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MENT5800 Strategy, Policy, and Planning

Professor Victer

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Mythos: Who We Are & What We Do?

We are passionate about helping businesses thrive. We provide tailored strategic advice, innovative solutions, and actionable recommendations to firms of all sizes. Through a comprehensive approach, we conduct in depth external and internal analysis to assess market trends, competition, and the company's unique strengths and weaknesses. By leveraging our expertise and deep industry knowledge, we aim to empower our clients with the tools and insights they need to navigate challenges, seize opportunities, and achieve long-term sustainable growth. We are committed to building strong partnerships and driving tangible results for our clients.

Our mission is to empower businesses with strategic advice and guidance, helping them navigate the ever-changing business landscape and achieve sustainable growth.

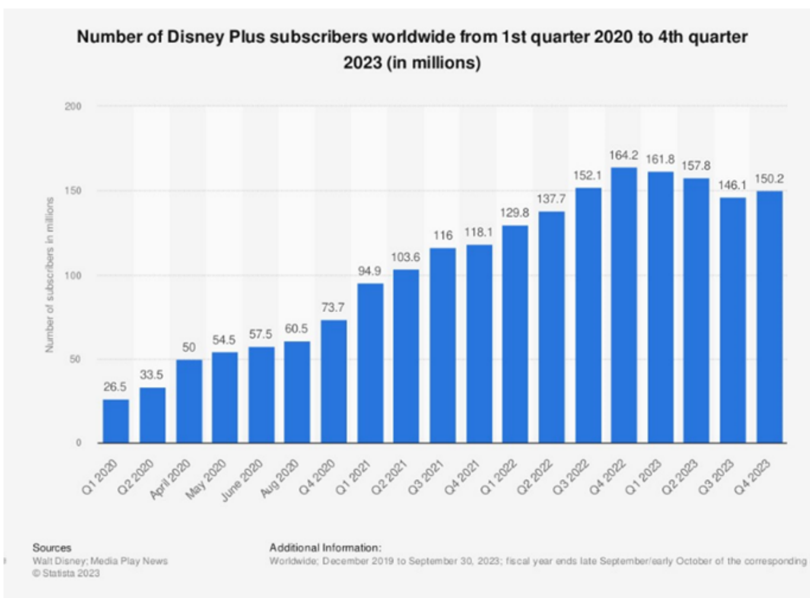
Introduction And Overview:

The Walt Disney Company has been delighting and inspiring audiences around the world for a century since it was founded in 1923. Headquartered in Burbank, California, Disney's mission is to entertain and inspire people through unmatched storytelling, reflecting its iconic brands, creative minds and innovative technologies. Disney has achieved success through diverse business models in films, television, theme parks, cruises, merchandise, and more. Additionally, Disney has expanded its influence by acquiring successful entertainment brands such as Lucasfilm, Marvel, ESPN and ABC. Their expansion of the Disney portfolio has allowed for their customer base to continue to grow and retain consumers for longer life cycles.

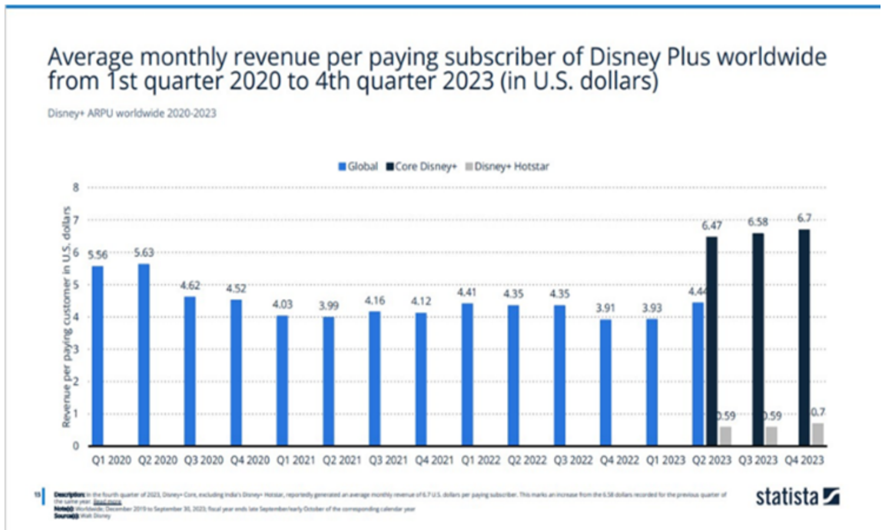
In November 2019, Disney decided to expand and strengthen its position in the digital media space by entering the direct-to-consumer market when it launched its streaming service Disney + in the United States, Canada, and Netherlands. Within the first day, Disney + amassed over 10 million subscribers, demonstrating immense consumer demand for the new Disney content. Disney quickly expanded in the heat of the new found momentum; however, maintaining this momentum requires constant strategic focus on content, marketing, partnerships, pricing, and technology. Unfortunately, over the past couple of years the momentum has slowed and subscriber growth has stalled and fallen.

In order to regain this momentum, our firm Mythos Consulting group, has been hired to develop a strategy to reinforce Disney +'s position in the highly competitive and evolving digital media space. Our team of experts will assess the streaming industry and evaluate Disney +'s strengths and weaknesses by using our highly effective planning process including identifying and resolving the key strategic issues, conduct external and internal analysis, devise creative approaches to deliver value to consumers and achieve competitive advantage while formulating strategies for an effective solution. In this process, we will evaluate the streaming industry, assess Disney + performance, target risks and opportunities, and propose recommendations to maximize Disney +'s subscriber base, revenue, and long- term growth in the highly competitive space.

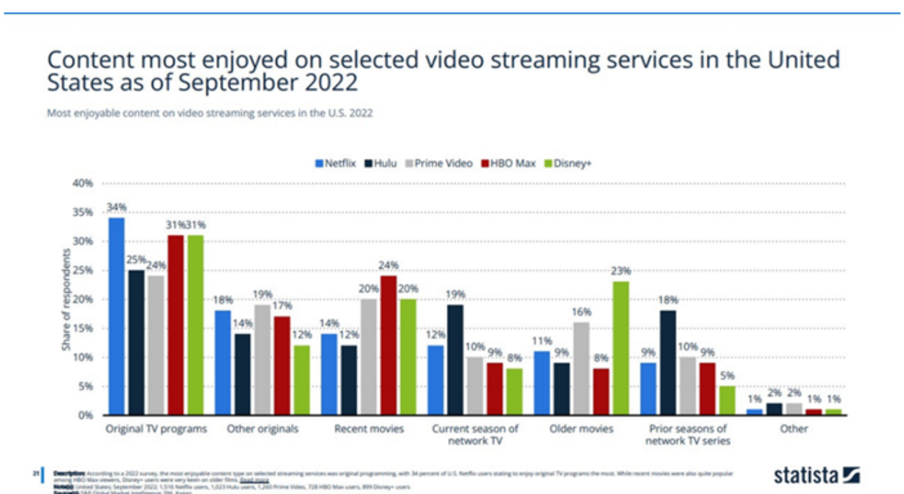
Internal Analysis:



This graph shows the number of Disney+ subscribers worldwide from 1st quarter 2020 to the 4th quarter 2023. There is subscriber growth each quarter from Q1 2020 starting at 26.5 million to Q4 2022 164.2 million. Disney+ reached its peak at 164.2 million subscribers at Q4 2022. Then, there was a drop off in subscribers for 3 subsequent quarters going into 2023, with Q4 of 2023 having an increase. From this data, we can see the drop off happening at the start of 2023. This is where we start to question WHY? As we explore further, we will provide the strategic problems and solutions to Disney+ to fix this trend. (Source: Statista)



This graph shows the average monthly revenue per paying subscriber of Disney+ worldwide from 1st quarter 2020 to 4th quarter 2023. There is a downward trend line of average month revenue per paying subscriber. Disney+ experienced a peak of $5.63 per paying subscriber in Q2 2020 and had the lowest revenue of any quarter in Q4 2022 at $3.91. Data shows revenue has reached $4.44 in Q2 2023, but this is still a significant fall from its peak. How can Disney+ increase the average monthly revenue per paying subscriber? Let's explore the different solutions in our report. (Source: Statista)



This graph shows the content most enjoyed on selected video streaming services in the United States as of September 2022. "Original TV programs" category is the most popular. In this category, Netflix is the most enjoyed at 34% followed by HBO Max and Disney+ both at 31%. From this data, we can see it is important to have your own original TV programs. This is what makes each streaming service stand out. The better your original content, the more potential subscribers you can attract. Another interesting aspect of this graph is the "Older movies" category. Although older movies are not the most enjoyed content, Disney+ stands out in this category. Disney+

leads this category at 23% followed by Prime Video at 16%. Disney can market more older movies as a way to attract more potential subscribers. This graph shows interesting data that Mythos will use to provide our strategic advice and recommendations. (Source: Statista)

Disney Plus has been suffering losses in both revenue and subscribers but has decreased their losses over the last two quarters through a combination of layoffs and reduction in content production. They are looking to sell Disney+ Hotstar, their Indian subsidiary, to Reliance Industries for $7-10 billion. They currently have 150.2 million subscribers globally, which is down 14 million from last year. Although they are considering selling out from India, they have expanded their global reach elsewhere, now offering subscriptions in 107 countries. For comparison both Netflix and Amazon Prime are available globally, with 4 notable exceptions each (China, Iran/Crimea, North Korea, Syria). They should continue to expand globally to draw in more subscribers and be more competitive with their major industry rivals, the merger with Hulu will also help with this.

<u>Jobs-to-be-Done:</u>

Jobs-to-be-Done (JTBD) is a theory developed by Professor Christensen from Harvard Business School, emphasizing the importance of understanding consumer needs by focusing on the "job" they are trying to accomplish. Customers don’t simply buy a product: they hire it to do a job. This theory gives insights into customer needs and to guide the creation of products and services that better align with those needs.

Because Disney+ is a streaming service that caters to a wide range of audiences, customers (subscribers) hire Disney+ to fulfill many jobs. The first job includes providing a safe and engaging platform to keep children entertained. Parent’s are also hiring Disney+ for educational content to provide learning opportunities for their children. The second job includes evoking feelings of nostalgia by allowing subscribers to revisit classic Disney movies and shows from their childhood. The third job includes exclusive content and originals. Disney+ needs to differentiate their content from other streaming services to retain those subscribers. The fourth job includes allowing subscribers to access their favorite Disney+ content anytime, anywhere, and on multiple devices. Subscribers are looking for a seamless and convenient entertainment experience without the limitations of traditional TV schedules. Lastly, the fifth job includes providing personalized recommendations and content curation based on user preferences. Subscribers want to discover new content tailored to what they like. Understanding these Jobs-to-be-Done helps Disney+ meet the diverse needs and preferences of its audience.

<u>External Analysis: Part A: General Environment: PESTEL Analysis:</u>

The PESTEL framework helps us understand the forces shaping consumer behavior. This framework includes Political, Economic, Socio-cultural, Technological, Ecological, and Legal dimensions. Let’s see how consumer trends are influenced by these forces. We will apply the PESTEL framework to Disney+.

Disney+ operates in various countries which allow them to increase their subscribers and thus their revenue potential. This opportunity for expansion into the untapped international markets makes due for caution. Every country has its own set of regulations for streaming services, content distribution, and digital media.

They are also affected by the political stability in the regions where they serve. The uncertainties in government stability can impact its business operations. Disney needs to manage these political factors for a smooth operation internationally.

Economic factors such as inflation rates, exchange rates, and the overall economy can influence consumer spending. The high inflation rates are reducing consumer spending and that has a direct impact on subscriber growth. Also, high interest rates create financing issues for new projects which will impact production of content. This will halt the continuous innovation that is required to maintain and grow market share. Lastly, as inflation rates are high, people may not have as much disposable income to spend on entertainment. Consumers may have to decide which streaming service to buy. This increases competition from the established and new streaming services.

Disney+'s content needs to be tailored to diverse cultural preferences to attract a global audience. Also, understanding and catering to demographic trends, such as the preferences of different age groups will help them with their content creation.

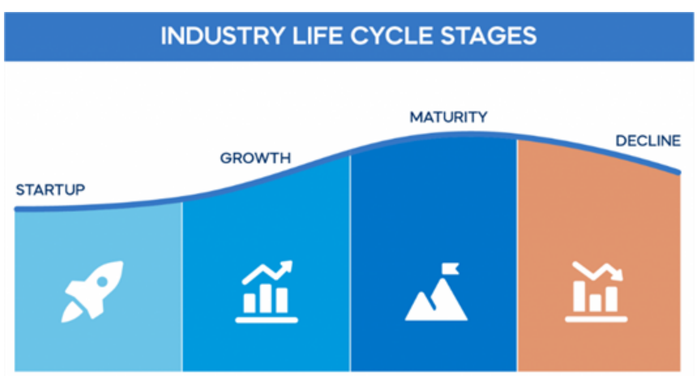
With access to artificial intelligence and predictive analytics, businesses can maximize the ability to target audiences. The 5G internet will make it easier for the consumers to take advantage of new technologies such as virtual reality. Disney+ relies on technology for content delivery, therefore they need to stay updated with the latest technological trends for a better user experience.

Environmental sustainability and corporate social responsibility are very important for Disney+'s reputation and brand image. Consumers are increasingly conscious of businesses' social and environmental impact, and a commitment to CSR can attract and retain customers and positively influence employee morale. Disney has been working to reduce emissions, conserving water, reducing waste, making lower impact products, building sustainably, and greening production. Environmental sustainability and corporate social responsibility are essential to Disney's long-term success.

Compliance with copyright laws and protection of intellectual property are critical in the streaming service industry. Disney+ must follow data protection and privacy laws to ensure the security of user information.

Disney+ operates in an ever changing and competitive industry. Adapting to changes in political, economic, sociocultural, technological, environmental, and legal factors is key for their sustained growth in the global streaming market.

External Analysis: Part B: Operational Analysis: Life Cycle Framework:



The industry's life cycle framework (Attachment D) consists of four main stages that an industry goes through. These stages include: initial stage (startup), growth stage, maturity stage, and decline stage. These stages help describe the evolution of an industry and provide insights into the challenges and opportunities it may face at different points in time. Different strategies are often required at each stage.

We place the streaming service industry (Disney+) in the growth stage. In the growth stage, the streaming service industry experiences rapid growth, increasing demand, and rising competition. The growth stage is characterized by technological innovations or changes in demand. The market acceptance grows, more players enter the market, and there is a focus on building brand loyalty and market share. The streaming services face a unique set of opportunities that can be exploited through some source of differentiation.

<u>Threat Analysis Through Porter's Five Forces Framework:</u>

Porter's Five Forces Framework is a strategic analysis tool that was developed by Michael Porter, a professor at Harvard Business School. It helps businesses understand the competitive forces within an industry, which helps them to develop strategies to improve their competitive advantage. The model identifies five key forces that shape the competitive environment of an industry: threat of new entrants, bargaining power of buyers, bargaining power of suppliers, threat of substitute products or services, and intensity of competitive rivalry.
Let's apply Porter's Five Forces model to Disney+ in order to analyze the competitive forces within the streaming industry.

The "threat of new entrants" force deals with the ease with which new competitors can enter the market. We feel there is a low threat of new entrants. The streaming industry has significant barriers to entry. Establishing a streaming platform requires substantial initial investments in content creation, technology, and marketing. Disney+ has an abundance of resources, benefits from economies of scale and an extensive content library, making it difficult for new entrants to compete on the same level.

The "bargaining power of buyers" force deals with the power that buyers (customers) have in the market. We feel the customers have moderate power. Consumers have a wide range of streaming options. The availability of other streaming options gives customers some bargaining power. However, Disney+'s exclusive content can decrease the customer's bargaining power to some extent.

The "bargaining power of supplies" force deals with the power that suppliers have over the streaming services in the industry. If suppliers have significant power, they can influence prices, quality, and terms. We feel suppliers have low power. Content suppliers, such as production studios and creators, hold some power, but Disney's extensive content creation capabilities and ownership of valuable franchises give it negotiating leverage.

The "threat of substitute products or services" force deals with the availability of other products or services that could potentially replace those offered by Disney+. The higher the threat of substitutes, the more challenging it is for companies to maintain their prices and market share. We feel this is a moderate threat. The threat of substitutes are other streaming services. However, Disney+ provides exclusive content that is not available on any other platform which can make Disney+ less susceptible to substitutes. The competition from other streaming services is still a threat due to customers having to choose between streaming services.

The “intensity of competitive rivalry” force deals with the level of competition among existing firms in the industry. The streaming industry is highly competitive, with major players like Netflix, Amazon Prime Video, HBO and Hulu.We feel there is a high intensity of competitive rivalry. The focus on exclusive content, pricing strategies, and technological innovation intensifies competition. Whichever company can differentiate itself the most will win market share.

Disney+ has a strong content library, however due to the strong competition in the streaming industry and the bargaining power of its customers, the focus needs to be on continuous innovation to maintain and grow its market share.

Strategic Formulation: Part A: Differentiation:

In this strategic development stage, we leverage the insights gained from thorough internal and external analyses to position Disney+ uniquely in the market and differentiate it from its rivals. The primary objective is to enhance the perceived value of Disney+ among consumers, thereby increasing the Willingness To Pay (WTP). Our strategy revolves around offering a compelling mix of content expansion and original productions that resonate with a diverse audience.

The first strategic path is diversification for broad appeal. By strategically expanding content offerings, we aim to cater to a wide variety of consumer tastes. This entails not only expanding within existing franchises but also introducing new and diverse content genres. Original productions will be a cornerstone, featuring high-quality storytelling and production values to captivate audiences.

This would go hand in hand with adaptability to consumer preferences through more sophisticated technology: We recognize that consumer preferences are dynamic. By staying attuned to the evolving tastes and demands of our audience, we can tailor our content strategy to meet their expectations. This involves regularly analyzing viewer data, feedback, and market trends to ensure that Disney+ remains a relevant and sought-after streaming service. This strategic endeavor will also help with retaining consumers for longer, so that Disney+ can extract value through retention and lower attrition losses which will create higher profit over acquiring new consumers through marketing campaigns.

Another factor for this strategy is utilizing a consumer-centric approach to guide our decision, we will conduct a thorough study of consumers' needs, behaviors, and values. This includes understanding their viewing habits, the importance they place on exclusive content, and their expectations from a streaming service. Armed with this knowledge, we can align Disney+ offerings with consumer desires, optimizing the value proposition and justifying a competitive price point.This would be encompassing a differentiation strategy that the products would still be unique by being part of the Disney brand and other subsidiary companies of Disney, but would be for a larger more industry wide consumer base. Another way to further develop this strategy would be to integrate a cost leadership strategy. The market is also dynamic, and consumer preferences can change rapidly. Our strategy involves adopting an agile approach, allowing us to adapt quickly to emerging trends, technological advancements, and shifts in consumer behavior. Regular reassessment of our positioning ensures that Disney+ remains a frontrunner in the highly competitive streaming landscape.

A crucial decision lies in choosing between a lower-cost strategy and product differentiation. Lowering costs while maintaining the desired level of service can enhance profitability, appealing to cost-conscious consumers. On the other hand, a product differentiation approach involves a deep understanding of consumer needs, behaviors, and values. By offering a unique service with features that align closely with consumer preferences, we aim to justify a higher WTP (willingness to pay).

Strategic Formulation: Part B: Differentiation Focus:

In order to position Disney+ for a differentiation focus strategy we would need to accomplish the following: Interactive Features and targeted revenue generation by offering fun and unique ways to engage customers with the platform to secure Disney+'s position as a unique and indispensable streaming service in the ever-evolving entertainment landscape. The positioning for this would be focus differentiation since it would be appealing to a targeted market and the new product offerings would be unique. Products here refer to the interactive applications on the software as well as the features to generate revenue.

This strategy would also require data analytics as well to ensure that the right products are being targeted to the right consumers. This would be the management system that would be most important for implementing the strategy. The capability that would go hand and hand with this would be targeted marketing for consumer awareness. An example of this would be managing the recommended applications when a consumer logs into Disney+. Since this strategy is offering unique products and services, this would be a disruption in the streaming service industry which we would believe would make it a successful strategy. Finally the overall goal of this strategy would make Disney+ more than just a watching service, which is what all of its competitors offer, but targeted more at a broader experience. We believe that Disney+ is the only strategy service that could implement this kind of strategy at the right caliber to be successful because of the Disney brand.

Implementation:

Strategy involves an ongoing, iterative process. After initially devising and securing your market position, it's essential to continuously reassess and adjust to remain relevant. This constant adaptation is a means of enhancing the value proposition you aim to provide through your product. Managing potential risks and incorporating user feedback are pivotal aspects of this dynamic approach.

Strategy 1 -To keep subscribers engaged and attract a broader audience, Disney Plus will stagger show releases to build anticipation, leverage popular shows to promote upcoming releases, and strategically overlap schedules to maintain viewers' attention. Additionally, they will build an interactive metaverse community within the app to drive engagement. Features will include social events, content voting, games, shopping, contests, and character interactions. This digital ecosystem can also advertise Disney's parks, hotels, and cruises. Finally, by acquiring Comcast's share of Hulu and ESPN, Disney can merge all three services under its full content control. The combined platform will cover diverse markets with the option to incorporate gambling features. Potential obstacles that could hinder this strategy include lengthy regulatory approvals, navigating complex gambling compliance laws, balancing ads versus user experience, and renegotiating licensing contracts. Disney can look to the decade-long success of AMC's The Walking Dead after the show as a model for driving viewership, engagement, and profits through synergistic programming.

Strategy 2 -To keep pricing and bundling competitive, Disney Plus will implement a three-pronged approach. First, they will create a subscriber referral program providing account credits or gift cards as incentives. Second, an annual contest will offer a free Disney trip to drive perceived value and ongoing subscriptions. Positioning the service as a lottery ticket could attract consumers. Finally, Disney will introduce pay-per-view content sharing to enable subscribers to share exclusive releases for a fee while earning subscription rewards in return. Obstacles that could hinder this strategy include other platforms launching similar aggressive promotions, the contest seeming too difficult to win diminishing enthusiasm, and some users turning to alternate platforms still allowing password sharing. However, by diversifying monetization avenues beyond just subscriptions, Disney Plus can retain price-sensitive customers through creative value propositions and payment opportunities based on referrals, sweepstakes-based subscriptions, and shared pay-per-view access.