* Analyze whether the company is well-positioned for the future or not: does it have a sustainable advantage? If so:
  + Not poorly positioned?
  + Need to differentiate as tech and entertainment company
  + Identify and analyze the sources of these advantages
  + Discuss how these advantages relate to the strategic objectives of the company - integration across different segments is their strongest advantage and strategy
* **2a) Strategic Firm Analysis** (Manuel + Ethan)
  + Invest into tech for Disney+ and work on bundling with different services
    - Fulfill different jobs and compete beyond streaming industry
      * Video games
      * Apps
      * Stunt robotics?
    - VR
    - Social features such as Disney party - network effects and dominant design
      * Make it more functional than Netflix party
      * Not many people know about Netflix party so Disney should market this feature well
      * Almost like being on Zoom and watching a movie with friends
        + Should be built in feature to Disney+
    - Bundle gaming into Disney+? → similar to HBO max
  + Content creation for other segments beyond PG/family branded things
    - Recently launched Star
  + Partnerships to enter other countries/geographical segments
    - Entry to India via Hotstar was a success

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. [[1]](#footnote-0)[[2]](#footnote-1)

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.[[3]](#footnote-2)

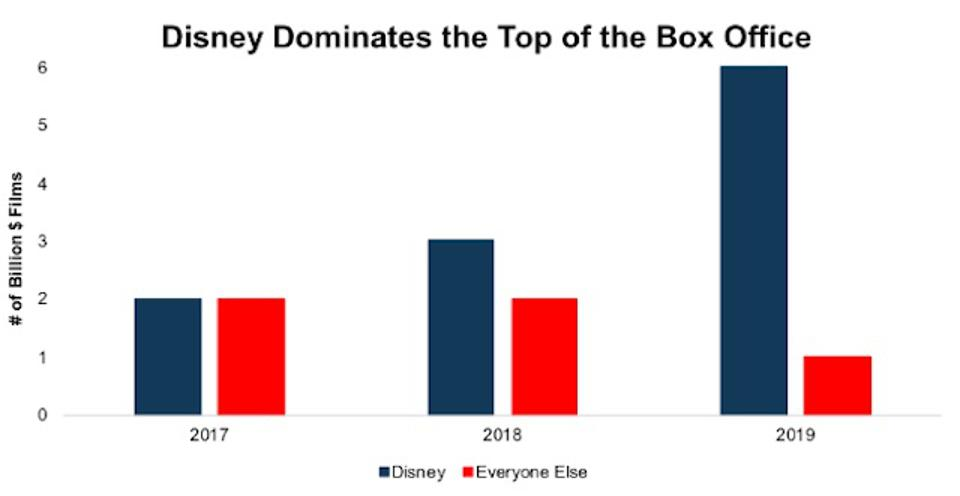
Disney party is currently available as a chrome extension where you can watch Disney plus with friends and family. The feature is very much simple and a replica of its competitors Netflix party. The application syncs movies and has a built in chat system for messaging. We believe this technology could 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. [[4]](#footnote-3)

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. [[5]](#footnote-4)

Disney Plus 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 Plus Hotstar), Indonesia and Japan. It has also launched across Latin America and the Caribbean. Disney plus 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. [[6]](#footnote-5)

2. Strategic Firm Analysis

* **Describe the nature and attributes of the company’s strategic approach to the market/industry as you see it**
  + Walt Disney World in Florida has more buses (many of which are being wrapped in Disney Plus ads) than the city of St. Louis. Disney Cruise Line carries more than 12,000 passengers at any given moment, and sneak-peek screenings of the Disney Plus show “[High School Musical: The Musical: The Series](https://www.youtube.com/watch?v=AD6YtY-Jqjo)” are being offered onboard. Disney Store locations, which still number in the hundreds, will host “pep rallies” for the series. Starting on Nov. 12, more than 7,000 of Disney’s retail employees will be wearing lanyards emblazoned with a QR code; shoppers can scan the code with their smartphones and connect directly to a Disney Plus sign-up page.
  + Disney has an unrivaled marketing power that it needs to use to its advantage to gain the competitive advantage over Netflix and Amazon Prime. It needs to redesign its image as an “only kids” platform to maximize market saturation.
  + Disney has been acquiring streaming technology developer companies like BAMTech
  + Disney Plus’s greatest strength is its content. It has a much smaller library than Netflix or Amazon Prime but it is very clear that Disney has quality over quantity.
  + And because Disney acquired Fox, Disney Plus also streams some Fox shows and movies like [The Simpsons](https://www.fox.com/the-simpsons/), select [X-Men](https://en.wikipedia.org/wiki/X-Men_(film_series)) movies and a large, diverse catalog of movies, like [Night at the Museum](https://www.imdb.com/title/tt0477347/) and [Hidden Figures](https://www.imdb.com/title/tt4846340/) to name a couple. (Just none that are rated anything more intense than PG-13.)
  + But [Disney Plus just raised prices.](https://www.cnet.com/news/disney-plus-is-hiking-prices-starting-tomorrow/) As of late March, Disney Plus' monthly subscription now costs $8 in the US, a price increase of $1 a month; its annual plan went up $10 to $80 a year. And Disney's three-service bundle -- combining streaming access to [Hulu](https://click.linksynergy.com/deeplink?id=0JlRymcP1YU&mid=42392&u1=cn-___COM_CLICK_ID___-dtp%7Cxid:fr1617755055441hbf&murl=http%3A%2F%2Fhulu.com%2F), [Disney Plus](https://disneyplus.bn5x.net/c/159047/564546/9358?subId1=cn-___COM_CLICK_ID___-dtp&sharedId=cnet&u=https%3A%2F%2Fwww.disneyplus.com%2F&subId3=xid:fr1617755055441dab) and [ESPN Plus](https://go.web.plus.espn.com/c/159047/531511/9070?subId1=cn-___COM_CLICK_ID___-dtp&sharedId=cnet&u=https%3A%2F%2Fplus.espn.com%2Fbuy-now&subId3=xid:fr1617755055441ahc) -- also went up $1 a month to match. (Other countries with Disney Plus saw their rates go up comparable amounts in their local currencies.) But the monthly rate of Disney Plus is still roughly half the price of [HBO Max](https://www.cnet.com/news/hbo-max-price-15-dollars-release-date-launch-may-us-shows-movies-podcast/) and a discount compared with Netflix's cheapest tier, which is $9 a month.
  + Disney Plus' US price deeply undercuts the $14 monthly fee for [Netflix's](https://www.cnet.com/tags/netflix/) most popular plan in the US, which lets you stream to two different devices simultaneously in high definition. But Disney Plus allows all subscribers to stream to four devices and access 4K content at no extra cost -- features Netflix charges $18 a month to unlock on its premium tier.
  + The company also offers a [bundle that combines Disney Plus](https://www.cnet.com/news/disney-plus-likely-to-offer-a-discounted-bundle-with-hulu-and-espn-plus/) with [Hulu](https://click.linksynergy.com/deeplink?id=0JlRymcP1YU&mid=42392&u1=cn-___COM_CLICK_ID___-dtp%7Cxid:fr1617755055441ghg&murl=https%3A%2F%2Fwww.hulu.com%2F) (with ads) and [ESPN Plus](https://go.web.plus.espn.com/c/159047/531511/9070?subId1=cn-___COM_CLICK_ID___-dtp&sharedId=cnet&u=https%3A%2F%2Fplus.espn.com%2F&subId3=xid:fr1617755055441ech), offering a discount if you subscribe to all three of those streaming services for $14 a month. Put another way, you can subscribe to all three of Disney's main streaming services for the same price as a standard Netflix subscription.
  + The ad-free-Hulu bundle is $20 a month.
  + it's widely expected the company will continue pushing its price higher.
  + For example, [Disney and Verizon](https://www.cnet.com/news/verizon-gives-customers-a-year-of-disney-plus/) have a deal that gives a free year of Disney Plus starting on launch day to all the carrier's customers with a [4G LTE](https://www.cnet.com/tags/4g-lte/) or 5G unlimited account, as well as new customers of Verizon's Fios and 5G home internet services.
  + Disney Plus 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 Plus Hotstar), Indonesia and Japan. It has also launched across Latin America and the Caribbean.
    - Disney needs to continue to expand globally
    - Disney acquired new international streaming service called Star
  + Disney plus is available on most mainstream products but should consider expanding into new markets like virtual reality to connect movies to theme parks and other services.
  + Disney mostly disappeared from Netflix over the course of 2020 and I 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.”
  + Part of the reason why **Netflix** remains the champ isn't just the massive catalog and first-mover status (though both help). It also is frequently the best at rolling out new features. It offers mobile downloads and has been releasing its originals in 4K HDR for years (though you need its priciest Premium plan to watch in the higher quality). Netflix also benefits from having its app available on nearly every smart TV and streaming platform you could think of.
  + **Disney Plus**, however, is right on the tail of the current streaming king. The Mouse House's streamer has mobile downloads, a wide collection of 4K HDR content, allows for more people to watch and does so for an $8 per month price that is cheaper than even Netflix's most affordable non-HD plan. While its content library remains more family-friendly in the US, those looking for anything Disney/Marvel/Lucasfilm/Pixar (a not small net) will be very happy with Disney Plus.
  + Disney should close the gap between itself and Netflix by being better at rolling out new features and improving its App to be available on every smart TV and streaming platform like Netflix has.
* **Describe how the company’s strategic approach is reflected in key operational aspects of the company’s business**
  + Disney’s unparalleled collection of IP, unique brand, and superior content monetization capabilities give it a significant competitive advantage over Netflix (NFLX) and every other content company.
  + Disney stands to benefit as consumers become more overwhelmed by the amount of content and gravitate towards familiar characters and franchises. No other company can boast the familiarity or the same level of franchise IP. Figure 1 shows that Disney has produced[[1]](https://www.newconstructs.com/disneys-strategy-is-working/#_ftn1) 11 billion dollar films over the past three years, more than double every other studio combined.
  + 
  + These tentpole franchises don’t just help Disney attract new subscribers, their extraordinary popularity lowers subscriber acquisition costs, too. On the other hand, Netflix’s more niche-focused content is getting increasingly expensive as the company produces 700+ projects a year.
  + CEO Bob Iger forecasted [60 original projects per year](https://seekingalpha.com/article/4304111-walt-disney-company-dis-ceo-robert-iger-q4-2019-results-earnings-call-transcript) over the long-term because he knows content quality is more important than content volume. Disney can offer fewer shows because the excellent reputation of its past content means that shows like *The Mandalorian* have a large, guaranteed audience. As a result, it can invest in fewer, higher-quality programs and offer its streaming service at a much lower price.
  + Disney’s excellent track record for high quality content allows the company to continually create new stories and worlds that become their own valuable franchises (like Frozen).
  + Disney has multiple monetization channels. When Disney develops successful content, it can extract value across a wide array of businesses. A hit franchise like Star Wars doesn’t just make billions at the box office, it also sells toys and merchandise, creates the potential for spin-off TV shows, forms the basis for attractions at theme parks, and now – with Disney+ – contributes to the library of a streaming service. As a result, Disney+ can price well below Netflix.
  + over the long-term, Disney will be able to create an extraordinary amount of value out of the content it acquired from Fox, not to mention its control of Hulu.
* Analyze whether the company is well positioned for the future or not: does it have a sustainable advantage? If so:
  + Identify and analyze the sources of these advantages
    - 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.
  + Discuss how these advantages relate to the strategic objectives of the company

2a. Strategic Firm Analysis

Based on your assessment of the industry, and the firm's current position, develop some specific recommendations for action

* Consider the key concepts from the course, and incorporate those that are relevant in your assessment
* Make sure that your recommendations logically flow from your assessment of the industry and firm

What should Disney do?

* Ramp up production plans by focusing on content creation with the focus on quality over quantity
* Proving high quality content will be the easiest way to grow subscriber base
* Disney CEO Bob Chapek wants to release 100 plus new titles per year across all brands with plans to bulk up its Disney plus library as well. He called it a “relatively immediate goal” with “80% of which are initially destined for our direct to consumer channels”
* Disney was questioned with whether they should preserve releasing major films in theaters before placing them on a streaming service or if they would take the Warner Bros COVID approach and release every film on a streamer the same day as it’s released in cinemas
  + Answer is largely the former. Movies like “black widow” still got the big screen treatment but several films like “pinocchio” will skip theaters in favor of a Disney plus premiere. Other films like “Raya and the Last Dragon” will premiere for a $30 premium access on the same day it opens in theaters.
* Continue acquiring streaming technology companies until they can reach a global market
* Instead of continuing to acquire new companies like Fox or Hulu or ESPN focus majority of profits on developing new high quality films and connecting those films to their theme parks, merchandise, products, etc.
* Similar to the Mandalorian once they find have a big hit create spin offs off of it to maximize profits
* Invest in VR/AR technologies to enhance service
* Continue developing their app to improve streaming service
* Continue making partnerships with companies like Verizon to take customers from competitors like Netflix and Amazon Prime
* Continue lowering monthly cost to have competitive advantage and use brand and marketing power to grow
* 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.

Among the many, many announcements made Thursday:

* Disney Plus now has 86.8 million paid subscribers as of Dec. 2, up from 73.7 million just two months earlier
* Patty Jenkins will direct “Star Wars” feature film “Rogue Squadron”
* Among the many premiere dates announced, “Black Panther II” will debut theatrically on July 8, 2022, and will not recast the role played by the late Chadwick Boseman
* “Star Wars” spinoff series on [Ahsoka Tano and “Rangers of the New Republic”](https://variety.com/2020/film/news/star-wars-spinoffs-ahsoka-tano-disney-plus-1234850885/) are headed for Disney Plus, as are Diego Luna starrer “Andor” and animated “The Bad Batch”
* [Hayden Christensen will reprise his role as Darth Vader](https://variety.com/2020/tv/news/hayden-christensen-darth-vader-star-wars-obi-wan-1234851064/) in “Obi-Wan Kenobi”
* “Raya and the Last Dragon” will premiere on Disney Plus for $30 premier access on the same day it is released in movie theaters
* A [“Moana” TV series](https://variety.com/2020/tv/news/moana-the-series-set-for-2023-on-disney-plus-1234851261/) is coming to Disney Plus in 2023; animated series “Tiana,” “Zootopia Plus,” and “Baymax” are also set for the service
* Lin-Manuel Miranda will write music for Disney Animation’s “Encanto,” a musical comedy feature
* [ESPN won the rights to SEC sports](https://variety.com/2020/tv/news/espn-sec-sports-rights-deal-cbs-1234851019/) from CBS in a 10-year deal
* FX has an [“Alien” series in the works from Noah Hawley](https://variety.com/2020/tv/news/alien-series-noah-hawley-ridley-scott-fx-1234850109/)
* “Dug Days,” an “Up” spinoff series, premieres on Disney Plus in the fall of 2021, while a “Cars” spinoff series will debut in 2022
* Chris Evans is voicing Buzz Lightyear in an upcoming Pixar origin story feature
* The [Kardashians will create content for Hulu](https://variety.com/2020/tv/news/kim-kardashian-kylie-jenner-hulu-content-1234851057/)
* <https://variety.com/2020/tv/news/disney-plus-investor-day-streaming-star-wars-marvel-pixar-1234850905/>
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* <https://www.cnet.com/news/netflix-vs-disney-plus-vs-hbo-max-vs-peacock-vs-paramount-plus-vs-discovery-plus/>
* <https://www.forbes.com/sites/greatspeculations/2019/12/11/disneys-strategy-is-working/?sh=6f58df6456b0>
* <https://www.disneyfoodblog.com/2020/12/01/disneys-latest-invention-could-make-using-virtual-reality-easier-than-ever/>
* <https://www.insider.com/disney-plus-killing-movie-theaters-2020-10>
* https://thedisneyplusparty.com/

1. https://www.disneyfoodblog.com/2020/12/01/disneys-latest-invention-could-make-using-virtual-reality-easier-than-ever/ [↑](#footnote-ref-0)
2. https://www.insider.com/disney-plus-killing-movie-theaters-2020-10 [↑](#footnote-ref-1)
3. https://techcrunch.com/2018/06/28/disney-imagineering-has-created-autonomous-robot-stunt-doubles/ [↑](#footnote-ref-2)
4. https://thedisneyplusparty.com/ [↑](#footnote-ref-3)
5. <https://www.cnet.com/news/netflix-vs-disney-plus-vs-hbo-max-vs-peacock-vs-paramount-plus-vs-discovery-plus/> [↑](#footnote-ref-4)
6. https://www.forbes.com/sites/greatspeculations/2019/12/11/disneys-strategy-is-working/?sh=6f58df6456b0 [↑](#footnote-ref-5)