Corporate Strategy Analysis Based on Current Environment — Taking Disney's Expansion in China as an Example

Hang Chen, Yuzhuo Li, Xi Ling, and Meilin Yan

***Abstract*—The Walt Disney Company is a multinational media conglomerate headquartered in California. The company has gradually accumulated experience, capital and technology to support its development since 1923. After a series of large acquisitions, it has become the largest media and entertainment company in the United States. However, while Disney already serves many countries and regions around the world, the vast market of China is not completely open to Disney, especially under the impact of the epidemic. Therefore, Disney needs to change its development strategy in the Chinese market to strengthen its competitiveness. This paper adopts SWOT analysis method to analyze Disney from multiple industrial dimensions and comes to the view that Disney can cooperate with Tencent in three industries with the objective of rapid development in the Chinese market, including social network-Tencent QQ and Wechat; Gaming - King of Glory; Video - Tencent Video, to achieve a win-win result. At the same time, the paper also analyzes the weaknesses and threats faced by Disney, and puts forward some suggestions. These analyses and suggestions have important economic and social benefits for Disney to explore the Chinese market and improve its profits.**

***Index Terms*—Disney, SWOT analysis, business strategy.**

I. Introduction

A. Background Information

The world's first Disney theme park, founded by Walt Disney, the renowned cartoon master, was built in the city of Anaheim, California in the United States on July 17, 1955; and it was on that day that the park was officially opened to the public for entertainment. Through continuous growth, nowadays the Disney Park, with its astounding fame, has made its expansion into various markets around the globe, including Shanghai Disneyland opened in June 2020. The 2020 annual report (2020 10K) revealed by Disney has shown that the main operations of Disney include media networks, theme parks and holiday resorts, film and television entertainment, and consumer goods and interactive media. Disney parks and its self-operated film and television channel, Disney+ make up the main sources of revenue of the company with reference to the business model of Disney. The 2020 annual report indicates that since the launch of Disney+ a year ago, it has gained 73.7 million subscribers, up by 16 million than the last fiscal quarter year on year. Disney, in the meanwhile, has become unrivalled in its number of subscribers compared with powerful counterparts who are also based in Hollywood. The services of Disney+ have been released so far in over 30 nations and regions across the world, covering North America, South America, Europe, Oceania, Japan, and India as its main markets, however among its grand landscape, China is excluded. In the past one and a half years, as a matter of fact, Disney suffered a hard time with several setbacks and adversities. Its net loss in the 2020 fiscal year amounted to as high as \$2.864 billion. As for the first quarter of the 2021 fiscal year, it obtained a net profit of \$17 million which sharply decreased by 99.19% year on year. However, in the second fiscal quarter, the net profit of Disney grew by 95.87% to \$901 million.

B. Strategy

Strategy refers to the state in which enterprises would transform from a type of equilibrium to a better equilibrium [1]. As strategic deployment originates from practice, strategy making is deemed as an evolving process. When a new economy is generated, enterprise behavior is affected, therefore, new requirements on strategic management should be made. On the basis of predecessors' theory frameworks, updated theories ought to be re-established with the incorporation of current practice in order to be more effective.

Enterprise strategy refers to a long-term and holistic planning process, which in general, can be divided into three aspects, that is general strategy and business strategy (competition strategy) [2]. To be more specific, general strategy can be categorized as a growth strategy, stability strategy and retrenchment strategy. From the angle of enterprise development, any successful enterprise should experience the implementation stage of the growth strategy, which may differ in terms of duration. All their successes emphasize the importance of the growth strategy since essentially only the employment of such strategy can help the enterprise to expand its scale and scope and be transformed from the small-sized company with weak competitiveness and development base into a larger one equipped with competent strength as well as maturity. "As some enterprises grow into a certain scale, they may need to develop deeper or further; they may also encounter development obstacles or adversities, or they seek success at a later stage in the market competition." Under such circumstances, strategic plans are needed for guidance, which highlight the significance of

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strategic planning and implementation of strategic management. However, the strategic plan alone is far from being concrete plans. Strategies and a series of measures should be formulated to design practical routes in order to ensure the realization of strategies. At the same time, since the internal and external environment of the enterprise would constantly change, strategies do not stay invariably. Rather, strategic management including corresponding modifications of strategies should be proactively implemented in response to internal and external changes and to keep a dynamic balance with the internal and external environment. During the strategy implementation stage, shortcomings of the initial strategic design get exposed gradually, such as defects or thoughtlessness requiring improvement of the current strategy.

The external and internal analysis must be carried out when the mission, vision and purpose of the enterprise are clarified. Enterprise environments include the external and internal environment. External environment contains macro environment (Political, economic, socio-cultural, and technological factors, also known as PEST Analysis) and industrial environment (potential entrants, existing competitors, substitute competitors, buyers and suppliers, also known as Porter's Five Forces Model). Enterprises can only adapt to but never change the environment. The internal environment includes resource bases, core capabilities and value chains. Through comprehensive external and internal analysis, opportunities, edges, as well as threats and shortcomings are identified. Therefore, SWOT Analysis, a new strategic tool, is employed. After the completion of external and internal analysis, enterprises ought to make strategic choices that are classified into two types: business-level strategies and enterprise-level strategies.

Business-level strategies are categorized as low-cost strategies, differentiation strategies and centralized strategies, while at the enterprise level, strategies are divided into four types: integration, diversification, alliance, merger and acquisition. Enterprise strategies are required to change with the internal and external environment. In some cases, assessment, regulation and control must be implemented on strategies made in the early stage.

Strategic management, needed after strategy formulation, is defined in the generalized and narrow sense. Strategic management, in the generalized sense, includes strategic planning, while in the narrow sense, it refers to the inspection, modification, and final strategic audit of strategic planning during the implementation process.

There exist in-depth studies conducted by scholars from China and overseas on strategic management theories. However, under the new context of the COVID-19 pandemic, little work has been devoted to researching strategic management theories of enterprises. In addition, currently, most studies on enterprise strategies target manufacturing enterprises, traditional enterprises or listed enterprises, however strategic studies on industries like theme parks are insufficient. Therefore, Disney, taken as the research object, is studied in this work on its transition path during the pandemic to help the enterprise explore feasible plans in improving its strategic management through a comparison of its recently-revealed annual reports and previous ones.

II. Data and Method

A. Data

The Walt Disney Company is a multinational media conglomerate headquartered in California. In 1923, the two Disney brothers founded Disney Brothers Studio and began producing a series of cartoons. In 1928, with sound films gaining popularity, Disney innovated the Steamboat Willie—— the world's first cartoon with sound. Disney started thinking about colour cartoons in 1931, and in 1932, it released the world's first colour cartoon, Flowers and Trees. Disney's first full-length animated film, Snow White and the Seven Barost, was produced at the Carthay Circle Theater in Hollywood in 1937. Since then, Disney has continuously produced various animated films, especially after the end of World War II [3]. Disney's animation into the golden period of vigorous development, for example, Pinocchio, Dumbo, Cinderella, Song of the South, Peter Pan, and the Jungle Book. After repeated successes, Disney expanded its businesses. In 1955, Disneyland was built and officially opened in California and began planning to build Disney World in Florida. According to data, the establishment of Disneyland brought stable long-term profits to the Disney Company. In 1966, one of its founders, Walt Disney, died of illness. For a period of time after this, Disney lagged behind due to poor management and poor quality of its productions.

In 1987, Michael Eisner was appointed as CEO of Disney, and he began to reform the business from all aspects and various fields. First, he started to revitalize Disney's TV programs and animated movies. For example, he produced many popular new programs and movies and sold Disney's programs to TV stations. In terms of parks and resorts, Eisner expanded and innovated Disney theme parks to improve their profitability by establishing theme parks in Paris in 1992 and Hong Kong in 1999. In the retail sector, Eisner's concept of "retail as entertainment" leverages the synergistic advantages of all divisions and has brought substantial profits to the company. In 1995, Disney acquired CapCities ABC, including TV and radio networks and stations, Cable, sports channel ESPN, newspapers and periodicals, which made Disney became the largest media and entertainment company in the United States [3].

However, at the end of the 20th century, due to the strict management style of the operator and a number of other internal and external factors, Disney's financial situation deteriorated and Eisner left. After that, in 2005, Rogert A Iger became the CEO of the Walt Disney Company. He restored order to the company by delegating power. Iger also defined Disney's new strategy of building multi-billion dollar franchises, and he acquired Pixar (2006), Marvel (2009), Lucasfilm (2012) and 21st Century Fox (2019), which have implemented this strategic vision. The strategy has led to steady growth in Disney's revenue [4].

B. Method

SWOT analysis is based on internal and external competitive environments and conditions which list all kinds of major internal strengths and weaknesses as well as external opportunities and threats closely related to the research objective through investigation and analysis. According to the matrix arrangement, with the idea of system analysis, various factors are matched up to be analyzed, from which a series of corresponding conclusions are drawn, which are often of a decision-making nature [5].

SWOT analysis method has the advantages of comprehensiveness, systematicness and accuracy, allowing users to conduct accurate analysis in accordance with the research results and make corresponding development strategic plans and decisions [6]. S is for strengths, W is weaknesses, O is opportunities, and T is threats in the acronym SWOT. Generally, SWOT can be divided into two parts: the first part is SW, which is mainly used to analyze internal conditions; the second part, OT, is mainly used to analyze external conditions.

This method can be used to find out favorable and positive factors as well as harmful and negative factors, and discover existing problems so as to find solutions and provide future development direction.

III. Results and Discussion

A. *Strengths*

The Walt Disney Pictures Group is one of the largest and most famous film production companies in the United States today. Disney’s main strength is its financial solidity and domestic resources refer to human resources. Disney has the world's leading artists, directors and writers. According to De Groote, P. “Employees in the Disney studios appear to be very innovative and in recent years they have created several productions. A corporation without new inspirations has a trouble in today's aggressive business environment. The low-cost company’s strategy is an advantage for them. The company can manage costs, and still make quality goods and services” [7].

Disney’s brand power can also make consumers recognize their logo immediately, and the cooperation between Disney and Tencent will only make them more robust in the international market competition.

In order to analyze the current situation of the Disney Group regarding its strengths and weaknesses and the opportunities and threats that it may face in the future development process, we chose to use the SWOT model for the analysis. Table I lists the main points and conclusions from the analysis, and the specific analysis process will be shown in the content of the following part.

TABLE I: The Swot Analysis of Disney

Strength: **1.** One of the largest and most famous film production companies in the United States 2. Financial solidity and domestic resources	**weaknesses:** **1.** High Attrition Rate 2. Poor financial planning 3. Vulnerable to competitors due to a lack of marketing and promotion
Opportunities 1. By combining Disney's brand value and capital with Tencent's market penetration and technology in China to create a unique amusement park experience. 2. Tencent's experience in building and promoting video platforms and Disney's top-notch film and television products will enable them to work together to create the world's leading video platform.	**Threats** 1. Disney has no control over the cost of its own industry. 2. Disney's global properties are independently owned and operated, which has resulted in their isolation in different market environments. 3. Disney has difficulty innovating, and developing technology and distribution channels.

As the largest internet company in mainland China, Tencent's business mainly involves social, finance, and information platforms and tools. Its subsidiaries specialize in various global internet-related services and products, entertainment, artificial intelligence, and technology. In terms of human resources, Tencent also has a top research and development team. According to Napitupulu, B. E. P. “Tencent’s R&D team always research what the essential service that people need and they could provide to the market” [8]. Tencent owns Tencent QQ and WeChat, the most popular social software in mainland China, and Tencent Games, the largest online game community. Based on the two companies' leading positions in the entertainment and media fields in their respective main markets, we hope this cooperation brings considerable gains and influence.

Based on the extremely high popularity of WeChat in China and a large number of active users, Shanghai Disney can direct consumers to its mini-programs by placing advertisements on the WeChat Moments page. Shanghai Disney has launched its mini-program, Its functions include buying tickets and annual cards, hotel reservations, and unique restaurant ordering services. However, based on the partnership between Disney and Tencent and WeChat's strong ability to attract users, Disney can add more functions to the miniprogram to enhance tourists' experience. For example, they can jointly develop online purchase channels for Disney toys with WeChat Mall to serve customers who need to purchase toys but cannot visit authorized stores. Shanghai Disney can also cooperate with Tencent Maps to launch maps and navigation of the amusement park in the mini-program to enhance the tourist experience. At the same time, by connecting the networking technology and the park visitor flow monitoring system, the current queuing time of popular facility can be calculated in actual time, and the information can be marked on the online map to improve users' experience. The online streaming platform Disney+ can be built around the film and television content of Disney's major entertainment industry companies. It is expected to cover 64 countries and regions worldwide in 2022, but this does not include China's mainland area. Disney does not have an exclusive and unified broadcasting platform in mainland China, which makes it impossible for Disney to play all their films, such as “Avengers: What If” on multiple platforms in mainland China, therefore it has to give up this market. However, Tencent Video is a playback platform owned by Tencent, which has purchased a large number of video copyrights and witnessed speedy growth. If Disney can reach a partnership with Tencent, Disney can broadcast their exclusive series on Tencent Video to expand the market and customer base, and Tencent can also use Disney's high-quality films to bring attention and subscription revenue to its video platform.

B. Weaknesses

Walt Disney Company has the weakness of high attrition rate — where it has spent huge amounts of money on staff training and grooming. For example, according to Margot Roosevelt, an economic news reporter who once worked for the Los Angeles Times, argued that "it would pay out one-time, $1,000 cash bonuses to 125,000 full- and part-time non-executive employees. It will also spend $50 million this year, and $25 million going forward, to subsidize training and education for 88,000 hourly workers" [9]. Its high attrition rate has remained unchanged. The company also has poor financial planning, which results in more losses. Disney could be exposed to competitors due to a lack of marketing and promotion. They only use advertisements when they are promoting a new film or gadget. Aside from that, the majority of marketing is done visually via cross-promotion.

Due to the cultural difference in which the United States has a totally different culture compared with China, Tencent Company has difficulty cooperating with Walt Disney Company. Although the Disney company has built strong networks and secured partnerships to develop distributors and dealers across the US, they are unaware of the traditional culture of Chinese companies especially Tencent. This is likely to affect the cooperation between the two companies. For example, the solution to expand Disney's market share in China is that the Disney company should cooperate with Tencent mobile app King of Glory. The existing King of Glory character skins are based on Chinese traditional characters like Lady Sun, Wang Zhaojun, Zhao Yun etc. The difficulty for two companies is to create new character skins based on Disney characters but does not conflict with the game style.

C. Opportunities

Disney is a globally recognized brand, which allows them to expand its business in other markets. They can choose to open their physical attractions in many different locations around the world. For example, the Shanghai Disneyland in China, opened in 2016, was a huge success. They can also start providing international consumers with a unique park experience in a virtual way. As a leading company in the technology field, Tencent has the resources and technology to achieve this goal. The development of the WeChat applet in Shanghai Disneyland mentioned above is based on this potential opportunity. At the same time, Disney can evaluate the changing market trends and develop products that adapt to them. Through the cooperation with Tencent Video, new technologies are acquired, and the company's Disney+ platform can be innovated to reach the stature of Netflix.

D. Threats

However, the ongoing threats to Disney are numerous. Disney Company is confronted with high expense tolls, isolation, and poor technology. According to the 2021 Business Strategy Hub, "Disney has always spent large amounts on their workforce, employee development, and training. Currently, the average salary offered for a beginner at Disney is $15 an hour" [10]. Salary wages around the globe are continuously increasing. "With salary wages rising by the country's law, Disney could end up with lower profits when it comes to paying off their external workforce in foreign countries. Due to the many ongoing issues with other countries, most of the administration is trying to pull out of international contracts. It includes many manufacturers" [10]. Secondly, Disney Company is facing an isolation threat. Disney Company will be under pressure to achieve sufficient profits because some of the manufacturers are in foreign countries when the isolation phrase is lasting. Moreover, Disney Company is not specified with technology innovation. As technology skills improve year by year, people choose to watch TV shows on electronic devices. What Disney lacks for developing is the unique application for people to subscribe to the Disney content.

IV. Conclusion

This paper uses the SWOT analysis method to analyze the feasibility of cooperation between Disney and Tencent in developing the Chinese market from multiple industrial dimensions. It is more scientific to introduce quantitative analysis into qualitative analysis. In the results and discussion section, the cooperation between Disney and Tencent to create exclusive IP images and put them into Tencent's Market in China is discussed in detail from aame, social network and video directions, which are three rapidly developing industries in the Chinese market. In addition, the analysis is divided into four parts, respectively from the Disney's cooperation with Tencent's strengths, weaknesses, opportunities and threats, combining qualitative analysis with quantitative analysis, and verifying its feasibility.

In the threats analysis, it was suggested that Disney can spend money on training technical staff to improve its skills rather than outsourcing its business. Disney also need to continue accelerating app innovation to retain consumers.

Conflict of Interest

The authors declare no conflict of interest.

Author Contributions

Xi Ling conducted the introduction; Meilin YAN summarized the abstract and conclusion, conducted the data and method; Hang Chen and Yuzhuo Li wrote the Results and Discussion; all authors had approved the final version.

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