Business Model Analysis During Pandemic by Researching on Disney

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Abstract: The research object of this paper is Disney and how it can solve the problems they are facing during the fierce competition in the time of worldwide pandemic period. Disney has always been without doubt the leading company of the film-television and park industry, after merging with several large companies and IPs such as Marvel and 21st century Fox, its prospects are very promising. However, Disney are facing some issues that will affects its further development. The industry of streaming services was nearly saturated, with the industry giant Netflix followed by many other American traditional websites for example HBO, Disney+ is only the sixth of the market share of the industry, its revenue is very non-significant in the percentage of all the segments of Disney. During the long-lasting period of world-wild pandemic and social distancing, to cover up the losses of other major segments of Disney such as park and movie box revenue, Disney need to have more thorough promoting and upgrading of Disney+. The method used for these problems is SWOT analysis, the strength for Disney are Stable Cash Flow, Adequate Creativity, Great Management, Progressive Technology and Unique Business Model. Opportunities are Media Networks, Great Industry and Social trends, underserved market and international expanding. Threats they are facing are Economic Downturn, Vary competitors, Less consumer base and High operation cost. The conclusion we came to are Disney should shift its core to Disney+ with innovation on technology combining Disney to its Disneyland and advertising on TIKTOK to improve its downloads then drive-up Disney's revenue in total.

1. Introduction

The global spread of the epidemic is not optimistic at present, and the economy is strongly affected by COVID-19 in every region, every industry, and indeed every aspect of life. Meanwhile, the widely spreading Delta virus strain has increased the pressure of epidemic prevention and control to some extent. On the other hand, the external impact of the epidemic will exert multiple negative impacts on various industries and put more pressure on global growth through trade, investment, finance, industrial chain and cross-border movement of people.

Dramatic changes happen in multiple fronts of economy. with the outbreak of global consumers increasingly adapt to blockade and social alienation restrictions, global e-commerce therefore increased. Amazon's Net sales were $125.56 billion, up 43.6% from $87.44 billion in the same period in 2019. Net product sales were $71.06 billion, up 40.6 percent from $50.54 billion a year earlier. Net service sales reached $54.5 billion, up 47.7 percent from $36.9 billion in the previous year, and the number of Disney + users grew rapidly from 57.5billion in the third quarter of 2020 to 116 billion. However, Haidilao, as an offline leading enterprise, reported revenue of 9.761 billion yuan in the first half of 2020, down 16.5 percent year-on-year, due to the "significant impact" of COVID-19. Haidilao restaurant operating income of 9.15 billion yuan, a year-on-year decrease of 19.2%. Net loss attributable to company owners was $965 million compared to a profit of $911 million in the same period last year.

In recent years, business model has been the focus of both practitioners and scholars [1]. Since 1995, at least 1,500 papers have been published in peer-reviewed academic journals dealing with the concept of business models. The business model that combines online and offline is also the subject of more and more participant oriented research.

The term business model refers to a company's plan for making a profit. It identifies the products or services the business plans to sell, its identified target market, and any anticipated expenses [2]. They set the direction for companies and help all kinds of enterprise attract investment, recruit talent, and motivate management and staff. For established businesses, regularly updating their business plans is an important part to anticipate trends and challenges ahead. And for investors, the business model helps them investing in the company after they have a better understanding. The emerging literature on business models suggests that the business model as depicting 'the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities [3].

At present, studying the business model of enterprises become more and more essential. For most enterprises now, the combination of the Internet and offline is an essential part. Whether through the network for order management, control of raw materials, or through the network for marketing, to give full play to the enterprise's maximum potential.

Before the outbreak of the epidemic, Disney was firmly at the top of the capital market with its huge industrial chain. However, the outbreak of the epidemic will change the current industrial pattern, and the rapid development of online industry and the change of people's needs will not put forward higher requirements for current research. The innovation of business model reflects a new activity system, including the innovation, value creation and value capture structure of enterprises and their alliances [4], which has attracted widespread attention from the academic community and the industry [5].

This paper takes Internet as the entry point, the impact of the Internet business model on enterprise performance is similar to the impact of the Internet business model on enterprise performance, from the Internet business model on the core competitiveness of film and television entertainment enterprises, to the impact of enterprise accounting performance and market performance, study the impact mechanism of business model on enterprise performance. Since the existing literature rarely investigates the proposition of how business model innovation drives the cross-border growth of enterprises based on the new crown epidemic situation, this article uses the SWOT analysis method based on the nature of the problem, and explores and constructs the epidemic situation based on the literature review and existing research. Classification model of the relationship between business model innovation and enterprise cross-border growth.

2. Data and methods

2.1 Data

Walt Disney company is a global diversified entertainment and media enterprises. It operates through the following five segments: Media Networks, Amusement Parks and Resorts, Consumer Products, Studio Entertainment and Direct-to-Consumer and international (DTCI).

Disney has always been at a leading position in the Media Entertainment industry. Last year, Disney's revenue reported is $52,465billion which is the 31.82%of its total revenue of its ten closed competitors combines. The company has strong brand recognition and consumer loyalty, it will continue to provide long-term value because of its unique media network content, its dominance in its world-renowned parks and resorts, and its ability to use its intellectual property to have constant incomes.

Disney faces an unusually large number of competitors including: Viacom CBS Inc. (VIAC), Comcast Corp. (CMCSA), Sony Corp. (SNE), AT&T Inc. (T), Netflix Inc. (NFLX), Apple Inc. (AAPL), and Amazon.com Inc. (AMZN); and smaller niche rivals including theme park and resort companies Six Flags Entertainment Corp. (SIX), SeaWorld Entertainment Inc. (SEAS), and Hilton

Worldwide Holdings Inc. (HLT). Disney's streaming business led the way a quarter where its profits and revenue dropped by sizable margins—again. Disney is starting to look more like, and being treated like, a tech company [6].

2.2 Method

To address and solve the problems of Disney not having enough market share in the streaming service that can compare the position of leader in the film-television industry and the revenue Disney+ are only 1% in the total revenue of Disney, we will be using SWOT analysis to compare itself in the Internal and external competitive environment, look for opportunities to exploit Disney's strengths, address or sidestep its weaknesses, and overcome its threats.

SWOT analysis aims to identify the strengths and weaknesses of an organization and the opportunities and threats in the environment. Having identified these factors strategies are developed which may build on the strengths, eliminate the weaknesses, exploit the opportunities or counter the threats. The strengths and weaknesses are identified by an internal appraisal of the organization and the opportunities and threats by an external appraisal [7].

The SWOT analysis, is a situational analysis based on the condition of the internal and external competition, is to search and list all the internal strengths, weaknesses and external opportunities and threats that closely related to the objects that we study, in this case Disney, then according to the matrix form, systematic thoughts, connecting all the factors to have some dipper understandings and analyzing, draw a series of conclusion from it, which normally have certain decision-making character. Applying this method, we can enable to have a thorough, systematic, correct study to the objects, thus making corresponding development strategies, plans and countermeasures etc. S- strength, the outstanding part of a company that can be carry forward. W-weakness, the shortage of a company that need to be seen and avoid - opportunity, then chance a company should take in order to take steps to the next level. T-threats, a company's competitors and rivals that having the same operation which we need to change the direction.

3. Results and discussions

This part is using The Walt Disney Company as the object of study. By applying SWOT analysis, we are going to analyze the strength, weakness, opportunity and threat of the Disney. The SWOT analysis is shown in Table 1.

Table 1. SWOT analysis on Disney

Strength	Weakness	Opportunities	Threats
Stable Cash Flow	High Operating Costs	Media Networks Become Temporary Opportunity	Economic Downturns
Great Creativity of Producing Movies	Lack of Creative Content	The Trends of the Industry	New Competitors
Great Management Inside of the Company		New social trends	The Customer Base
Technology		Underserved Market: Online streaming service	High Cost
Disney's Unique Business Model		International Expands	

3.1 Strength

Stable Cash Flow. Disney has a great performance in terms of stock price appreciation and financials. Disney's revenue continues to go up even in the pandemic. Another feature for Disney is Disneyland, an entertainment theme park. Park and resorts account for more than 34% of the revenue. Unlike other traditional studio competitors, Disneyland keeps Disney stable financially. While the world is still in a pandemic, Disneyland can still provide its place for NBA offseason and NBA G-

League to make cash flow. With the pandemic getting better and better, Disneyland will soon become a cash cow again.

Great Creativity of Producing Movies. Under the department of Studio Entertainment, Disney has more than seven studios which includes Walt Disney Animation, Walt Disney Pictures, Pixar, Marvel, Lucasfilm, 21st Century Fox, Fox and Blue Sky [10]. Therefore, Disney has a strong ability to produce dozens of movies a year. However, by applying Disney's formula of success, Disney only produces a few movies a year. To make sure each of them become a box office hit and then become a billion-dollar franchise. Then they will lead to more consumer products sales.

Great Management Inside of the Company. Walt Disney has built a flat, nonhierarchical meritocracy [10]. He held employees to high professional standards emphasizing creativity, quality, teamwork, communication, and cooperation. The power of decision making was decentralized, so everyone can be more creative. There will be more trust among upper management. It will also make each business unit as creative as possible.

Technology. Disney+ is an online streaming video on demand platform launched by Walt Disney Company and operated by the Walt Disney Company's Walt Disney Direct-to-Consumer and international division. The platform will focus on content produced by Walt Disney Pictures and Walt Disney Television. There are also plans to develop existing and new original programming, including marvel Studios franchises and Lucas film's "Star Wars" series. Disney+ opened for use in 2019 right before the pandemic happened, during the pandemic Disney tried to reduce the loss by release movies simultaneously in theaters and online, and besides the monthly fees, they charged extra for watching the latest video such as <Cruella> and <Black Widow>.

Disney's Unique Business Model. Although Disney now has seven studios producing movies, Disney only produces around ten movies a year. Disney's business model is to make billion-dollar franchises which start with a movie hit and then followed by TV shows, park rides, toys, clothes and video games [8].

3.2 Weakness

High Operating Costs. Managing the growing portfolio in Disney's studio Entertainment division, as it operates more than seven movie studios, including Walt Disney Pictures, Walt Disney Animation, Pixar, Marvel, Lucasfilm, 21st Century Fox, Fox and Blue Sky.

Lack of Creative Content. In the third quarter of fiscal 2017, Disney reported a 9% decline in net income from a year earlier [9]. If Disney want to change this position, it needs to break through the conventional situation, dare to innovate. Netflix not having the most market share in streaming service, and it started to produce its own movie, the chance left for Disney was the quality of movie that Netflix made wasn't very good therefore Disney should make more innovative movie and promote Disney+ more and gave it a higher popularity.

3.3 Opportunities

Media Networks Become Temporary Opportunity. During the pandemics, people have no choice but to stay at home and work from home. While people are staying inside, they can hardly find any interesting activities to do. Therefore, the first choice and people's habit nowadays is to watch videos and TV. In this way, there are plenty of ABC channels on TV and every watch for ABC can bring revenue to Disney. What's more, the online streaming service, Disney+, is launched in 2019. It has already ranked fifth in the United State market share of streaming services. With the background of the pandemic, people are watching more videos than usual. Nowadays, Media Networks can take up to 40% of all Disney revenue while Consumer Product & Interactive Media only have 8%. However, with less people watching TV, more people will go to different online streaming platforms. In the future, online streaming services will finally go past Media networks proportions.

The Trends of the Industry. According to statistics, more and more people are cutting their lines or never get access to a cable. That is because of the high price for cable, inconvenience for assembly and limited place for access. Therefore, online streaming can be used almost anywhere as long as having access to the internet. It's more convenient and easier to use.

New social trends. Nowadays, short videos have become more and more popular. One of the examples are Tik Tok and YouTube. Those are all platforms where users can make their own short videos and then upload them. Disney is famous for its movies and all movies are long. It also takes time to process and understand a movie. Nowadays, people, especially young people, are less patient than before. They are having more burdens than their parents in their ages. Therefore, they can only find fragmentation time to relax or entertain themselves. This is an opportunity which Disney should think about.

Underserved Market: Online streaming service. Disney just joined the online streaming service market in 2019 and it will be the future trends. Statistics show that there will be around 28% increase every year in the online streaming service market. According to statistics from 2020, Disney+ only ranked five while having Netflix, Amazon Prime Video, Hulu and Hbo Max.

International Expands. According to the company revenue, most part of the total revenue came from United State and Canada, while Europe, Asia Pacific and Latin America and other regions. Especially, Asia and France are where the Disney Parks locate. Therefore, focusing on out of United State business can bring lots of revenue to the Disney.

3.4 Threats

Economic Downturns. In 2020, because of the pandemic, the GDP for United State was negative 3.5%. The unemployment rate was 8.1% which was bad. As the positive cases continue to rise, the economics do not seem to get any better. With the economics continuing going down, some people may stop subscribing. And then Disney will lose customers.

New Competitors. After entering the online streaming market, Disney has more competitors like Netflix, Amazon Prime Video, Apple TV, HBO Max, etc. New competitors are large in market capitalization. Amazon is $850 billion, and Apple is $1 trillion while Disney is $328 billion.

The Customer Base. Amazon already has a large number of Prime subscribers, and they will get two days free shipping other than the video service. Apple has more than 1 billion devices around the world as installed base while charging a lower price for Apple TV. Hulu Plus normally has the latest show which can be ahead of everyone. In contrast, Disney Plus charges high with no pre-customer base.

High Cost. Disney+ charges high for subscribers each month. Disney+ and Netflix have the same monthly price of $13.99 which is higher than its competitors. Amazon Prime is $12.99 per month. HBO Max is $14.99 per month.

4. Conclusion

Disney is operating greatly in terms of stable cash flow, creativity of producing movies, management structure, technology and its unique business model. Disney also has some downsides, like high operating costs, lack of creative content, economic downturns, new competitors and competitive smaller customer base. However, Disney still has a bright future in media networks, streaming service, catching new social trends, finding underserved market and international expands.

Based on the SWOT analysis, we came up with a solution for Disney. That is to leverage Disney's technology innovations by making global awareness of its combination of Disney+ based on the desire to make icons more alive. First, we can connect Disney+ and Disney Parks for more involving experiences and more downloads. Secondly, increase revenue by focusing on icon interaction and experience which is making more series or events for old icons and applying new technology in the Disney application to have more interactives with customers. Third, create a new Disney trend for more downloads of Disney+. We want to catch up with the heat of short videos in this marketing strategy. By introducing a short video challenge on Tik-Tok, to call on people’s attention on Disney. After finishing the challenge, every customer will receive a 3 months free access to the new Disney+. Therefore, drives up the download for the new Disney+ and new subscribers to the websites and finally drives up revenue for Disney.

However, from the observation of enterprise practice, there is an inherent interaction effect between business model innovation and technological innovation. If there is a lack of technological innovation or related resources, the rapid growth brought about by business model innovation may be short-lived [10].

The theoretical contribution of this paper is mainly reflected in the following aspects: First, making further research of enterprise development strategy. There are relatively few studies on the online and offline cooperative development strategies of film and television entertainment companies in the existing literature, and the research on the perspective of business model innovation is even more lacking. Based on systematically combing and summarizing related documents, this paper conducts a SWOT analysis on the multiple dimensions of business model innovation and online and offline growth of film and television companies and provides details of actual operation differentiation. Business model innovation is divided into model innovation and content innovation. From all perspectives of swot analysis, a complete film and television entertainment enterprise development system has been constructed, which helps companies deepen their understanding of the innovative use of the Internet and enriches the research ideas and vision of the growth of film and television entertainment enterprises.

Second, it broadens the scope of application of business model innovation in research during the COVID-19 pandemic. This article focuses on the analysis of corporate business strategies during the epidemic, which was lacking in previous studies. The situation is changeable during the epidemic. With the development of the Internet, the issues involved in the various elements of the business model that companies must deal with have increased, and the profit model has become more complicated. This article provides a certain strategic reference for current companies.

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