competitors like Hulu, Netflix, and HBO Max, which offer ad-supported at a **30%-50% discount** off their ad-free tiers, suggesting a price elasticity that Disney+ could emulate to stay competitive.

Disney+ Ad-Supported Service

CONS

Potential Brand Dilution - Introducing ads could **taint the previously premium, ad-free image of Disney+**. This could alienate some existing subscribers who value the ad-free experience.

Advertiser Fit: - Disney+ must attract advertisers that align with its **family-friendly brand**, ensuring content-ad suitability. Therefore the pool of suitable advertisers might be smaller and result in less revenue.

Negative User Experience - Ads can disrupt the viewing experience, potentially leading to frustration and **decreased customer satisfaction**.

Cannibalization Risk - A lower-priced ad-supported tier may tempt existing ad-free subscribers to downgrade, leading to a **loss of higher-margin revenue**.

Should Disney Go For It?

Tap into a larger, price-sensitive market - Attract **budget-conscious consumers** drawn to Disney's content but are hesitant due to the price.

Generate significant ad revenue - Leverage Disney's brand and premium content to command higher CPM (cost per thousand impressions) rates from advertisers.

Service	Ad-Supported Price	Ad-Free Price	Ad Load (Approx.)
Hulu	$6.99	$12.99	8 minutes/hour
Paramount+	$4.99	$9.99	-
HBO Max	$9.99	$14.99	4-5 minutes/hour
Peacock (Premium)	$4.99	$9.99	-
Disney+	**-**	**$7.99**	**None**

Offer more choice - Provide flexibility for consumers, catering to both ad-tolerant and ad-averse viewers. At the same time capture market share from other streaming services by having unbeatable prices

Disney Product Line

Ad-free - $7.99/month

Ad-supported - $6.99/month

Ad-free - $12.99/month;
Ad-supported - $6.99/month

Disney Bundles:

- Disney+, ESPN+ and ad-supported version of Hulu at $13.99/month;
- Disney+, ESPN+ and ad-free version of Hulu at $19.99/month

Optimal Disney Product Line

Disney+

- There is a growing segment of consumers who are price-sensitive and willing to accept ads in exchange for lower subscription fees. By introducing an ad-supported tier for Disney+, Disney may appeal to this segment and capture a larger market share.

- Many streaming competitors include both ad-free and ad-supported options.

- Having a ad-supported more accessible to a wider audience.

Solution:

Ad-free	$7.99/month
Ad-supported	$4.99 to $5.99 per month

Optimal Disney Product Line

ESPN+

- ESPN+ has established itself as a destination for sports enthusiasts, offering a wide range of sports content that may not be readily available on traditional ESPN channels.
- Should continue to focus on its sports offering while exploring strategic opportunities for expansion and differentiation.
- The revenue generated from advertising helps finance the acquisition of sports rights and the production of original content for ESPN+. Without advertising revenue, ESPN+ might have less funding available to invest in high-quality sports programming.

Optimal Disney Product Line

Hulu

- Consumer research has shown that a significant portion of Hulu's subscriber base prefers the ad-supported tier, indicating a willingness to trade off some ad exposure for a lower subscription price.
- Overall, Hulu should continue to offer both ad-supported and ad-free subscription options while focusing on optimizing its advertising strategy to maximize revenue and viewer satisfaction.