

# Corporate Strategy of Walt Disney

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The corporate strategy of Walt Disney is to create content that the whole family can see. They are not just focusing on kids but the entire generation. They want to have better innovative technology so that they can make the audience's entertainment experience better. Another corporate strategy is to expand the business globally. The focus of the 2012 diversification strategy of the [Walt Disney Company](#) is organizational changes. It has been seen that it's the people who make the company, so promoting them from within the company can help them achieve their ultimate objective of growth.

The personnel who work at Walt Disney knows better about the inner dynamics of the company. Originally Disney's objectives were limited to cartoon production and promotion, but with the changes in the minds of the customers, they wanted something more than that, which Disney adopted and tried to bring something new to the market. The strength of the family is not limited to animated cartoons but to its diversified portfolio of businesses in different industries like theme parks and resorts, media, Interactive media, consumer products, and Studio entertainment. The purchase of ESPN has created a drastic change in the way people use to watch their particular entertainment source. One of the key strategies for Disney is to enhance and improvise its core animations with innovative characters and skills. With the help of their broader target group by purchasing ESPN, they continued to be diverse<sup>[1]</sup>.

## The long-term attractiveness of the industries represented in Walt Disney Company's business portfolio

Industry shows high attractiveness toward the diversified business portfolio of Disney. This is mainly due to the diversified portfolio and has high attractiveness in different industries like consumer products, themes and parks, interactive media, and studio entertainment.

Every single industry that Walt Disney has created a good revenue for them, but the Media network is generating higher revenues than other industries. The long-term attractiveness of the company can be evaluated through its threats and opportunities, as well as the assessment of industry attractiveness.

|  |               |         |
|--|---------------|---------|
|  | Opportunities | Threats |
|--|---------------|---------|

|                          |                                                                                                                                                                                                                    |                                                                                                                                                                                                                                         |
|--------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Media Networks           | <ul style="list-style-type: none"> <li>• Social media and make use of mobile applications and streaming devices.</li> </ul>                                                                                        | <ul style="list-style-type: none"> <li>• A shift from the traditional media outlet.</li> <li>• High competition in the industry.</li> </ul>                                                                                             |
| Parks and Resorts        | <ul style="list-style-type: none"> <li>• High barriers to entry.</li> <li>• Technology Advancements.</li> <li>• Niche marketing for themes and resorts.</li> </ul>                                                 | <ul style="list-style-type: none"> <li>• Relatively Weak economy.</li> <li>• High competition in the USA.</li> </ul>                                                                                                                    |
| Walt Disney Studios      | <ul style="list-style-type: none"> <li>• High barriers to entry.</li> <li>• Advancing Graphical abilities.</li> </ul>                                                                                              | <ul style="list-style-type: none"> <li>• Increasing Box Office prices.</li> <li>• The shorter span of time in Box office.</li> <li>• High competition.</li> <li>• Weak economy.</li> </ul>                                              |
| Disney Consumer Products | <ul style="list-style-type: none"> <li>• Changes in consumer taste.</li> <li>• Growth through related diversification.</li> <li>• Growth through a new market.</li> <li>• Expand international markets.</li> </ul> | <ul style="list-style-type: none"> <li>• Highly competitive industry.</li> <li>• Changes in consumer consumption pattern.</li> <li>• Changes in economic conditions of USA.</li> <li>• Piracy of electronically stored data.</li> </ul> |
| Disney Interactive Media | <ul style="list-style-type: none"> <li>• Recent Merger and Acquisition.</li> <li>• Talent pool</li> </ul>                                                                                                          | <ul style="list-style-type: none"> <li>• Recent trends in <a href="#">Cloud computing</a> and Social Gaming.</li> <li>• Increase in small independent developers.</li> </ul>                                                            |

From the case study, it has been seen that the revenues generated by Walt Disney interactive media are lower than Themes, parks and resorts, studios, media networks, and consumer products which shows the unattractiveness of the industry.

## Competitive strengths of Walt Disney Company's different business units

Disney's competitive strengths lie in the diversified business portfolio they have. Major strengths include a strong business portfolio, experience in achievements, diversification, and brand reputation. One of the major accomplishments of Walt Disney is to continue working on their weaknesses and transform them into their strengths. Technological advancement has created a separation of the industry. The characters involved in most of its motion pictures enable their consumer products to

boost their sales. Though Walt Disney has created high popularity, this allows them to be differentiated from other competitors; it also enables them to be the strongest competitor. Media networks, along with parks and resorts, are the highest performers and generate most of the revenues for Walt Disney <sup>[2]</sup>.

## Nine-cell Industry Attractiveness/Business Strength Matrix for Walt Disney Company

The cell industry matrix shows which business units of Walt Disney have the highest priority and which have the lowest. The matrix shows the strengths and attractiveness positioned by the different diversified companies. Business units having the greatest industry attractiveness and competitive strength show the overall performance of the company is good. Looking at the top left side of the grid reveals the high priority for resource allocation (Blue color), yellow color shows the medium priority, and pink color shows the lowest priority. The index shows that interactive media is the lowest performer than others. All the items in blue show high performance and industry attractiveness. These are the sources on which Walt Disney should focus and invest.

## The financial and operating performance of the Walt Disney Company

### Liquidity Ratios

| Ratios            | 2009 | 2010 | 2011 |
|-------------------|------|------|------|
| Current Ratio     | 1.33 | 1.11 | 1.14 |
| Quick Ratio       | 0.93 | 0.77 | 0.77 |
| Debt/Equity Ratio | 0.35 | 0.28 | 0.30 |

The current ratio shows whether or not the company can repay its debts (Short Term Obligations). It can be seen that over the past three years company's current ratio is coming above one, which is a sign that the company is making its short-term payments <sup>[3]</sup>.

## Profitability Ratios

| Ratios              | 2009  | 2010  | 2011  |
|---------------------|-------|-------|-------|
| Return on Asset (%) | 5.27  | 5.99  | 6.80  |
| Asset Turnover      | 0.58  | 0.58  | 0.58  |
| Return on Equity    | 10.01 | 11.12 | 12.84 |

ROA shows how well the company is profitable against the assets employed, while ROE measures the profitability of the company by looking at the investments made by the shareholders against the profit that the company is earning. The ROE and ROA of Disney are almost average, as clearly shown in the table. The higher the percentage of the profit margin, the higher will be the company's effectiveness towards costs<sup>[4]</sup>.

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