**Introduction**

The Walt Disney Company, more commonly known as Disney, is an American multinational mass media and entertainment conglomerate. Their mission is to “*to entertain, inform and inspire people through the power of unparalleled storytelling, reflecting the iconic brands, creative minds and innovative technologies that makes them the world’s premier entertainment company*”[[1]](#footnote-0). Disney has a diverse portfolio of business segments including but not limited to Media Networks, Parks Experiences and Products, Studio Entertainment and Direct to Consumer. By developing a strategic integration between these segments, Disney has been able to effectively establish itself as a leader within the entertainment industry.

A multitude of changes in the external environment, be it in technological innovations, consumer preferences or the onset of the COVID-19 pandemic, has had dramatic impacts on Disney’s business segments and is forcing the company to reevaluate its strategy. In particular, Disney+, their subscription video on-demand over-the-top streaming service, has emerged as a champion among the company's offerings and value proposition. This report aims to explore the streaming industry, which has been steadily growing over the past few years, followed by a strategic analysis of Disney+’s position within it. We will also propose recommendations for Disney+, focusing on expanding their current offerings across both a product and geographical scope, which could allow Disney+ to transform the entertainment industry and place itself at the forefront of it.

**Analysis of Streaming Industry**

To effectively understand Disney+ position in the world of entertainment, it is important to first get a grasp of the industry it operates in, which is streaming services. Overall, this industry is fairly attractive, and presents opportunities for incumbents, especially as it is in the growth stage of its life cycle. Presently, the market is worth $41.8BN with a projected annual growth of 23.2% from 2020 - 2025[[2]](#footnote-1). There have been several key external factors driving this growth such as increases in consumer spending, internet traffic volume, quality of mobile internet connections, and capabilities of compatible technologies. Further, the onset of the pandemic and related social distancing measures have also contributed to a drastic growth in the industry.[[3]](#footnote-2)

Despite these strong drivers for growth, entering the industry can be a challenging venture. This is mainly due to the efforts required to start a sizable library on the platform, be it through licensing or creating original content, both of which require immense capital investments and risk. For example, certain Disney+ series are believed to cost up to $25 million dollars[[4]](#footnote-3). Apple’s entry via Apple TV suggests that new entrants do not have to be already entrenched within entertainment, indicating that threat of entry is low to moderate. Successful entry into the industry is likely possible for large firms with the necessary resources be it in terms of finances, technologies, existing content or established relationships with those with power within the industry.

The profits and performance of the industry are positively impacted by the moderate to low threat of substitutes. There has been an increasing trend in cord cutting i.e. a movement away from traditional cable TV subscriptions. Since 2014, the cable and satellite industry has witnessed 23% of people choosing to cut the cord. This has been accelerated by the pandemic - which led to a 7.5% drop in subscriptions from 2019 to 2020[[5]](#footnote-4) - and the trend is expected to continue. Consumers are preferring to opt for streaming services, which are typically cheaper and offer a wider variety of content. Similarly, movie theaters are also losing popularity due to the pandemic, down by 80% in 2020. Although economies are opening up, particularly with the introduction of the vaccines, the future of physical theatres seems to be bleak. Forecasts suggest a turnaround well after 2022, with attendance dropping by 15-25% on a permanent basis.[[6]](#footnote-5) This enables Disney+ to increase its role as a movie premier platform, specifically with their original releases, further increasing the value of Disney+ to consumers.

The trends within substitutes demonstrates that buyers have a significant level of power in dictating industry profitability. This is primarily a result of low switching costs. Consumers can easily switch between streaming platforms, especially given the lack of contracts and ability to cancel subscriptions at will. In fact, most people are subscribed to multiple streaming services due to this ease and the relative low cost, also indicating the lack of brand loyalty[[7]](#footnote-6). The main differentiating factor between services is ultimately the content which is unique to each streaming service.

Given that Disney+ is a streaming service for content that Disney already owns, the supplier power is relatively low. Disney does not need to manage relationships with suppliers because it is vertically integrated and owns most if not all of its content. The only instance wherein supplier power would come into play would be if Disney+ was trying to further diversify their offering and add a new series of shows or movies that it doesn’t already own. This would allow the supplier to have power with all the streaming services that are competing for its product, meaning that this issue isn’t Disney+ specific. Similarly, the rest of the industry has moderate supplier power, considering how production networks like NBC are starting to recapture control of their original content. If this trend of original series being streamed on the creator’s platform continues, then supplier power will further decrease across the industry since firms will own the offered content.

The impact of these four forces has allowed the industry to grow with substantial profits at a rapid rate, especially when combined with external forces in the industry as previously mentioned. However, there is a high concentration ratio, with the four major players (Netflix, Alphabet, Walt Disney, Amazon) holding a combined market power of 76.2%[[8]](#footnote-7). The oligopolistic nature of the industry suggests that while there may be space for established incumbents to continue to grow, competition can be high for newer and smaller platforms. Moreover, each of the four incumbents individually have a high market share, which means establishing dominance as the true market leader can be challenging. However, this only represents the market in the US, and thus there is room for growth for Disney+ through expansion into other regions. This will be further discussed in later sections, along with recommendations to establish a stronghold within markets Disney+ is currently operating in.

**Strategic Firm Analysis**

Disney, more specifically Disney+, is at a pivotal point and has the proper resources to position itself properly for success in the online streaming market. Going forward Disney needs to differentiate itself from an entertainment company to a technology company. Taking advantage of and implementing the proper technologies can allow Disney to focus on developing new, high quality content.

Disney should aim to expand its position in the interactive entertainment industry. Disney has a massive catalog of franchises and intellectual properties and over the years Disney has greatly underutilized video games both in the forms of traditional video games and phone apps. Video games are a fast growing industry which Disney could build its presence by establishing strategic partnerships. Investing in video game development could help engage their viewers and help direct more traffic to both Disney+ and the Disney theme parks. Furthermore, an emerging technology that Disney could take advantage of is virtual reality. According to statista.com “The global augmented reality (AR) and virtual reality (VR) market is forecast to reach 18.8 billion U.S. dollars in 2020. This would be an increase of over 78 percent over spending in 2019.” The potential for VR is very high and could allow for next generation movie entertainment experiences. Already having partnered with Oculus Disney should continue to invest in this technology to bring their most popular franchises to life. Customers could purchase video games, walk around the Disney theme parks from anywhere in the world, and watch movies all from one device and even in the same session. Current Disney VR technologies have been limited, bulky, and often need to be connected to a computer. With more funding Disney researchers could make VR headsets wireless, sleak, and put multiple users in the same environment simultaneously. This technology would not only make VR much more accessible but could compliment the Disney theme parks and products very nicely. Lastly, Disney, along with all other major Hollywood film studios, follow a very rigid set of rules when releasing big blockbuster films: put the film in as many movie theaters as possible before making it available for home viewing. By investing more aggressively in not only VR technologies but their Disney+ service they could minimize or even eliminate the largest expense involved in movie theater showings. [[9]](#footnote-8)[[10]](#footnote-9)

Stunt robotics are another emerging technology created in the Disney Imagineering Lab. The stunt robots were designed to do dangerous stunts perfectly. They can do crazy acrobatic flips and tricks and have been used in action and superhero movies. Stunts are very pricey (Iron man 3 stunts cost about $120 million) and the safety of the stuntmen and women are often put into question. Stuntmen/women undergo extensive training so a disruptive technology such as stunt robotics can change the way movies are made. No longer having a human limitation to stunts could make movies more exciting and profitable in the long run. Currently, the technology is very much undeveloped and only been used in a research setting but has massive potential. We believe that Disney should invest in stunt robotics to lower stunt costs, make more exciting films, and use their massive marketing power to profit.[[11]](#footnote-10)

Disney party is currently available as a chrome extension where you can watch Disney+ with friends and family. The feature is very much simple and a replica of its competitors Netflix party. The application syncs movies and has a built in chat system for messaging. We believe this technology could be a game changer. In an increasingly technologically connected world having more interactions between people and Disney products and/or films would result in larger profits, improved customer satisfaction rates, and increased popularity in the Disney brand driving more traffic to theme parks and the Disney+ platform. Investing in the development of this technology could result in being able to not only instant message but video chat while watching movies. Disney could partner with a company like Zoom and have the Disney party feature built into the Disney+ platform instead of it being a chrome extension. In addition, the feature both on Disney and Netflix is relatively unknown. Disney’s superpower is it’s massive marketing abilities. We recommend that Disney use its marketing power to make this feature known through aggressive advertising. [[12]](#footnote-11)

With the improved Disney+ platform, Disney could also choose to implement Disney game movies into its library. With their investment in video game investments as described above they can turn their hit games into movies to further increase customer interaction. This will make the Disney+ platform more popular, the game more popular, their merchandise more popular, and their theme parks. HBOMax has started doing this and has experienced great success. Disney can leverage its large collection of IPs to profit.

Disney+ and Disney in general have always been oriented towards family and kid friendly content. Disney has developed Star, which is a subset of Disney+, oriented towards a more mature audience. Our recommendation here is that Disney focus all content for mature audiences on Hulu. Currently, a Disney+ membership includes access to Disney+, Hulu, and ESPN. Disney’s biggest competitor is Netflix, which has an older, more mature audience. If Disney can improve it’s content on Hulu they can capture more market shares. We also recommend withdrawing all titles from competing platforms. Disney mostly disappeared from Netflix over the course of 2020 and we believe Disney should maintain this strategy especially since the top two movies of 2017 and the top three movies of 2016 and 2018 were all from Disney, and Netflix was the place to binge them all. [[13]](#footnote-12)

Disney+ has launched in the US, Canada, the UK, Ireland, Germany, Italy, Spain, the Netherlands, Austria, Switzerland, France, Portugal, Belgium, Finland, Iceland, Luxembourg, Norway, Sweden, Denmark, Australia, New Zealand, India (branded as Disney+ Hotstar), Indonesia and Japan. It has also launched across Latin America and the Caribbean. Disney+ needs to continue to expand globally and can do so by partnering with leading organizations in target countries. In February 2020, Disney partnered with Hotstar, an Indian subscription video on-demand streaming service. This partnership allowed Disney to have access to markets in India. This partnership has been very successful and we recommend using this same model to expand globally. [[14]](#footnote-13)

* Enumerator IP it has
* Last year, Disney+ subscribers reached 84 million. This was initially an expectation of its number of users in 2024. It took nearly ten years for Netflix to achieve the same scale of subscriber accumulation. With ESPN+ and Hulu, Disney's streaming media users totaled 130 million.
* The rich children's content library has helped Disney+'s success, and children's movies have great value in repeated viewing. Although Netflix has been investing in children's content, it is still at a disadvantage compared to Disney.
* According to data released by Nielsen, in December 2020, Disney+’s average weekly streaming media usage time ratio of consumers rose to 6%, while Netflix dropped slightly from 31% in December 2019 to 28%. The gap between the two is still huge, but the offensive and defensive momentum has changed.
* Speed up the progress of globalization~~，~~ . A good example is Hotstar in India.
* Pay attention to localization in different regions. A good example is the cricket live streaming in India
* Continue creating new IP. Once too many derivative movies and dramas with a large number of movies continue to appear, aesthetic fatigue may actually hurt the IP value itself
* In fact, for a whole year, the original content that has supported Disney+ is almost exclusively "The Mandalorian" and "Hamilton."
* In addition to content, Disney needs to strengthen its infrastructure, such as the platform’s poor internal search design. American technology media The Verge believes that Disney needs to realize that streaming media not only puts content on the platform, but also needs to build a platform-based experience for users.

**Operational Aspects** Disney focuses on competitiveness for their organization structure in order to stay on top of the market and gain managerial control of their product and services. Disney’s segmentation of different business types allows them to focus on a specific type of business within a certain industry, all while having a centralized control for each. The centralization of each business type segment enforces focus on a specific production. Due to the tremendous success of Disney’s direct-to-consumer business (Disney+, Hulu, ESPN+), the company has reorganized its media and entertainment businesses to further accelerate their DTC strategy. Disney’s creative engines will focus primarily on producing original content for the company’s streaming services, while activities concerning the global distribution and commercialization will be overseen by Disney’s newly centralized Media and Entertainment Distribution organization (DMED). The DMED group is responsible for monetizing all content and overseeing operations of Disney’s streaming services. This organization is solely accountable for the Profits and Losses for Disney’s media and entertainment businesses. Studios, General Entertainment, and Sports are the three distinct content creation groups led by Alan Horn & Alan Bergman, Peter Rice, and James Pitaro, respectively. This separation of content creation from distribution allows for Disney to become faster and more effective in the development of the content that consumers want the most and in the way consumers prefer to receive that content. In light of this reorganization, Disney aims to support their growth strategy and increase shareholder value ([1](https://thewaltdisneycompany.com/the-walt-disney-company-announces-strategic-reorganization-of-its-media-and-entertainment-businesses/))).Although content creation and distribution segments are distinct from one another, the integration of both comes from the centralization in Disney’s HQ, which requires disciplined managerial control.   
 Disney’s business type segmentation allows for the development of unique products to be offered to many different market segments. In other words, this helps with their strategy of product differentiation. Disney’s strong marketing presence helps raise funds across all segments. With the acquisition of BAMTech, a streaming platform, Disney was then able to develop two subscription-based streaming services: ESPN+ (sports-oriented) and Disney+ (entertainment-oriented). When Disney acquired Fox, this allowed them to partner with Hotstar and infiltrate the South East Asia market. The purchase of Marvel allowed access to a giant library of content. Disney’s acquisitions and partnerships helped further their customer growth and overall expansion.

**Position for Future**

Disney’s sustainable advantage pertains to their emphasis on product differentiation, innovation and creativity, as well as their successful integration between products, thus they are well-positioned for the future. Due to their strong focus on innovation, they are able to produce high-quality and unique content contributing to the differentiation of the company’s products from competitors. Disney’s centralized integration technique further advances their business segments by providing a linkage between them. This product integration also contributes to their marketing strategy efforts which reinforces the uniqueness of the company’s brand.

* Disney is able to offer unique products to many different market segments. For example, the corporation offers its entertainment products to practically every person in the world, especially with the core emphasis on family-oriented programming.

**Social Strategy**

Disney has a vast and loyal customer base, which they were able to capitalize on through their social strategies. Disney Games and Interactive Experiences oversees various websites and interactive media owned by the Walt Disney Company and helps connect Disney enthusiasts across the world. Disney’s presence on Twitter is mainly utilized as a destination for real time conversations with their customers, while they use Instagram for quick visual marketing/informational pieces and Facebook for longer videos. Not only do they use popular methods of social media, but they also organize Disney-themed running events.

**Versioning**

Disney top streaming services include Disney+, Hulu, and ESPN+. Disney+ is more family-oriented including all movies and shows rated PG-13 and below. Hulu acts as their platform for more adult content. There are many different pricing versions of Hulu available and some are bundled with their other streaming services.

**Standards & Dominant Design**

Since Disney+ was late to the streaming service industry, they were not the pioneers in setting user experience dominant designs; however, with their vast library and variety of genres, they are definitely setting a societal standard for an assortment of options.

**Innovation**

* Addition of VR Movie Medium: <https://www.disneymoviesvr.com/>

**Analytics**

* <https://databricks.com/blog/2020/12/14/learn-how-disney-built-their-streaming-data-analytics-platform-with-databricks-and-aws-to-improve-the-customer-experience.html>

**Platform**

* Use network effect for Group viewing Parties

**Long Tail**

* Access to emerging markets- South, South East and East Asia (Key demographic)

1. <https://thewaltdisneycompany.com/about/> [↑](#footnote-ref-0)
2. Requires source [↑](#footnote-ref-1)
3. <https://my.ibisworld.com/us/en/industry-specialized/od6197/about> [↑](#footnote-ref-2)
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