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Beyond the Castle: An Analysis of the Strategic Implications of Disney+

By

Jordan Sturgill

An Undergraduate Thesis Submitted in Partial Fulfillment
of the Requirements for the
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Abstract

The Walt Disney Company has been incomparably successful in a wide array of product and experience markets. In the fall of 2019, Disney will launch a new branded streaming service, Disney+. This research will examine and analyze, by means of SWOT and PEST analyses, the marketing strategy and managerial implications for Disney+ as well as the internal and external conditions facing the company that may affect, either directly or indirectly, the platform's success.

Introduction

The Walt Disney Company is one of the most influential corporations of the century. The company has been successful with business models for animated and live action films and television shows, immersive theme parks and cruise lines, and themed merchandise, while also successfully acquiring entertainment companies such as Marvel, Lucasfilm, ABC, ESPN, and soon, 21st Century Fox. Disney's scope and volume of influence is unmatched in today's business environment. The company is a stakeholder in many consumers' childhoods with its popular library of animated films, such as *Snow White and the Seven Dwarfs*, *Cinderella*, *Toy Story*, and *Finding Nemo*. Recently, The Walt Disney Company announced its introduction to the streaming market with a new platform, Disney+, which it will launch in Fall 2019. There are several internal and external factors that will affect the platform's ultimate success and that are important to consider when making a major business decision. Disney must take advantage of the strengths and opportunities afforded it while being careful to strategically avoid or address the weaknesses and threats that the platform may encounter throughout its launch. If executed carefully, Disney+ could be a major win for the company, creating customers and adding value in an area where the Disney brand has not previously ventured.

Literature Review

History of the Walt Disney Company

Walter Elias Disney was an entrepreneur, cartoonist, animator, voice actor and producer (Westre, 2016). Walt's brother Roy, ten years his senior, was a practical businessman (Wise,

2014). On October 16, 1926, Walt Disney signed a contract with M.J. Winkler to establish the Disney Brothers Studio (Robbins, 2014). In 1928, the Disney Brothers Studio released *Steamboat Willie*, one of the first animated cartoons to feature synchronized sound (Wise, 2014). *Steamboat Willie* introduced the iconic Mickey and Minnie Mouse to the world for the first time (Robbins, 2014). The studio's success continued through 1937, when the world's first feature-length animation, *Snow White and the Seven Dwarves*, was released at a cost of \$1,488,422. *Snow White* was the first animation to use a multiplane camera, which was a groundbreaking development in the movie production business (Wise, 2014). *Snow White* is the only animated film to rank in the American Film Institute's 100 Greatest American Films of All Time (Carillo, Crumley, Thieringer & Harrison, 2012). The pioneer feature-length animated film set the stage for all forthcoming "classic Disney" films. In 1940, the company issued its first shares of stock, signifying its growth (Robbins, 2014).

In 1955, the company's first theme park, Disneyland, opened in Anaheim, California. Eleven years later, on December 15, 1966, Walt Disney died (Robbins, 2014). The company stalled after Disney's death without his creative direction (Daniel, 2002). The mogul did not live to see the opening of Walt Disney World Resort in Orlando, Florida in 1971, just five years later. Disney's first of many international theme parks opened in 1983 in Tokyo (Robbins, 2014).

In 1984, Michael Eisner, the former CEO of Paramount Pictures, became CEO of the Walt Disney Company (Wise, 2014). Disney began its practice of acquiring major companies in order to broaden its portfolio in 1995 when the company purchased Capital Cities/ABC, including ESPN, for \$19 billion dollars (Carillo et al., 2012). A year later, Disney launched its first website and Radio Disney. In 1998, the company set sail on the first Disney cruise ship. In 2001, the

acquisitions continued with Fox Family Channel, which Disney renamed ABC Family (Robbins, 2014). In 2005, Robert Iger replaced Michael Eisner as CEO of the Walt Disney Company (Wise, 2014).

Beginning in the year 2006, Disney's acquisition of the companies that would soon define its product portfolio – Pixar, Marvel, and Lucasfilm— began. Disney acquired Pixar in 2006 for \$7.4 billion dollars in cash and stock (Carillo et al., 2012). The Disney/Pixar relationship began with a ten-year partnership contract that brought the world the likes of *Toy Story* and *Finding Nemo*. At this time, Disney/Pixar films filled the list of the Top 10 Highest-Grossing Movies of all Time. One of the major factors that led to Disney's purchase of Pixar upon the end of the Disney/Pixar contract was a study that showed that mothers tended to trust the Pixar name more than Disney. Because mothers are not only a substantial target market segment for the company but are also gatekeepers to the company's largest target market, Disney acted upon this study to ensure continuing trust was placed in its products (Wise, 2014). In 2009, the Walt Disney Company acquired Marvel Studios (Carillo et al., 2012). Disney purchased Marvel for \$4 billion, which was approximately 29% greater than Marvel's market value at the time of purchase. This purchase resulted in a 20.2% compounded return for Marvel's top shareholders and gave Disney rights to the likes of Iron Man, Spiderman, The Incredible Hulk, and several other of the world's most notable superheroes. While Marvel certainly flourished as a result of the Disney purchase, Disney also viewed Marvel as a "strategic fit" and a great benefit to the company's portfolio (Calandro, 2010, p. 43). In 2012, Disney acquired Lucasfilm for \$4 billion cash and stock, gaining rights to the *Star Wars* franchise (Carillo et al., 2012). While these major

purchases were diversified enough to round out an already impressive product offering, Disney still managed to maintain its primary brand appeal and target markets (Westre, 2016).

The Walt Disney Company's Marketing

The Walt Disney Company employs several masterful marketing tactics that allow it to constantly remain one of the most powerful companies in the world. Disney has mastered the use of nostalgia to create and maintain customer loyalty. This tactic is exemplified in the company's revival of old animated classics such as *The Jungle Book* and *Beauty and the Beast*; the company uses the same characters and soundtracks to evoke a sense of nostalgia but amplifies production abilities (assisted by newer technology) to create an even higher-quality film than the original. Disney successfully targets audience segments using its multi-channel marketing strategy by "strategically creating content for different audience segments" (Polizzi, 2017). The company has established its theme parks as destination brands, utilizing limited-time events such as Mickey's Not-So-Scary Halloween Party and the EPCOT Food and Wine Festival to create a sense of urgency for consumers to visit the parks now rather than later. Further, Disney has almost perfected the use of brand storytelling that resonates with, and inspires, consumers (Polizzi, 2017). "Today, the name Disney represents not a person but a conglomerate that manufactures all kinds of entertainment, often creating cultural icons along the way" (Daniel, 2002, p. 1025).

One prominent example of the company's marketing success is found by examining the film *Frozen*, which, shortly after its release in 2013, was named one of the top ten worldwide highest grossing movies of all time (Gomez, 2014). In 2014, *Frozen* also became the highest-

grossing Disney-produced animated film of all time. When marketing the animated masterpiece, Disney focused on winning a disproportionate share of its core target segment by featuring female protagonists, exciting storylines, and Broadway-worthy songs to capture the hearts of young females (Davis, 2014). When *Frozen* became a major international success, both Disney and Toys R Us placed limits on how many *Frozen* items shoppers were allowed to purchase per transaction throughout the busy holiday season. Not only did these limits allow as many families as possible to have access to *Frozen* merchandise and control production costs for the company, but the restrictions also made consumers want *Frozen* items even more because they could not immediately have them (Dominique, 2015).

It is important to note that Disney has not experienced success after success throughout the company's lifetime. EuroDisney, the Parisian Disney theme park, has seen consistent financial struggle that began with Disney underestimating the cost of employing French workers. EuroDisney was also affected by the recent French financial crisis and has had difficulty making a profit ever since (Pozzebon, 2014). This is one example of how companies must leverage the ultra-successful products and services offered with the not-so-successful products and services in order to balance the overall business strategy and profit. This factor will be useful for Disney to implement moving forward with new product launches in order to balance out the company's product and service portfolio.

In order to examine how the Walt Disney Company will successfully launch and market its forthcoming streaming platform, Disney+, it is useful to study the existing streaming market to create a foundation for the SWOT analysis.

The Current Streaming Market

“Streaming” refers to the ability of viewers to pay a set price, typically monthly, and have access to a platform with a certain offering of various forms of entertainment such as television shows and films. The rise of streaming has created the decline of cable television. Streaming, as a more engaging form of television, exists on the cutting edge of technology (Wayne, 2018). The primary appeal of streaming is that it eliminates the “pollution” of advertising breaks and satisfies viewer desire for autonomy in scheduling when and what they want to watch (Wayne, 2018). Over half of the households in the United States subscribe to some streaming service, with over \$2.1 billion a month being spent on streaming service subscriptions (Wang, 2018). Typically, the deciding factor when a consumer is contemplating which service to purchase is a platform’s access to exclusive and original content; however, the growth of the streaming industry is not limitless as, ultimately, consumers must pick and choose which services they desire (Wang, 2018). Thus, the competition in the streaming market is very much alive and well.

The most prominent players in the streaming market are Netflix, Hulu, and Amazon. Also available to consumers are devices like the Roku, the Amazon Firestick, and Chromecast. These streaming devices work through a wireless internet connection and allow consumers access to a variety of media networks such as videos, music, and entertainment programs (Bond, 2017). While these devices are certainly valuable in the streaming market, they are not actual streaming platforms themselves; rather, they give viewers access to multiple streaming platforms and media outlets.

Arguably the largest streaming service in existence today is Netflix, the go-to destination for a vast variety of old, new, and platform-exclusive television shows and movies. Netflix reported a subscriber count of 130.14 million in the second quarter of 2018 (Statista, 2018). Netflix has positioned itself as a replacement for traditional cable television, who the company considers its main competitor (Wayne, 2018). Netflix acts to obscure the origins of content that is branded by other networks and instead positions itself as the main point of identification for the audience (Wayne, 2018). The “original content” trend currently taking place in the streaming market was started with Netflix, who was the pioneer streaming service to release exclusive content. As this trend has taken off in all other competitive streaming platforms, it is evident that “Netflix’s impact seems both permanent and significant” (Jenner, 2016, p. 258). Netflix announced a platform-wide price increasing in early 2019, increasing the prices of all three of the platform’s plans by as much as 18%. This is not the company’s first price increase, but it is certainly the largest, and the first to affect all subscribers at once (Siegal, 2019). Netflix chose an interesting period of time to make this decision, as the competitive streaming environment currently exists in a time of rapid change where consumers are being given more options than ever before.

The powerhouse online retailer Amazon also has a streaming service called Prime Video that is a direct competitor of Netflix. Prime Video is available to subscribers of Amazon Prime, who also enjoy benefits such as free two-day shipping on all purchases and some exclusive sales. Although Amazon is rather vague when releasing subscriber numbers, estimates indicate that the company has over 65 million Prime subscribers worldwide (Kim, 2017). It is important to note that this estimate is indicative of Amazon Prime subscribers, not necessarily Prime

Video users. Amazon uses the Prime Video offering to entice consumers to purchase Amazon Prime, thus making additional online purchases likely (Wayne, 2018).

Another direct competitor to Netflix and Amazon is Hulu, a streaming service with over 20 million U.S. subscribers (Welch, 2018). Hulu is especially important to mention because the company likely will be owned by the Walt Disney Company with Disney's \$71 billion acquisition of 21st Century Fox, which has recently been approved by shareholders (Oyedele, 2018).

Although the streaming market is certainly flourishing and changing the way in which consumers access various forms of entertainment, this new technology will not completely replace older technology. Rather, the two eras of entertainment will coincide with one another and allow consumers a compromise between traditional and disruptive technologies (Wayne, 2018). Thus, it is important for the revolutionary streaming platforms to determine the key reasons why television became so popular in the first place and preserve those elements moving forward in order to experience the same long-term impact and profitability as cable television has in the past.

Disney's New Streaming Platform

The newest player in the streaming market will be the Walt Disney Company's platform, titled Disney+ (Sorrentino & Solsman, 2018). The service is expected to launch in fall 2019 and will begin with exclusive United States service before later expanding overseas. The service will feature no R-rated content in order to preserve the family-friendly Disney reputation. Disney's acquisition of Hulu will serve as a valuable resource for the company to distribute its R-rated content to the correct market of consumers while upholding the integrity of Disney's platform

(Fleming, 2018). While the exact price of Disney+ has not yet been announced, the company has announced that the platform will be priced “substantially below” Netflix to reflect smaller amounts of content volume available on Disney+ (Mitovich, 2018). Viewers can expect to see content from Disney, Pixar, Marvel, and *Star Wars*. Because Disney already owns a vast library of content, the company does not have to worry about spending significant production money on developing vast amounts of new content for the platform right away, and rather can focus more on preserving the service’s branding. Disney+ is not required to house a comparable volume of content to Netflix because of the unique brand (Alexander, 2018). Disney believes that all of the aforementioned product offerings are on-brand and will not disrupt brand dissonance by being offered on the same platform together. The platform’s current content offerings draw a parallel from the Disney Parks, which offer experiences pulling from all of the company’s various ownerships (Chmielewski, 2018). In terms of the platform’s release strategy, Disney CEO Bob Iger says the company is going to “walk before we run” and are “in the quality game, not in the content game” (Elderkin, 2018). Thus, Disney is in a favorable position to be able to release slowly and cautiously while still being relatively sure of the service’s immediate success due to the content the company already owns. Disney’s goal in the first five years of Disney+ is to generate four to five original movies and five television series that will belong exclusively on the Disney+ platform. The television series will cost between \$25 and \$35 million for approximately ten episodes, but depending on the series and its production requirements, this amount could be higher for some series (Fleming, 2018). It seems as if Disney will primarily be relying on its previous successes, placing a heavy emphasis on already established brands and remakes of classics rather than all-new original content. Some original content offerings

that have already been announced are book adaptations such as *Stargirl* by Jerry Spinelli, *The Paper Magician* by Charlie N. Holmberg, and *Don Quixote* by Miguel de Cervantes Saavedra. In addition, some less-notable films such as *The Magic Camp* and *Noelle*, and some live-action remakes of less popular animated films such as *The Sword in the Stone* and *Lady and the Tramp* are already in the works. Disney will work cautiously with the budget in the early stages of Disney+ and gauge its success to discern the best way to move forward with original content offerings (Gartenberg, 2018). For Disney, a cautious budget is acceptable. The company does not have to spend large amounts of money, time, or energy on trial and error because it owns such an enormous collection of successful content (Wang, 2018).

Factors for Success

The Walt Disney Company has several existing internal strengths and weaknesses that will contribute to the launch, public perception, and, ultimately, success of Disney+. A well-known mantra in the study of branding is: "In a world cluttered with a growing number of entertainment choices, people look for the quality brands they know and love" (Bennett & Schweitzer, 2014, p. 24). Disney has made its mark on society by its long-standing and successful practice of creating customers, beginning in a person's childhood and continuing through a person's lifetime (Bennett & Schweitzer, 2014). Further, Disney has not only created many progressive animation technologies throughout the company's history that have advanced the animation industry but has also become the defining benchmark for the branding of animation itself (Hoppenstand, 2013). In other words, Disney has set the standard for not only filmmaking and animation, but also for branding and consumer desire. A study of the

impact of the Walt Disney Company's prominence in a community found that Disney films are considered a source of authority in teaching roles and values just as much as schools, churches, and the family (Bazzini, Curtin, Joslin, Regan & Martz, 2010). The influence of the Disney brand upon all sorts of content receivers (children, parents, adults, other animation companies and competitive experience-producing companies) cannot be overstated, nor can it be ignored.

One of the major factors that has contributed to Disney's continuing success is the company's extremely loyal customer base. When consumers purchase a Disney product or experience, they expect that purchase to be enjoyable and magical, which will encourage consumers to come back to Disney to make more purchases in the future (Westre, 2016). Another asset to the company's overwhelming success is the existing synergistic marketing strategy, in which purchasing one Disney product/experience drives consumers to purchase another product/experience. For example, if a viewer sees a Disney princess movie in theaters that they enjoy, they may visit The Disney Store to purchase a plush model of the princess from the movie. While in The Disney Store, the consumer may see a video playing advertising the chance to meet the princess in a Disney park, which could drive them to purchase a park ticket and resort stay. While in the park, the visitor may enjoy meeting the princess so much that they purchase more princess merchandise, and so on. Because of this fluid and successful strategy, integrating Disney+ into the marketing mix will be almost seamless. Park visitors may enjoy their park experience so much that they want more Disney magic in their everyday lives, which could drive them to purchase Disney+. The viewer may enjoy the *Star Wars* series on Disney+, which may lead to them purchasing *Star Wars* merchandise, etc. (Toth, n.d.). Disney also has a strong positive brand image, which means that consumers will not only be attracted to an

exciting new movie or product but will also be attracted to Disney itself (Francoeur, 2004). Disney is known as the primary leader in the family entertainment industry (Robbins, 2014). Because of the company's family-friendly reputation, Disney plays a major role in the entertainment market for children (Francoeur, 2004). The company aims to attract children at a young age, introducing children to the Disney magic through movies, television, and product offerings (Winsor, 2015). This will ensure that young children continue to be Disney consumers even as they age. Alternatively, part of Disney's success is that the company also appeals to adults, or "children at heart" in its product offerings and theme park visits, with the use of nostalgia for one's childhood (Griffin, 2017). Adults continue to be drawn to the company because "Disney holds a strategic grasp on key cultural objects, including the characters we all know and love, and the means by which to upkeep and promote them" (Robbins, 2014, p. 14). Disney also has the advantage of an extremely diversified portfolio, which means that there are endless opportunities for the company to sell to various markets (Winsor, 2015). Despite Disney's expert portfolio diversification, "the theatrical release of animated features continues to be the most important entry point to the company's magic kingdom" (Krämer, 2000, p. 45).

Although Disney owns content which has contributed to years of nostalgia-producing history, the company is also continuously innovative. "The culture of Disney could be seen as one that is always looking forward to the future... they are constantly trying to find ways to develop the most creative, innovative, and profitable entertainment experiences and products in the world" (Zink, 2014, p. 7). Further, the company is in a favorable position to continue increasing brand equity (Westre, 2016).

The external factors surrounding the Walt Disney Company at the time of the announcement of Disney+ are also important to consider. First, Disney+ has several competitors. Some competitors are established, such as the previously discussed Netflix and Amazon, while some are still infantile, such as the streaming services expected to come from Walmart and Apple (Lowe, 2018). Disney also currently owns the ESPN streaming platform which, although not a direct competitor to Disney+ based on the difference in each platform's content, should still be considered a competitor according to the thought that consumers can only choose the streaming platforms that are most important to them. While the Walt Disney Company has stated that Disney+ is not expected to "kill" Netflix, it has been announced that Disney will stop distributing most of its content to Netflix when the existing contract expires in 2019 (Chmielewski, 2018). Upon the release of this news, Netflix stock shares dropped 4% instantly (Wang, 2018). Disney will leave the Marvel television series shows on Netflix "for now", as these shows are darker and more violent and may not be a great fit for Disney+ (Gartenberg, 2018). When considering Hulu, in which Disney will have a 60% stake upon the acquisition of 21st Century Fox, the company is still "very much in support" of growing the existing adult-focused platform (Chmielewski, 2018).

The Walt Disney Company is weakening its competition in the streaming market simply by creating a destination for all Disney-owned content. While the Netflix share drop is a prime example of the power Disney wields in the market, another is the company's efforts to reacquire the rights to the early *Star Wars* films that were previously sold to Turner Broadcasting (Bonomolo, 2018). Disney envisions its streaming platform to be the sole

destination for family-friendly Disney content which, in essence, is most family-friendly content in existence.

The purpose of this study is to examine the internal, external, and environmental factors surrounding the Walt Disney Company's launch of Disney+ in order to provide a more holistic approach for researchers to determine the likelihood of success or failure of the Disney+ streaming service.

Methodology

One valuable tool for business decision makers to use in creating a successful marketing strategy is a SWOT analysis, which studies a company's strengths, weaknesses, opportunities, and threats. The SWOT analysis is an easy way to allow marketers a platform within which to examine all aspects of the company and the surrounding environment. A SWOT analysis can be enhanced by also performing a PEST analysis and studying the political, economic, social, and technological environments within which a business lives. The PEST analysis prompts marketers to make decisions based upon the realization that companies do not exist on their own, excluded from the influence and effects of the outside world. Because the Walt Disney Company has such a large number of components operating under one corporate umbrella, a SWOT analysis could be an integral piece in the development of Disney's marketing strategy. By performing SWOT and PEST analyses on the company's marketing decisions, Disney marketers could ensure the company has a thorough knowledge and expectation of the internal and external factors that might influence the success of their marketing endeavors.

SWOT Analysis

A SWOT analysis is a tool frequently used in business analytics that allows decision makers to examine their business from multiple angles in order to obtain an objective viewpoint and make educated decisions. A SWOT analysis first examines a company's internal strengths and weaknesses. Some examples of these may include finances, company reputation, or access to goods and resources. A SWOT will then determine the company's external opportunities and threats. Opportunities could be technological breakthroughs or market trends, while threats may be competitors or a region's financial state (*Strategic Direction*, 2015, p. 13-15).

A SWOT analysis can be considered an important tool that businesses may use to confront complicated situations by streamlining the amount of information necessary to understand a scenario, which can then serve as a starting point for strategic business decision-making (*Strategic Direction*, 2015, p. 13-15). SWOT analyses are typically used to study only one company at a time so that results remain clear. Some scenarios in which a SWOT analysis may be useful are examining management techniques or the competitive landscape, creating a corporate strategy, or tracking market trends (*Strategic Direction*, 2015, p. 13-15). The primary objective of a SWOT analysis is to examine a company's internal strengths and external opportunities to leverage against the company's internal weaknesses and external threats (Wang, 2007). As Wang notes, "organizations do not exist in a vacuum", but are intertwined with other organizations in a larger external environment that is dynamic and easily influenced by change (p. 1). Understanding and responding to this constant change is crucial for strategic planning and marketing. The SWOT analysis allows managers to consider all viable aspects of

the company that could influence the company's environment and use these findings to enhance the company's position within the overall corporate structure and value chain (Wang, 2007).

The SWOT analysis has several uses in marketing, but the main objective is to provide companies with a series of options when confronting a business decision based upon an analysis of the combination of the SWOT's four factors, thus allowing managers to create a variety of growth or cost-cutting plans (Wang, 2007). The SWOT analysis uses strengths to optimize opportunities and avoid threats, eliminates weaknesses to create opportunities, and defensively decreases weaknesses to avoid threats. In terms of marketing, a SWOT analysis may be particularly useful to examine potential marketing strategies, discover healthy product launch environments, chart the development of a new target market, and assist in deciding upon a new promotional strategy (Helms & Nixon, 2010). Because marketing, much like the organization as a whole, does not exist in a vacuum, but rather is intertwined with all external and internal factors surrounding a company, marketing strategies are quite responsive to change, thus making a carefully-performed SWOT analysis a useful tool in making safe and prosperous marketing decisions.

One hypothetical example of a situation that may benefit from a SWOT analysis is a global technology company launching a brand new, innovative product. While one may assume that this state-of-the-art technology will be successful because it is new and the company has a generally positive reputation, there are several other factors that may influence the success of the company's hypothetical product launch. Upon performance of a SWOT analysis, marketing

employees may determine that the company strengths include an overall positive reputation of quality and customer service, and that the new product truly is groundbreaking. Employers may also conclude, however, that company weaknesses may offset strengths slightly in that the Chief Executive Officer has received some recent negative press coverage, and that the new technology would be rather expensive. Employees may recognize that the company has the opportunity to be the first in the market with this new innovation, but that its main competitor has already announced an upcoming launch event for a new product of its own that is receiving significant media coverage. Upon the understanding of the SWOT analysis, the marketing department may determine that now is not the best time to release its new technology. The department may decide to use the time until the CEO regains positive community relations and the excitement diminishes for the competitor's new product to finetune the company's new product and its release strategy. The research and development team may possibly even find a way to make the new product more affordable for the target audience. Because the company chose to study the SWOT factors, it avoided a potentially dire and costly mistake and likely gained confidence in the success of its marketing strategy.

The SWOT analysis methodology was employed in the context of this Disney+ research to determine the strengths, weaknesses, opportunities and threats facing the Walt Disney Company during the launch of its new streaming service. This SWOT analysis will demonstrate the factors for success and challenges faced throughout the launch of Disney+. This analysis will also evaluate whether Disney+ will be a success or a failure given its role in the Walt Disney Company as a whole.

PEST Analysis

In order to perform a successful SWOT analysis, it is also useful for business analysts to consider the PEST environments: political, economic, social and technological environments surrounding the business. A PEST analysis is a popular method for researchers to consider the external environment surrounding a business (Gupta, 2013). The PEST analysis presents a big-picture approach to the external environment surrounding the market and analyzes both short-term and long-term trends in the process. The PEST environments cannot be influenced by one individual company but are formed by a conglomeration of all impactful and relevant companies in the market at a given time (Ho, 2014). The PEST analysis creates an outline of the large-scale environmental influences upon a business in order to assist with strategic decision-making and is a useful tool for a company to respond to the changes in its external environment (Gupta, 2013).

The primary use of the PEST analysis in marketing is to support a business's strategic analysis activities – in this case, the SWOT analysis. The PEST analysis demonstrates its value by helping a business examine the surrounding environment and adjust its practices or strategies in order to try and gain some control over the uncontrollables. Examples of factors that may be relevant in a PEST analysis include tax policies, environmental regulations, interest rates, shifting standards of living or gender roles, and innovative technological breakthroughs (Ho, 2014). The PEST analysis is also useful in allowing decision makers to study aspects surrounding the company that are not as easily recognized but are still extremely influential upon a

company's success or failure. A current example of how PEST environments influence businesses is the new European Union privacy regulation called the General Data Protection Regulation, or GDPR. Upon the announcement of GDPR, any company that conducts business within the European Union had to significantly alter its marketing practices in order to be GDPR-compliant and not face severe fines or lawsuits (Hopping, Jones, Afifi-Sabet, Curtis, 2019). This act, enacted by one foreign entity, drastically changed marketing practices with major corporations in America and globally. If a company was not aware of the nature of GDPR and did not adjust business practices swiftly in order to comply with the new law, it would currently be facing serious consequences.

The PEST analysis methodology was employed in the context of this research to examine the environmental elements surrounding the Walt Disney Company at the time of the Disney+ launch. The PEST analysis will help determine the elements that may have a direct or indirect effect on the platform's success or failure.

Results

SWOT Analysis

A SWOT analysis allows an organization to examine the internal strengths and weaknesses and external opportunities and strengths that will have an effect on the success or failure of decisions made by that organization. This means of analysis is useful in studying

various factors of the environment surrounding a company prior to making a big announcement or launching a new product, such as Disney+ (Appendix A).

Internal strengths.

The first aspect of the SWOT analysis to consider is the Walt Disney Company's internal strengths. These are assets held by the company in any form that would be beneficial to them in the launch of Disney+.

The company's most prominent strength is its name recognition and scope of influence. The Walt Disney Company is one of the most influential entities in today's social sphere, hypothesized to exert the same level of influence on a child as a school or church (Bazzini et. al., 2010). This may be due to the fact that Disney owns a majority of all beloved childhood characters, many of which have become role models for children. Because of this, the company is able to impact the ways consumers act, think, and buy, even on a subconscious level. A consumer may be drawn to Disney+ simply because of the name "Disney". Disney also has the ability to reach consumers globally, due to the company's theme parks scattered around the world and availability of content to many consumers. The company's global reach ensures that Disney will not have difficulty marketing Disney+ to most nationalities, as almost every buyer in the first world is already familiar with the Walt Disney Company. Further, Disney owns several other companies and platforms, such as ESPN and Freeform, ensuring that most consumers have an interest in some part of the Walt Disney Company, whether they recognize it or not. While not all Disney-owned content will be present on Disney+, the company enjoys arguably the most prominent name recognition in the world, making sure that any consumer who would be interested in Disney+ will likely know it exists (Robbins, 2014, p. 18-22).

Other internal strengths enjoyed by Disney is the company's seasoned marketing practices, recognizable branding, and positive brand image. When consumers make a purchase from Disney, they expect that purchase to be of the highest quality (Bennett & Schweitzer, 2014). The company's image is that of respectable, high-quality products and services, meaning that it does not have to defend or market product quality. Because of this positive reputation, consumers will feel certain that, if they choose to invest their money into a Disney+ subscription, they will receive access to a well-functioning platform with high-quality outputs. Further, Disney has refined its marketing practices so that, no matter what the subject matter, the company's inherent tone is fun, light-hearted, and magical. This strategic marketing greatly appeals to Disney's target market: children and children-at-heart. This will allow the company to appeal to its target market with the launch of Disney+ by using the same light-hearted, fun tone in the platform's marketing. This factor greatly contributes to the positive consumer perception of the Walt Disney Company.

Another strength of the Walt Disney Company is its incomparably loyal fan base. One example of this can be found in consumers who spend hundreds of thousands of dollars to purchase theme park annual pass tickets or become stakeholders in the Disney Vacation Club. These services are expensive, and yet, there are large numbers of individuals who deem these purchases to be worth the money. Even more common are families that visit Disney parks multiple times a year, even without annual passes or DVC-covered lodging. While Disney park tickets are expensive, Disney resorts, food, and merchandise causes the overall cost of a Disney vacation to skyrocket. Despite this weighty investment, Disney parks receive more and more visitors each year, and ticket prices continue to increase (Bartirromo, 2019). This is one of many

examples of an extremely loyal Disney fan base. A similar conclusion can be drawn from the presence of Disney Stores in shopping malls and outlet malls. Disney has combatted the decline of brick-and-mortar shopping experiences by nurturing its online shopping presence (Forte, 2017). Even consumers who are not immersed in the Disney world for a vacation and in search of souvenirs to commemorate their investment still want to buy Disney merchandise. This will allow Disney the opportunity to successfully market Disney+ to even the most Disney-immersed consumers who already own a way to access Disney's media, whether that be a cable television package or a collection of Disney films of their own. This consumer loyalty is unique and is likely not present in such a large degree to other streaming platforms, giving Disney an internal competitive advantage.

Disney enjoys such consumer loyalty primarily due to the company's unique target marketing and appeal to all ages. Disney appeals to children who eventually grow up and become adults. Disney has realized the value in marketing not only to children but also to adults who enjoyed Disney content when they were children. Those adults who continue to be surrounded by the Disney magic then have children of their own, who become immersed into the world of Disney themselves because parents feel comfortable entrusting their children to the wholesome Disney universe. This target marketing tactic is strategic and efficient in ensuring Disney always has a wide array of consumers who desire its products, content, or experiences. This will allow Disney+ to appeal not only to children who are interested in the content provided by the platform, but also to parents who want to provide their children access to Disney's wholesome, family-friendly content, while being able to enjoy some of the platform's classics for themselves.

Yet another strength of the Walt Disney Company is the company's synergistic marketing strategy. This strategy ensures that Disney's product and content offerings all flow directly into one another, taking consumers on a circular purchasing journey that never has to end. For example, a child might see a Disney movie on television, which might prompt the child to want to own the movie for themselves on DVD. Once the child has a Disney DVD that they love, the child may want Disney merchandise of the characters in that movie. Once the child has merchandise from one Disney movie, they might want to watch other Disney movies. Somewhere in the process of this child's Disney-fication, they could see a Disney theme park advertised, a place where that child can meet their favorite characters in person. While visiting a theme park, that child could want more merchandise and character experiences. After their Disney vacation, they could continue watching Disney movies, because the characters that they got to meet at the park are now even more special to them. When new Disney movies are discovered by the child, this process can continue. Disney has created a completely immersive universe for consumers, who never have a reason to exit their Disney purchasing journey, as long as they continue to be satisfied with their Disney experience and are able to afford their Disney purchases (Toth, n.d.).

Lastly, Disney has a considerable internal asset that cannot be contested by any other creative content-producing company in the world: the company's existing library of content. Some of Disney's most notable successes have come due to the fact that the company owns characters that have become an integral part of many consumers' childhoods and of popular culture as a whole. Disney is strategic in the ways in which it maintains the relevance of its primary foundational characters in order to keep the characters exciting and loved by

consumers (Robbins, 2014). Disney owns the rights to a majority of popular culture's notable characters, from princesses to superheroes to monsters. This allows the company to re-release merchandise or content with these beloved characters at any time, successfully managing each character's story along the way. No other company, even Disney's most significant competitors, can compare to the cultural and financial value associated with all of Disney's content. This will most certainly be translated into Disney+, which is, in essence, simply another platform that will allow Disney to feature its famous characters in a new and enticing way, causing even the consumers who already own every Disney movie ever released to feel as though they "need" access to this new content library.

Internal weaknesses.

The second aspect of the SWOT analysis is the Walt Disney Company's internal weaknesses. These are circumstances within the company that may be detrimental to the success of Disney+.

The first weakness to consider is that Disney+ will have niche content offerings that may not appeal to all consumers. While the Walt Disney Company holds enough diversified assets that some portion of the company could likely appeal to every person, the Disney+ platform will only feature family-friendly content that could be considered a dynamic extension of the Disney Channel. This factor may lead to some households not having the need to subscribe to Disney+. For example, a household with children or with young adults that are still captivated by the Disney magic will likely be drawn to the platform, but households with grown individuals only interested in things like sports or comedy, or with children who are at the in-between age of childhood and adulthood who have "outgrown" Disney movies, may not have a reason to pay

for the subscription. The presence of both the Marvel films and the *Star Wars* series on Disney+ may help to alleviate this weakness by appealing to a portion of the market that the rest of the platform's offerings would not.

Another internal weakness is the negative connotation associated with the "Disney-ization" of society, a concept that hypothesizes that Disney's influence has spread so widely and rapidly that the company's presence is everywhere, even places that consumers do not always notice (Robbins, 2014). Some consumers, especially parents of small children, may believe that society is already influenced enough by Disney and that no benefit would come from having another source of "Disney-ization" in their home. This belief is likely formed by the recognition of the many ways in which Disney influences culture and society, through theme parks, content offerings, merchandise, and characters that children feel a need to model themselves after (Bazzini et. al., 2010).

A third internal weakness of the Walt Disney Company is the company's reputation for selling products or services that are quite expensive. Although Disney+ is said to be priced below competitor platforms such as Netflix, which just raised prices substantially to consumer dismay, some consumers may still view the streaming platform as another of the company's money-making tactics. This may contribute to consumers making the decision not to subscribe to Disney+ in order to do their part to combat big-business capitalism. The company will have to be certain to emphasize the value of the platform compared to the comparatively low price when marketing Disney+ in order to convey the message of value rather than profit.

Another relevant internal weakness of the Walt Disney Company in launching Disney+ is the internal competition this platform may create with other Disney-owned streaming services

such as ESPN+ and Hulu, which will soon be owned by Disney upon the completion of Disney's acquisition of 21st Century Fox. It is important to note that each platform's content is different, therefore the platforms are not direct competitors in terms of content offerings (compared to platforms such as Netflix and Hulu, which do compete with one another in terms of content). Even though Disney's various platforms do not have competitor content, this does not mean that consumers will justify subscribing to all of these platforms. Households still must make purchase decisions based upon which content is the most valuable for them, as most buyers cannot and will not subscribe to every streaming service that is of interest. Families that have several children may flock to Disney+, but families with parents or teenagers who are interested in sports may choose ESPN+, while young adults out on their own for the first time may choose Hulu. The introduction of yet another streaming platform under the Disney company umbrella may cause a decrease in sales of other Disney-owned platforms if consumers decide that Disney+ is of more value to their household than the current Disney-owned service to which they subscribe.

External opportunities.

The third aspect of the SWOT analysis is Disney's external opportunities in the launch of Disney+. These are factors outside of Disney's organization (and control) that may be beneficial to them throughout the platform's introduction into the market.

The most noticeable opportunity within the current climate surrounding Disney is the company's pending acquisition of 21st Century Fox. Not only will Disney acquire Hulu through this purchase, but the company will also gain the rights to the 20th Century Fox studio, FX Networks, National Geographic, and all of 21st Century Fox's existing library of content. This will

grant the company even more diversified means of profit and allow Disney more power in the overall entertainment industry, assisting in the company's rising above competitors in the streaming market. Disney will also be able to feature extremely specific types of content on Disney+, which will allow the company to keep Disney+ family-friendly while still profiting from the rest of its content that may not fit into the niche offerings of the Disney-branded streaming platform. This acquisition also presents the possibility of a future bundling opportunity in which Disney may offer consumers a special deal to subscribe to both Hulu and Disney+, or to receive even better savings if that consumer chooses to subscribe to Hulu, ESPN+, and Disney+. While not all consumers will be interested in the diversified content offered by all three of these platforms, a bundling opportunity may be a purchase driver for consumers that do have a desire for a wide variety of streaming content. This might help to alleviate the breeding of internal competition between Disney-owned platforms.

Another external opportunity for the company in the launch of Disney+ is the potential for Disney to buy back the rights for the early *Star Wars* films from Turner Broadcasting. The *Star Wars* films are among the highest-grossing in the current film environment, and Turner Broadcasting previously purchased the rights to air some of these films until 2024. While Disney has met resistance from making this inquiry to Turner Broadcasting, the development of additional *Star Wars* content, which is already planned for Disney+, may allow the company to offer a more persuasive purchasing deal to gain back the rights to the original *Star Wars* films (Shaw, 2018). This would not only increase the company's content library in a significant way but would also allow the company to tell a fuller and more impactful *Star Wars* story with the development of its new content for Disney+. Disney cannot fully make the assumption that

every viewer of the Disney+ *Star Wars* series has seen every film in the franchise unless those films are all offered for consumers on the Disney+ platform, so it is important that the company takes every possible measure to try and re-gain the rights to the early *Star Wars* films.

A third opportunity for the Walt Disney Company is the opportunity for Disney+ to become a replacement for current streaming services that are purchased by a family. Because Disney+ is both less expensive than major competitors and has entirely family-friendly content, this service may fit a family's needs more than current streaming options do. While there are child-friendly options on competitor platforms such as Netflix (which has a kids' profile option) and Hulu, no other major service currently in existence is entirely family-friendly. This provides Disney with a unique value proposition that the company can employ to appeal to families who may be currently putting their streaming dollars into another service.

A fourth opportunity that may benefit Disney+ is Netflix's recent increase in prices. Disney+ was already being marketed as being less expensive than Netflix prior to the 18% increase in price (Siegal, 2018). This announcement happened at an ideal time for Disney. Just as consumers are becoming aware of the forthcoming launch of Disney+, they are also becoming disgruntled at the significant price increase of the most popular subscription service. This may be an easy way to prompt otherwise satisfied Netflix customers to consider switching platforms when they otherwise would not have considered making a change.

A fifth opportunity to be examined is the realization that children are becoming much more technologically advanced than eras past, which means that they have more control over what they watch in their free time. Studies show that children ages eight to eighteen spend an average of ten hours and forty-five minutes per day exposed to media (Hatch, 2011). This could

be for various reasons, such as the integration of technology in the classroom, which is directly related to the new necessity of technology in the workplace, or for factors as simple as “keeping up with the Joneses” that require families to have technology readily available in their homes for children to use in order to lead lives similar to their peers (Hatch, 2011, p. 8). No matter a parent’s reasoning behind giving their child more access to technology, this increases a child’s decision-making power and autonomy in controlling the media they actively choose to see. Because of this shift in cultural norms, children are more likely to persuade parents to grant them access to programs of their choosing. Because Disney+ is targeted mainly toward children, this is an opportunity for the company. Conversely, due to children’s increased autonomy in choosing what they watch on television, parents may want to be more careful in what they give their children access to watch, therefore choosing a safe platform such as Disney+ rather than Netflix or Hulu, both of which contain some explicit adult content.

External threats.

The final aspect of the SWOT analysis is external threats to the company. These are factors in the environment outside of Disney’s reach that may be harmful to its launch of Disney+.

The first and most noticeable external threat to the launch of Disney+ is that the streaming platform market is quite mature. Netflix, Hulu, and Amazon are all long-standing services that have experienced significant growth over years past. Netflix was founded in 1997, Hulu was founded in 2008, and Amazon was founded in 1994, launching Prime Video in 2018 (Nath, 2018; About Hulu, 2019; DePillis & Sherman, 2019). These companies have all lived through the introductory and trial-and-error phases and have found their niches. Because

Disney is entering the market late compared to the competition, the time that the Disney platform will spend in its introductory phase will be used by competitors for continued growth. Further, when streaming platforms first started becoming mainstream home necessities, consumers were more willing to “shop around” and participate in free trials for each service to find what type of service worked best for their family. Now that most consumers have likely chosen and become accustomed to their preferred platform, they may be less willing to make the switch to a new service or less likely to see a need for their family to add another media outlet.

The logical next step to consider in terms of threats to Disney+ is the presence of strong competitors in general. Netflix, Hulu, and Amazon are extremely successful in their own right and have had the time it takes to learn what consumers desire from a streaming service. With each platform’s development of original content comes more and more loyal subscribers. Because of the option of auto-pay, consumers almost forget that they are paying a monthly price for chosen services and simply consider the service a part of daily life. Long-time subscribers to one of these competitive outlets may be far less likely to consider making a switch to a different platform, simply because they have learned to enjoy their current one. Disney+ will face significant challenges in order to be considered on the same level as Netflix, Hulu, and Amazon in terms of streaming platforms because it might require some consumers to have the motivation to switch services.

A third threat to Disney when launching Disney+ is that, as children become more technologically advanced, some parents are becoming more anti-technology in order to preserve a child’s innocence and shield them from the “real world” as much as possible. Long

gone are the days where a child's favorite time of day was being let loose to play outside or in a toy room. Now, manufacturers make tablets for children as young as two or three years old. Toddlers have learned how to operate their parents' smartphones. Mobile videos are used to make children behave in restaurants or grocery stores. These facts are both undeniable and worrisome to some parents. More and more parents are trying to limit their child's access to technology and encourage playing with toys or on playgrounds – things which have been proven to assist a child's developmental abilities. As times change and technology becomes more accessible to children, more parents are choosing to take a stance against the digital revolution. These parents might prove to be an obstacle to Disney's platform which targets children and encourages them to binge-watch favorite cartoons (Hatch, 2011).

The last threat to be analyzed is that the restructuring of all Disney content for Disney+ may make some content less available to the general public. While Disney used to focus on developing original content to place on the Disney Channel or Disney Jr., the company's focus has now shifted to developing content for Disney+. If a child's parent chooses not to subscribe to the streaming service, that child will not have access to Disney's full range of content. When one considers the compound effect, this could contribute to a drastic decrease of overall exposure to Disney's content. This may remove some consumers from Disney's synergistic marketing cycle in that, if a child is not exposed to any new Disney content, they will not have a desire for any new character merchandise, a reason to visit The Disney Store, or any real desire to visit a Disney park. The company must be careful not to neglect outlets other than Disney+, such as the Disney Channel and Disney Jr., even upon release of the service in order to combat this decreased exposure.

The Disney+ SWOT analysis indicates that, while the Walt Disney Company has several positive factors working in its favor to support the launch of a new streaming product, Disney will also have to address negative factors that may threaten the success of Disney+. A PEST analysis can be conducted in order to most effectively position Disney+ within the current environment and to learn how to mitigate the risks associated with the platform's launch. Additionally, a PEST analysis will complement the findings from the SWOT analysis by examining the external environments within which Disney+ will be launched and determining how great of an impact these environments may have on the platform's success or failure.

PEST Analysis

A PEST analysis serves as a method to consider the external environment surrounding a business from several angles: the political, economic, social, and technological environments (Appendix B).

Political environment.

The Walt Disney Company chose an extremely interesting and rapidly-moving time in political history to release the Disney+ platform and, while politics will not have much of a direct effect on the success of the service, the political environment does have a massive indirect effect on business in today's world (Marketing Tutor, n.d.).

The first important aspect of the political environment to consider is the current state of political unrest felt by the citizens of the United States as a whole for various reasons. This contributes to a significant state of unease among U.S. citizens, which also causes unease in

one's social sphere, investments, and business decisions. All of these factors greatly influence a company's launch of a new product.

Another important aspect of the political economy that is valuable to consider when conducting business is the heightened level of uncertainty that currently surrounds global trade. The current attitude toward trade is overwhelmingly uncertain, making it difficult for business to make major decisions, which will inevitably negatively affect growth over the course of 2019 (Dmitrieva, 2018). Although Disney is rather safe in the grand scheme of global companies, the company is still choosing an interesting time politically to launch a new global product. Disney+ will not face as much risk as a physical, tangible product might, considering it is entirely digital and does not require any physical global export or import. Nonetheless, if the United States enters a trade war with a country like China, that will greatly affect the goods and services offered by every global company. A U.S./China trade war may also lead to price increases, declining profits, investor fears and withdrawals, and, worst case scenario, the potential of an actual war. All of these outcomes will greatly affect any global business, and there are some disputes serious enough that even Disney is not immune to the political economy's effects.

Economic environment.

The next environment to be considered in the PEST analysis is the economic environment. This environment is more directly related to the launch of a new consumer product and is important for the company to consider when deciding the timing, pricing, and marketing of Disney+.

The current United States economy is enjoying low unemployment and increased consumer confidence in the dollar. The current unemployment rate is at 3.7%, with 2018 seeing some of the lowest unemployment rates in recent history. In Quarter 2 of 2018, the economy saw a four year-high reading (U.S. Economic Outlook, 2018). Throughout this year, the economy has enjoyed steady job growth, rising wages, and heightened consumer confidence. These factors are perfect for a business hoping to launch a new consumer product; however, economists predict this growth will slow during 2019 and 2020 as the environmental stimulus decreases and interest rates rise. The escalating trade war with China will also greatly affect investment and trade (U.S. Economic Outlook, 2018). Several investing experts are also predicting the development of a bear market in 2019 (Egan, 2018). This would be extremely discouraging to consumers who are enjoying the highest level of economic stability they have felt in years. This could also greatly affect business as a whole, including the streaming business. One possibility is that, with households currently feeling secure in their finances, many people will subscribe to Disney+ immediately upon release. Once the economy slows and the market turns downward, those same households will be forced to make more stringent purchasing decisions, potentially unsubscribing from the service. This may lead to the company providing a level of resources to Disney+ that matches the level of initial consumer purchasing and, upon the market switch, having to recover from over-committing themselves to a platform that will not perform as well in the long term as it did in the short. With careful analysis and upkeep, a company as comfortable in the market as Disney should be able to combat these uncertainties with relative ease.

Social environment.

The third element of the PEST analysis is the social environment. This is another aspect of the world that is rapidly changing and will see an uncertain response to the launch of a new product.

Cultural norms are rapidly shifting. Gone are the days of the matriarch of the family being in charge of making all the purchases while the patriarch controls all the cash flow. More women are in the workforce now than in years past and, with the current feminist social movement, being promoted to high-level leadership roles and supervisory positions, thus granting the female population more purchasing power of its own (DeWolf, 2017). Further, gender expectations are not as concrete as they once were. Consumers have more freedom to express themselves in any way they choose. This means that big businesses, such as Disney, have to be extremely careful in how they handle diversity of all kinds in the workplace with fear of risking a public relations nightmare.

Not only are women receiving more purchasing power, but children are finding themselves in a position to make more purchasing decisions for themselves as well (Greninger, 2017). With the current economic stability, more children are likely being given some sort of an allowance or a voice in where the family spends its money. This is an exciting change that Disney could certainly capitalize on when marketing Disney+. As in all other tasks, the company must tread carefully in all social positions it supports, whether knowingly or unknowingly, or risk failure of not only Disney+, but the company as a whole.

Technological environment.

The final aspect of the PEST analysis is the current technological environment, which is the most directly related to the launch of Disney+. Disney's decision to introduce another channel of digital content comes at the height of the digital revolution, where consumers are enjoying more technological choices than ever before.

With the drastic decline of cable television comes the end of a technological era and the start of a new one: the era of streaming. Cable companies such as Charter Communications recently reported losses of almost double what Wall Street analysts expected; at the same time, streaming companies such as Netflix reported massive subscriber gains (Morris, 2018). While the future of the streaming market is still unclear, the transition from cable to streaming has the potential to provide more revenue directly to major entertainment companies such as Disney (Morris, 2018).

Another relevant consideration of the technological environment is, as previously discussed, the fact that children have more technological access and knowledge than ever before. Because the era of commercial breaks during television programs is gone, children demand constant content to keep their attention, which is an important feature of streaming platforms and also explains the rise in popularity of child-centered videos on sites such as YouTube (Dickson, 2017). Technology has become the easiest way to entertain a child, and parents are not questioning this method, but adapting to it rather seamlessly. This is certainly a positive circumstance in the technological environment for Disney+.

The SWOT and PEST analyses confirm that the Walt Disney Company exists in a time of an environmental revolution in several regards. While some companies might get tossed aside

during this wave of change, Disney has the strongholds necessary, both internally and externally, to ride the wave successfully and come out stronger than before. By diversifying its product portfolio to include Disney+, Disney is entering a new competitive arena. Disney must utilize its strengths and opportunities to alleviate its weaknesses and threats in a tumultuous political environment, experiencing frantic frequencies of technological and social change, and through an economically uncertain time period.

Discussion

After examining the components of SWOT and PEST analyses and the factors that make them relevant to a company, it is useful to provide the practical applications and conclusions drawn from the SWOT analysis conducted on the Walt Disney Company proceeding the company's launch of Disney+. It is also important to analyze and discuss the results of the PEST analysis in order to determine the stability or volatility of the external environment into which Disney+ will be launched.

SWOT Considerations

When considering all of the viable internal and external factors surrounding the launch of Disney+, the most important question to ask is whether the platform will be a success (marketing success, financial success, adoption success, or any combination thereof). In order to answer that question, it is vital to consider all of the previously communicated factors together and learn how they might interrelate in order to contribute profit or loss to the Walt Disney Company.

Internal strengths.

Disney's most prominent strength that will likely be the most beneficial to the company not only when launching Disney+, but in all endeavors is the company's name recognition and scope of influence. As discussed in the literature, Disney has become a household name that adults trust for children. The trust of caretakers is difficult for a company to gain and easy for a company to lose. Disney has already gained a massive competitive advantage against competitors in that its platform will not have the "trial period" where caretakers decide whether the service is fit for their children. They already assume that it will be. Through Disney's differentiated (yet interconnected) array of product and service offerings, it has created a brand, and thus, created a customer. The same will be true with Disney+, and likely any other company endeavor.

Another major strength that Disney enjoys in all aspects of its business is the impact of its positive brand image and brand loyalty. The Walt Disney Company is, at its core, a fine-tuned profit machine that is familiar with its audience and experienced with communicating with them. All of Disney's business decisions are made from years of successful experiences and lessons learned from a few failures. Disney has created masterful marketing tactics that appeal to consumers in ways in which the consumer does not even realize. One example of the company's masterful marketing is the fact that Disney owns so many of its own marketing channels (Disney Channel, Freeform, Radio Disney, Disney Parks, Disney Cruise Lines, etc.) that Disney+ would likely be a success even if the company never reached outside of its own domain to advertise the platform. This fact also relates to the company's synergistic marketing strategy,

as discussed in the literature, which allows consumers to enter into the world of Disney and never leave. Disney+ will fit into this strategy and provide the Disney magic in a way that the company previously has not.

Similarly, Disney has arguably the most loyal fan base in the world. Consumers who feel a need to purchase Disney World annual passes every year and to go see every new Disney movie released in theaters can probably also justify the purchase of Disney+ as another way to immerse themselves into the Disney magic while away from Disney theme parks. Consumers crave this, especially after visiting a Disney park, because the Disney world feels safe, provides quality content that is wholesome and entertaining, and usually teaches children positive values and morals. If Disney+ is marketed as another component to the overall Disney experience, consumers will certainly find the need to add that subscription to a household collection.

Another important means to success is that Disney has already verified several programs and content offerings for Disney+ that indicates that the program will follow the new holistic approach of the Disney parks (which have integrated *Star Wars*, *Avatar*, and other new content offerings to the existing park structure) by offering something for everyone. While children will enjoy typical Disney Channel-like shows and movies offered on Disney+, parents will enjoy the *Star Wars* and Marvel offerings, and families may enjoy watching the classic Disney animated films together. This will help families justify spending the extra money on the platform, because it will not only be for the kids. This is an extremely valuable factor in examining the likelihood of a household purchasing Disney+, and Disney's approach provides the platform its best chance of success.

A final strength of Disney+ that competitive platforms like Netflix, Amazon, or HBO will never be able to imitate is Disney's existing library of content. As discussed in the literature, Disney has the largest, most valuable vault of existing content of any company in the world. This will allow the company not to have to spend excess time or money on developing original content for the platform simply to survive. Instead, Disney will be able to take a little longer and be a little more careful when releasing original content to ensure that it fits well within the platform and will answer customer needs and desires, therefore developing an extremely cohesive streaming platform. This is a strong point that the company utilizes often, almost always to its benefit. The early success of Disney, as well as continuous improvements and innovations, set the company up for success for years to come.

Internal weaknesses.

While the company enjoys a number of strengths that will most likely allow Disney+ to flourish, there are two major weaknesses that Disney must consider in order to protect its product from negative influence. The first is the platform's niche content offerings. While it is true that Disney+ will offer something for everyone, this does not mean that every household will be able to justify making the decision to purchase the platform. Usually, individuals will have other means of enjoying the segments of Disney content that they enjoy. For example, if a 30-year-old male is a big fan of Marvel, he may or may not be interested in the platform. If he has young children, that might be the push he needs to choose to subscribe to Disney+. However, if he is a bachelor that lives alone, the Marvel content alone probably will not be enough. Instead, he may purchase all of the Marvel DVDs for his collection rather than pay a monthly subscription for a service of which he does not reap the full benefits. Disney must be

careful to leverage its diverse content in ways that truly present a reason for many different segments of consumers to be interested in Disney+, and the company must continue to do this throughout the platform's lifetime in order to foster continuous growth.

The second weakness that Disney must leverage carefully is the chance of internal competition between Disney-owned platforms Disney+, Hulu, and ESPN+. If handled strategically, this circumstance may not present a considerable weakness, as these three programs are quite different. While it is true that families cannot reasonably pay for all of the streaming services they want, it is logical to consider that the services a family would choose to eliminate first would be the ones that offer overwhelmingly similar content. For example, a family might not be able to justify having both Netflix and Hulu, since both platforms release the same type of content, but a family may be able to justify having both ESPN+ and Disney+, because the two platforms are extremely different and offer content for different members of the family. If Disney takes advantage of owning such diverse platforms, this may even be considered a strength, in that the company is broadly entering the streaming market so that it will receive the most market share.

External opportunities.

There are also two overarching opportunities for Disney+ that the company should take full advantage of to contribute to the platform's success. The first is the acquisition of 21st Century Fox, which is happening at an ideal time in history. It seems as if Disney is considerably content-focused with both the launch of Disney+ and the 21st Century Fox acquisition, meaning that it is logical to believe that significant resources are being put toward the development and nurturing of a holistic and long-term content strategy that will feed the new company's new

platforms for years to come. As discussed in the literature, Disney will receive full access to 21st Century Fox content to use as it pleases, whether it is placed on Disney+, Hulu, or leveraged in a different way. This is a massive opportunity for the company to truly devote resources to the content strategy, which will be increasingly important with the Disney+ launch and growth.

The second opportunity that Disney should consider from all aspects of the company, but especially in relation to Disney+, is the increase in children's purchasing power following the rise in power and population dominance of Generation Z, the post-millennial age group. More children are being allowed to choose vacation spots, choose what toys they want to play with, and choose what they watch on television. If it is true that children are becoming decision-makers, then Disney has chosen an opportune time in history to present children with this decision to make. Children are probably more likely to choose Disney+ over any other streaming service simply because the entire platform features content specifically catered to children's needs. This factor will grant Disney great leverage in the family unit and an ever-growing proponent for its product.

External threats.

Lastly, there are two major threats that Disney must be careful to avoid or to handle with care in order for Disney+ to be as successful as possible. The most considerable threat, as mentioned in the literature, is that the streaming market is already rather mature.

Undoubtedly, some consumers who have grown comfortable in their purchasing decisions and simply do not want to exert the effort to change. In this scenario, the company with first-mover advantage will almost always take the lead. For example, if there is a family who has purchased or used Netflix ever since Netflix and streaming became popular, and who have not had any

major problems with Netflix, they might not have any reason to change their streaming platform from Netflix to Hulu or Disney+. Further, there might be some consumers who would not even look at other streaming platforms besides Netflix, simply because they have not yet received enough motivation to change the service. Similarly, a large portion of streaming services are shared among family members or friends, meaning that typically several people will split the cost for the subscription and all use one subscription with different profiles for each user. If this is the case, it would be more than one person's decision on whether or not to change the service. It would likely be more difficult to convince a larger group to drop an established service in favor of a new one. Disney must analyze these circumstances in order to discover the most effective ways to market its platform to all consumers, not just those that are easy-to-reach. One suggestion to accomplish this marketing feat would be for Disney to ensure that it is not only marketing Disney+ as a whole, but also marketing specific features of the platform. For example, families may be interested in learning about the entirety of the platform's content, but some users may only want to know that Disney+ will house all of the Marvel or *Star Wars* films, and that may be enough to drive a purchase decision. Disney should be careful to create a well-rounded marketing strategy to reach all potential subscribers.

The second, and related, major threat is the presence of strong competitors in the streaming market. As previously mentioned, Netflix has the competitive advantage of being the first mover, or the first company widely known in a specific market. Netflix, Amazon, and Hulu all pride themselves on the creation of original content, which motivates consumers to choose one service over another. Another advantage that major streaming companies have that Disney does not is that they are not bound by having to fit all content under one brand umbrella. While

all of the content on Disney+ has to fit within the Disney brand, Netflix, Amazon, and Hulu benefit from releasing as many different types of content as possible. The major streaming companies have learned how to compete with one another and have had years of practice doing so. Disney+ is a newcomer to this market, meaning that it has the distinct disadvantage of having to find a position in the consumer mind and household when consumers are likely already paying for another streaming service. While the streaming market is alive and well, the competitors that Disney+ will face are experts at appealing to the market and are experienced at dealing with one another, having already made a position for the respective brands within the consumer lifestyle. Disney is in a unique position in that its service is quite different from the rest, yet also a streaming subscription. Disney must be strategic in its leveraging of Hulu with Disney+, which may help Disney learn to compete in the highly advanced streaming market with an already established platform.

PEST Considerations

When determining whether Disney+ will launch and perform successfully, it is useful to examine the external factors into which the platform will be launched. This will allow researchers insight into the effects that each environment considered within the PEST analysis may have on the Disney+ launch depending upon the current state of each respective environment. While some of the PEST environments are not seemingly related to a Disney product launch, they all play a role into how global companies do business, whether directly or indirectly.

Political environment.

As discussed in the PEST analysis previously, Disney chose an interesting time in the political climate to release Disney+. While politics and Disney+ are not seemingly directly related, the political spectrum influences businesses greatly and is important to consider. As mentioned, Disney's release of Disney+ will happen at a time of heightened political unrest. With threats of a trade war looming and the longest government shutdown in the country's history placing families in financial chaos, the uncertainty felt by consumers is taking away some of their purchasing power (Cole, Stracqualursi, & Wolf, 2019). Consumers are less likely to feel comfortable spending discretionary income when they are not certain of what the next day will bring for their finances. The global trade environment is also incredibly unstable. Disney must decide how much money it wants to invest in launching a global product when, at any moment, relationships with any given foreign country could sour. The overarching question that Disney must ask itself is if it will be able to withstand that storm. Disney has been successful for a long time and has certainly learned how to play to its strengths, even within times of recession and financial downturn; however, the country has never seen a political environment quite as dynamic as the current one, in which monumental decisions could be made at any point in time (Dmitrieva, 2018). Disney will have to make sure that its business models are strategic, and its marketing is appropriate in order to remove itself from the looming political turmoil. Disney's positive brand image may be the company's saving grace in such a tumultuous political environment. In a time of such uncertainty and turmoil, consumers may be drawn to a service like Disney+ that will feel safe, nostalgic, and familiar. If a consumer

can reminisce on the ease of childhood to escape the constantly altering realities of the current time, that consumer may be more likely to justify spending the money on the platform subscription.

Economic environment.

Contrary to the current environment of political and trade uncertainty, the economy has flourished during the time leading up to the release of Disney+. Because of this, many more families are enjoying the feeling of financial stability than in years past, granting them more purchasing power for entertainment-based goods and services. The stock market, while unsteady, has seen some all-time highs, unemployment is low, and confidence in the dollar is high. Conversely, as previously discussed, many economists are predicting a forthcoming economic downturn. The economy, which is directly linked to the political arena in many ways, is not immune to the turmoil brewing within the United States and will likely face some consequences for the country's unrest. This would take money away from consumers and cause a rise in non-discretionary spending rather than discretionary spending. With all these factors taken into consideration, Disney might benefit the most from taking full advantage of the current thriving economy by making the big marketing push for Disney+ as soon as possible, while families still have the money to spend on subscribing to the service. Then, when the economic downturn arrives, the company can simply focus on withstanding that storm rather than putting marketing dollars toward growth in an economy that may not foster growth.

Social environment.

The social sphere within the United States is also in a period of extreme change. Social norms are shifting rapidly, meaning that companies must respond and comply with the new

social standard or risk being the next media scandal. In years past, companies would cater certain advertisements toward certain genders or roles within the family. For example, a commercial for a cleaning product would be geared toward women, while a commercial for a lawnmower would be targeted toward men. In today's world, if a company were to present such an advertisement, it would likely quickly go out of business. Along with the changing social roles, roles within the family are also changing. Women are no longer only expected to cook and clean, while men are no longer expected to be the family's primary breadwinners. Similarly, the roles of children are changing. Children are being allowed more freedom to make their own decisions and are being treated more as adults (Greninger, 2017). This means that children are allowed to decide what they watch on television. This could be a positive circumstance for Disney+ because, at heart, kids are still kids, and most of them likely still enjoy cartoons and superheroes. This could also be a detriment to the platform because, as kids are being treated more like adults, they are trying to behave more like adults, listening to adult music and watching adult television. The company must carefully cater Disney+ advertisements toward the needs of children today rather than the needs of children at the time of the company's founding in order to find complete success within that market.

Technological environment.

Not only are the political, economic, and social spheres experiencing a period of extreme change, but the technological environment is also witnessing rapid change like never before. It may seem as if Disney is a latecomer to the streaming service market, and comparatively, it is; however, the company may be placing itself in a better position to take advantage of rapid technological developments because, as a new service, it is still molding

itself into what the market wants it to be. Existing services such as Netflix and Amazon are already quite robust and have a massive audience to please, making those new technological integrations more difficult. Disney+ may be in the ideal position to ride the technological wave and integrate its platform with new technologies that are launching every single day.

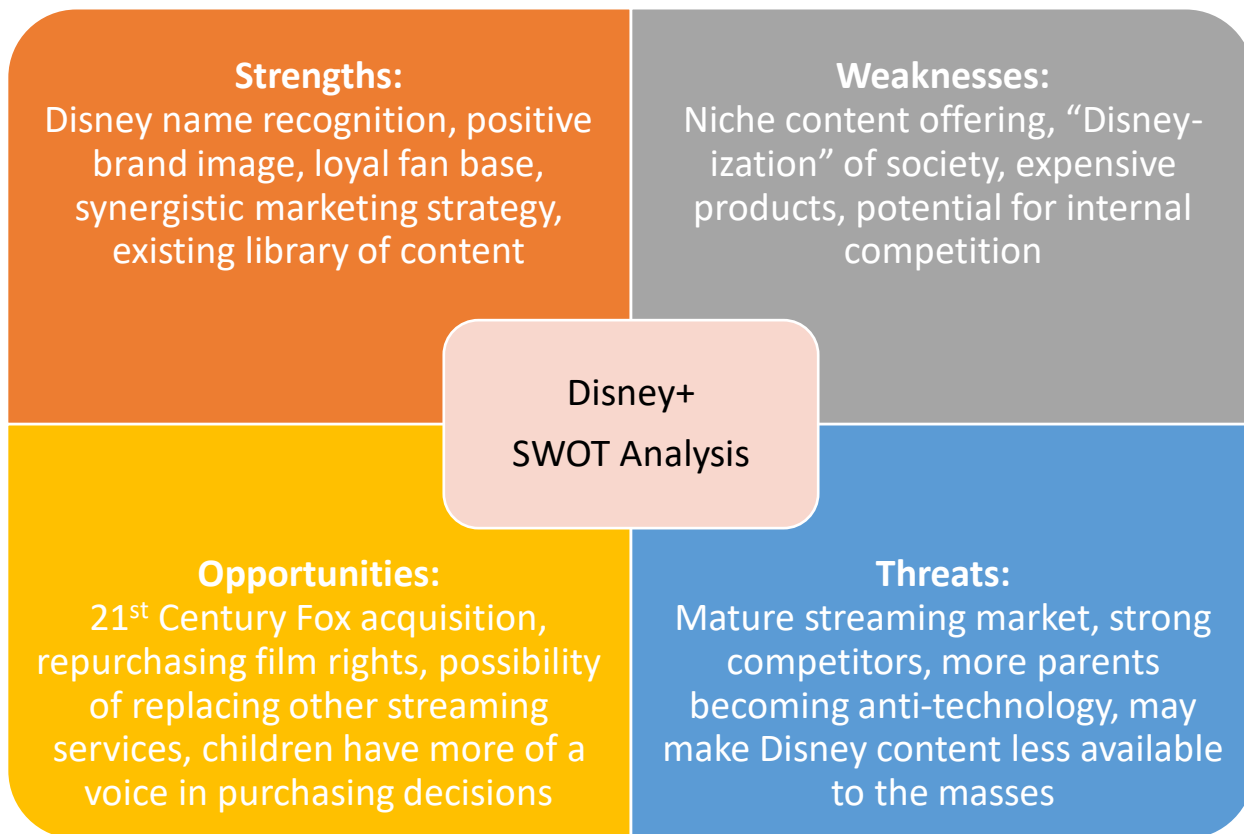
Overall, the Walt Disney Company is launching Disney+ in a time of change. While this does create uncertainty and instability in some regard, it may also contribute to the platform's success in that consumers have come to terms with facing change and are now seeking change to make a better, happier future for themselves and their families. Disney+ can be carefully positioned within this environment to appeal to consumers in the best of ways. This is by offering a new, fresh platform that promises innovation and change, but that also offers the security, familiarity, and comfort of one's childhood at a time when such a thing is difficult to find.

Conclusion

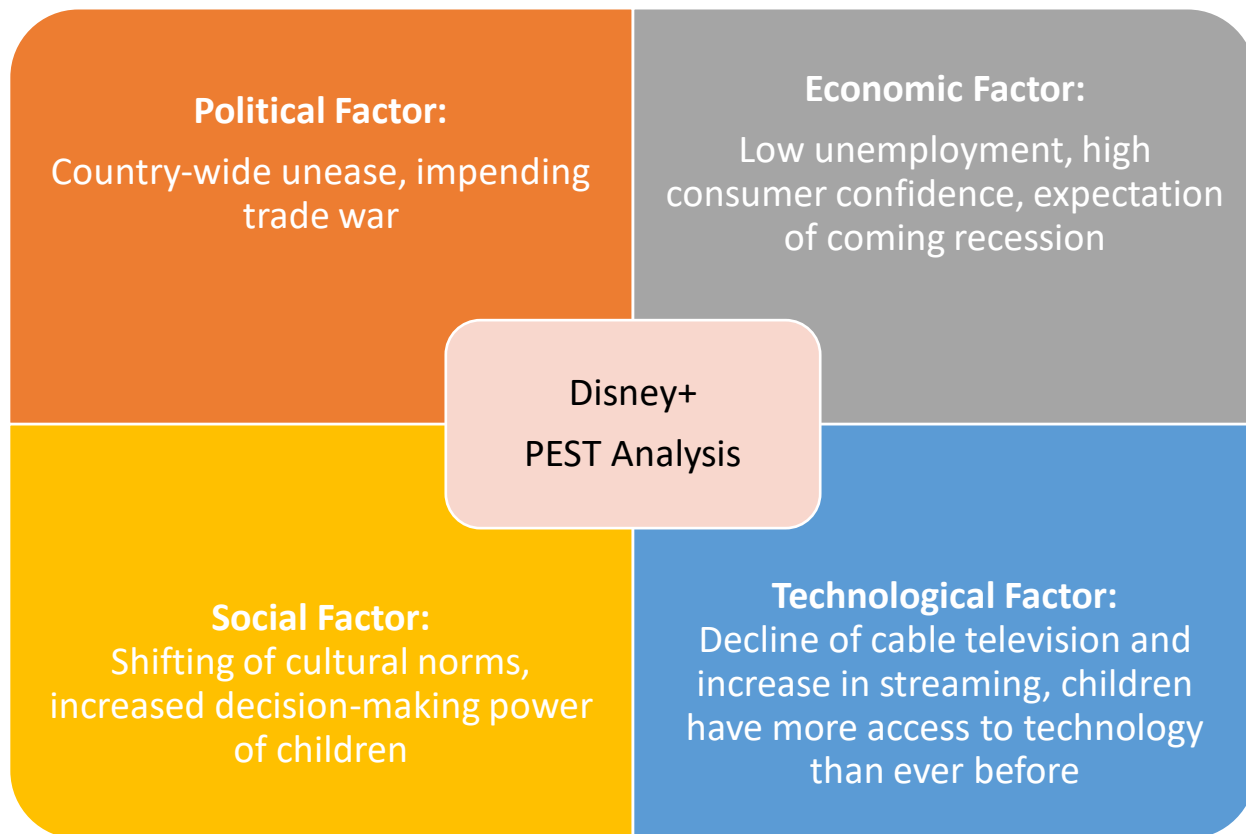
The Walt Disney Company, while certainly not invincible, is in an ideal position to strategically launch Disney+. While the streaming market is mature and the platform's competitors are quite successful in their own rights, there are several factors that will help set Disney up for success in its launch. Disney's existing assets have already proven to be extremely profitable and will be a great way to bolster the Disney+ platform while the company simultaneously prepares new and platform-specific content to draw consumers. Although external forces such as the political sphere and the economy are facing an uncertain future, Disney+ will likely present enough value to consumers to enjoy quick adoption rates and

profitability. The streaming platform will fit nicely into Disney's existing circular marketing practices, granting consumers one more way to immerse themselves into the Disney magic during their daily lives, granting the company an even tighter hold on the entertainment market. With Disney's market domination (in the acquisitions of Marvel, Lucasfilm, ABC/Freeform, ESPN, and 21st Century Fox) comes a plethora of content ready to be used as the company sees fit, allowing Disney to preserve its brand integrity while venturing into new, broader markets to appeal to the masses. Overall, Disney+ will likely be another jewel in Disney's crown, contributing to the company's overall business success and cultural significance for years to come.

Appendix A



Appendix B



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