# Walt Disney Company: A Corporate Strategy Analysis

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# The Walt Disney Company:
## A Corporate Strategy Analysis

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"Walt was never afraid to dream. That song from Pinocchio, 'When You Wish Upon a Star,' is the perfect summary of Walt's approach to life: dream big dreams, even hopelessly impossible dreams, because they really can come true. Sure, it takes work, focus and perseverance. But anything is possible. Walt proved it with the impossible things he accomplished."[1]

It is well documented that Walt Disney had big dreams and made several large gambles to propel his visions. From the creation of Steamboat Willie in 1928 to the first color feature film, "Snow White and the Seven Dwarves" in 1937, and the creation of Disneyland in Anaheim, CA during the 1950's, Disney risked his personal assets as well as his studio to build a reality from his dreams. While Walt Disney passed away in the mid 1960's, his quote, "If you can dream it, you can do it,"[2] still resonates in the corporate world and operations of The Walt Disney Company.

## COMPANY HISTORY

The Walt Disney Company ("Disney") originated with its animated characters and expanded into other adjacent businesses with the goal of bringing happiness to families via several different, but related avenues. In October 1923, Walter ("Walt") and Roy Disney established the Disney Brothers Studio and began creating animated films that would eventually be the foundation of Disney[3]. In 1937, Disney created Snow White and the Seven Dwarfs. This film is the only animated film to rank in the American Film Institute's list of the 100 greatest American Films of all time.[4]

In 1955, Disney opened its first theme park, Disneyland, in Anaheim, California, that spanned over 160 acres. Opening day was not without issues. The temperature was over 101 degrees, there was a plumber's strike, and the asphalt had been recently placed (which made the heels of women shoes sink into the ground). Even with all the negative press on opening day, Disneyland has still been one of the most successful, frequently visited theme parks in history. The construction of Disneyland was personally supervised by Walt.[5]

In December 1966, Walt Disney passed away from lung cancer. Although he was an avid smoker, he was always careful not to smoke around kids. Walt's passing did not stop his brother Roy from continuing to build on his brother's dream. In 1971, Walt Disney World opened its doors in Florida. Roy Disney passed away in late 1971. At that point, control of the company passed to Donn Tatum, followed by Card Walker and then Ron Miller (Walt's son in law).[6]

Disney continued to expand by adding additional theme parks and media assets. In April 1983, Disney launched The Disney Channel. The original intent was to be a premium channel that catered to children and teenagers during the day and families in the evening. The Disney channel, through the Mickey Mouse Club, is partially responsible for the success of stars such as Britney Spears, Justin Timberlake and Christina Aguilera.

The Disney Empire was also expanding internationally. In 1983, Disney opened Tokyo Disney and in 1992 Euro Disney. Tokyo Disney, located east of the city, has two theme parks and three Disney hotels. Euro Disney has two theme parks and seven hotels. Today, Disney has over 11 Theme Parks and approximately 44 hotels surrounding the properties.[7]

In 1993, Disney purchased Miramax Film Corporation from Harvey and Bob Weinstein for approximately $70 million.[8] Miramax operated as a separate unit of Disney. The Weinstein brothers continued to run Miramax under the supervision of Disney executives. By 2005 Miramax was valued at over $2 billion, with an extensive film library that included "Pulp Fiction" and "Shakespeare in Love".

The relationship between Disney and the Weinstein brothers was filled with disagreements, both financial and strategic. One of the more significant disagreements came over the release of the controversial film "Fahrenheit 9/11" that targeted President Bush during the terrorist attacks. Additionally, Disney claimed the Weinstein brothers paid themselves excessive bonuses in years when Miramax was not profitable. In 2005, the Weinstein brothers left Miramax to pursue other interests. Eventually, in 2010, Miramax was sold to Tutor-Saliba Corp.[9]

Another major Disney acquisition took place on July 31, 1995 with the purchase of Capital Cities / ABC for $19 billion.[10] This gave Disney access to the television and cable networks of ABC and ESPN.

In May 2006, Disney purchased Pixar for $7.4 billion in a cash and stock transaction.[11] The relationship between these two companies began in 1997 with an agreement to create five films including Cars, Finding Nemo and The Incredibles. The deal was a mutually beneficial transaction as it combined the computer animation power of Pixar with the marketing and distribution strength of Disney. Along with the Pixar purchase, Steve Jobs, founder of Pixar and Apple, joined the Disney board of directors.[12]

In 2009, Disney purchased Marvel Entertainment for about $4 billion. This purchase gave Disney access to several comic book characters, such as Spider-man, X-Men, Captain America and Thor. The Marvel purchase should prove to be lucrative as Disney presents the various characters through its many systems.

In October 2012, Disney acquired Lucasfilm from George Lucas for $4 billion in cash and stock.[13] Lucasfilm is most well-known for blockbuster movie hits such as Star Wars and Indiana Jones. Along with this purchase, Disney announced future Star Wars films that will be released in 2015. The Star Wars franchise films have earned over $4.4 billion in global box offices to date.

**Operations**

Disney's objective is to be "one of the world's leading producers and providers of entertainment and information, using its portfolio of brands to differentiate its content, services and consumer products. The company's primary financial goals are to maximize earnings and cash flow, and to allocate capital toward growth initiatives that will drive long-term shareholder value.”[14]

Disney currently has approximately 1.8 billion shares outstanding and is worth approximately $90 billion. With annual revenue of $41 billion in 2011, the company balances rewarding shareholders through dividends, share buybacks and investing in current operations. According to Jay Rasulo, Disney's CFO, about 67% of the cash generated is reinvested in current operations.[15]

Disney and its employees are tasked with protecting the Disney brand around the world and promoting "the delivery of long-term value."[16] One of Disney's main objectives is satisfying the financial needs of the shareholders. However, Disney goes beyond satisfying just shareholder needs and places a significant emphasis on ethical behavior that impacts both families and the environment. Ethical standards at Disney do not just apply to the employees, but also to the Board of Directors. Disney's "Code of Business Conduct and Ethics for Directors"[17] governs the actions of the Disney board, holds them to high ethical standards and makes them accountable for actions taken on behalf of the company. Disney also has a code of conduct that deals with suppliers and has very specific rules around discrimination, harassment and child labor.

Disney places a unique emphasis on the selection of the right people with talent to operate within each of the business segments. Much of the culture that Disney has today has been inspired by the legacy that Walt Disney left behind. Several books have been written about the culture including "The Imagineering Way" which gives details related to the creativity of taking dreams and concepts and transforming them into family entertainment. Even through large acquisitions, preserving the Disney culture has been a priority for Disney.[18]

**Market Segments**

Disney creates and distributes entertainment through five main market segments:

| Segment | Approximate Revenues | |
|---|---|---|
| Media Networks | $18,714 Million | 46% |
| Parks and Resorts | 11,797 Million | 29% |
| Walt Disney Studios | 6,351 Million | 16% |
| Disney Consumer Products | 3,049 Million | 7% |
| Disney Interactive | 982 Million | 2% |

In the words of Chief Financial Officer, Jay Rasulo: "... unlike other media companies, we really do have a very clear strategy of an ecosystem in which we both own the franchises and own the means of distribution to get those franchises out across almost all consumer touch points."[19] In other words, Disney is growing by using its various segments to help maximize the economic value of its products. In addition, managers are trying to expand the company's international presence. As of fiscal year 2010, only 25.7% of the company's revenues came from countries other than the United States of America and Canada.[20]

To more clearly describe the Disney strategy, Rasulo details the course of the "Toy Story 3" project through the various market segments during the 2011 Investor Conference Call:

“. . . Let me review the origins of this franchise. Toy Story was released in 1995, and Toy Story 2 was released in 1999. Based on the success of these two films, Toy Story was clearly a franchise, and we started to exploit across multiple geographies in multiple businesses.

Starting in 1998, we opened the Buzz Lightyear attractions in all of our parks locations. In 2008, we opened Toy Story the Musical exclusively on the Disney Wonder cruise ship. The same year, we opened the wonderful Toy Story Mania! attraction in Orlando and Anaheim.

In 2009, our Interactive Group released the Toy Story Mania! game for the Wii, which was a successful title for us. Toy Story Playland opened at Walt Disney Studios Paris, and Toy Story Land will open in Hong Kong later this year.

So with that market primed, we released Toy Story 3 in 2010. While we'd always planned to make Toy Story 3, our Pixar acquisition put this project back into the hands of Toy Story's original creators, who we knew would make a wonderful film.

Toy Story 3 delivered Disney's second biggest North American gross ever. . . The film's opening weekend of $110 million set a new Pixar record. Its domestic box office totaled $415 million, became the eighth biggest international release in history, earning $650 million in box office. The film opened number one in 54 categories. Toy Story 3 became the fifth highest grossing worldwide film of all time with almost $1.1 billion in box office. It's Disney's second highest grossing film of all time, and it's the highest grossing animated title ever.

The DVD was the number one animated and number one family title in 2010 in North America, the number one animated title in 2010 in Europe and the number one title in Latin America. We expect ultimate retail sales of Home Entertainment and TV platforms will drive another $650 million in retail sales, which brings the retail sales total to about $1.7 billion.

But as a franchise film, Toy Story 3 is a much more powerful driver for our merchandise-licensing business. The film had unprecedented support and shelf space at major retailers. For example, Target allocated significant shelf space to and created a custom animation commercial for Toy Story 3, and Toys "R" Us gave it a feature wall over the next three months, whereas this is typically offered for about two weeks.

Sales have been strong across all categories. Toy Story 3's impact on our merchandising-licensing business has been significant, and we expect the film will drive $7.3 billion in ultimate retail sales, bringing the total retail sales to approximately $9 billion.

The books and magazines are sold in over 50 countries. The Toy Story Read-Along App was the number one book app in 45 countries. We expect the publishing business to drive about $250 million in retail sales.

This film is also driving sales at our Disney Stores. It's currently the number three franchise at Disney Store, growing to half the size of Disney Princess. We expect the franchise to drive $325 million in sales at the Disney Store. Toy Story 3 was also the top selling Disney game of the year, and we expect about $220 million in ultimate retail interactive sales.

So, Toy Story 3 was also a critical and commercial success at the box office for the Walt Disney Company. But since it's a franchise film, we estimate that it'll drive nearly $10 billion in ultimate retail sales through traditional film channels and all of the ancillary markets in which we participate.

. . . We don't allocate Parks revenue in this franchise analysis, so you don't see the impact on our Parks business . . . but, we are confident that the film has greatly benefited our theme parks as well."[21]

The Toy Story 3 franchise is a clear example of how Disney attempts to benefit by introducing its concepts and products to all of its market segments. Below is an overview of each of its five business segments; more detailed information on the market segments may be found in the Exhibit.

*Media Networks*

Disney's largest segment is Media Networks; this segment covers Disney's operations in cable networks, broadcast television networks, radio networks and digital operations (see Exhibit 1). The Media Networks division comprised approximately 46% of revenues and 76% of income before taxes in 2011. In fiscal years 2011 and 2010, revenues for the Media Networks division increased 9.0% and 5.9%, respectively. A majority of the strength came from both Cable Networks and Broadcasting driven by ESPN, ABC Television and the worldwide Disney Channels.[22] Disney grew this segment through higher advertising rates in NFL, college football, NASCAR and MLB. The 2011 results were negatively impacted by the lack of expected revenues from the FIFA World Cup in 2010.

While the majority of the Media Networks segment operations focus in the United States, Disney does have some stake in international operations as well. The Media Networks segment uses a differentiation strategy, with many of the operations targeting segments within the viewing audience. This segment of the company is heavily regulated by the Federal Communications Commission (FCC) in the United States, which dictates how many stations that the firm may own as well as enforces guidelines for the content on the stations.

Media Network operations are separated into eight groups: ESPN, Disney | ABC Television group, ABC Entertainment Group, ABC News, ABC Family, ABC Owned Television Stations, Disney Channels Worldwide and Hyperion. ESPN is a division of cable stations geared towards sports television. Disney | ABC Television group is a holding group under which Disney and ABC shows are produced and distributed. AGC Entertainment Group focuses on television content shown on ABC. ABC New focuses on the news, documentaries and other factual television content. ABC Family provides entertainment programming specifically designed for families. ABC Owned television stations represent the actual broadcasting stations owned by Disney. The Disney Channels Worldwide represents children's content. Hyperion is a publishing division providing digital and paper copies of written entertainment.

*Parks and Resorts*

The second largest revenue producer for Disney is its Parks and Resorts. As described by Tom Staggs, the Chairman of Walt Disney Parks and Resorts, "Now, at Disney Parks, we are known for the iconic assets that we build: our castles, hotels, and cruise ships. But, at the end of the day, these aren't our core products. We aren't in the attraction business, the hotel business, the cruise ship business; we are in the guest experience business. The great shared memories that guests cherish and create every day at our parks helps keep people coming back year-after-year."[23]

Parks and Resorts comprised approximately 29% of revenues and 19% of income before taxes in 2011. In fiscal years 2011 and 2010, revenues for the Parks and Resorts division increased 9.6% and 0.9%, respectively. A majority of the increase in revenues was driven by higher guest spending and revenue from the Disney Dream Cruise ship which began contributing to revenues in early 2011. Park attendance increased only 1% domestically. The March 2011 earthquake negatively impacted results at the Tokyo Disney Resort.[24]

Parks and Resorts are the most capital-intensive segment of Disney, comprising over 70% of the total annual capital expenditures. Currently, Disney is working on the 963-acre site for Shanghai Disney along with hotels and other retail shops and dining. In the United States, Disney owns and operates Disneyland in Anaheim, CA; Walt Disney World in Orlando, FL; Aulani in Kapolei, HI; and two cruise lines. The US properties contribute 79% of the revenue earned by Parks and Resorts.[25] Overseas, the company owns 51% of Disney Paris, 47% of the Hong Kong Disneyland Resort, and 43% of the Shanghai Disney Resort.[26] In addition, the Tokyo Disney Resort in Japan operates under a licensing agreement with Disney. While these properties do not currently contribute as much to the firm's revenue as the U.S. properties; they align with Disney's strategic goal to grow internationally.

All of the major overseas operations have been created with the help of other entities. Disney Paris is managed and run by Euro Disney, S.C.A., a publicly traded company of which Disney owns approximately 40%. The Hong Kong Disney Resort was developed by Hong Kong International Theme Parks, LTD, consisting of the government of Hong Kong (which owns 53% of the company) and Disney (which owns 47% of the company). The Shanghai Disney Resort is currently under construction and is expected to open in December, 2015; this facility is being developed in concert with Shanghai Shendi Co, LTD, which is a 57% owner of the joint venture. With the Tokyo Disney Resort, a licensing agreement was created in which The Oriental Land Company, LTD created and runs the property.

Disney properties are developed with amusement parks that are segmented into different "lands," on-site hotel operations and dining facilities. The hotel operations overall enjoy an 83% occupancy rate, based on 12,091 rooms at an average rate of $253 per night.[27] The parks and rides are designed by what the company calls "imagineers." When Disney originally built Disneyland, it needed a cast not only of people who could design and illustrate the dream, but also writers, architects, interior designers, engineers, lighting experts, graphic designers, set designers, craftsmen, sound technicians, landscapers, model makers, sculptors, special-effects technicians, master planners, researchers, managers, construction experts, and more.[28] This crew of "imagineers" is the backbone of creating Disney resorts.

*Walt Disney Studios*

Walt Disney Studios is the segment of the company around which all other Disney enterprises were originally built (see Exhibit 2). This segment consists of the animated and live-action films (released to theaters and direct-to-home), music (soundtracks and recordings), and theatrical plays (on-stage and on-ice). The Studios create, produce, promote, sell, acquire and distribute iprojects under several companies within the Studios segment. [29] Most recently, Disney has acquired Lucasfilm, which will likely be placed in the Walt Disney Studios portfolio.[30] In 2011, Walt Disney Studios generated over $6 billion in yearly revenue; however due to high production expenses and administrative expenses, the segment only earned $618 million in profit.[31] On a positive note, this segment allows Disney to distribute its products worldwide and can thus introduce audiences in underdeveloped countries to the many products that Disney provides.

Walt Disney Studios comprised approximately 16% of revenues and 8% of income before taxes in 2011. In fiscal years 2011 and 2010, revenues for the Studios division decreased 5.2% and increased 9.2%, respectively. Fiscal year 2010 results were favorably impacted by hit movies such as Toy Story 3, Alice in Wonderland, Iron Man 2 and Princess and the Frog. Many of the 2011 titles such as Cars 2, Pirates of the Caribbean: On Stranger Tides and Thor could not surpass the prior year hits.[32]

Walt Disney Studios consists of: Walt Disney Studio Motion Pictures, Touchstone Pictures, Marvel, DisneyNature, Walt Disney Animation Studios, Pixar, Disney Music Group, and Disney Theatrical Group. Walt Disney Studios Motion Pictures produces family movies that include live-action. Touchstone Pictures produces movies with more mature content. Marvel represents superhero content created under Marvel. DisneyNature provides documentary movies based on wildlife and nature. Walt Disney Animation Studios and Pixar produce animated films. Disney Music Group represents several musicians. The Disney Theatrical Group provides live entertainment both on the stage and on ice.

*Disney Consumer Products*

The Consumer Products segment of Disney brings the two-dimensional video concepts that Disney produces to consumers in three-dimensional products, allowing Disney to further capitalize on the entities that the corporation creates. These products are often available in forms such as: toys, apparel, home décor and furnishings, stationery, accessories, health and beauty, food, footwear, and consumer electronics.[33] The products sold through Consumer Products typically fall under three separate arms of the division: Merchandise Licensing, Publishing, and the Retail business (see Exhibit 3).

Consumer Products comprised approximately 7% of revenues and 10% of income before taxes in 2011. In fiscal years 2011 and 2010, revenues for the Consumer Products division increased 13.9% and 10.4%, respectively. These results were favorably impacted by Cars merchandise and Marvel properties.[34]

*Disney Interactive*

The smallest segment is Disney Interactive, which operates as both interactive media and interactive games (see Exhibit 4). This segment introduces consumers to Disney products and provides consumers a way to play with the characters in many of the Disney franchises. The majority of the revenue generated in this segment is from the sale of electronic games, but some revenue is also generated from advertising, sponsorships and subscriptions.

Interactive Media comprised approximately 2% of revenues in 2011. However, this division reported a loss of $308MM in 2011. The results of this division were negatively impacted by the acquisition of Playdom in late 2010. According to CEO Bob Iger, Disney plans to deliver a profit in this segment by 2013.[35] More detailed financial reports, including segment reports, are found in Exhibits 5A-C.

**Human Resources**

*The Management Team*

Disney is led by its Chairman and CEO, Robert A Iger, who took over for Robert Eisner in 2005. While Eisner was a capable leader who forcefully led the company, he left the company with a fair amount of tension after missing financial targets and fighting with the company's fractured Board of Directors, led by Roy Disney, Walt Disney's cousin.

Iger has successfully eased tensions within the firm and also began expansion of the company. During his tenure, Disney has purchased Pixar, Marvel, and more recently, Lucasfilm. All of these acquisitions have been in line with Iger's objectives of developing the most creative content, taking advantage of the latest technologies and innovations, and strengthening the Disney brand name outside of the United States. While Disney has generally improved under Iger's management, the firm has invested billions of dollars in its parks and resorts worldwide. Not all of Disney's shareholders agree that the results are strong enough to warrant the investment.[36]

That being said, Disney's Board extended Iger's contract, originally set to expire in 2013. Iger announced that he intends to retire as CEO from Disney when his new contract ends in March, 2015 at the age of 65. He then plans on stepping down as Chairman of the Board in June, 2016. While Iger's successor has yet to be announced, two of the more likely candidates are Thomas Staggs (Chairman, Walt Disney Parks and Resorts Worldwide) and Jay Rasulo (Chief Financial Officer).[37]

Since the beginning of 2010, Thomas Staggs has acted as the chairman of Walt Disney Parks and Resorts. From 1998 through the end of 2009, Staggs operated as the Senior Executive Vice President and CFO; he originally joined Disney in 1990 as a Strategic Planning Manager. Staggs' chances of being promoted to CEO greatly rest in his ability to manage the construction of the new Disney theme park in Shanghai and the growth of attendance at the other theme parks.

Jay Rasulo is the current Senior Executive Vice President and CFO. He was previously the Chairman of Walt Disney Parks and Resorts and swapped responsibilities with Thomas Staggs on January 1, 2010. Rasulo joined Disney in 1986 as a Strategic Planning and Development Manager. Rasulo's chances of becoming CEO will largely be dependent on his ability to maintain strong economic growth for the company.

*The Board of Directors*

Disney is a publically traded company with 1.8 billion shares outstanding valued at almost $90 billion, as of November 2012. While both Fidelity Investments and The Vanguard Group both hold over 4% of the firm's stock, the largest single inside investor is Robert Iger, who owns a little over 1.1 million shares.[38]

The company's Board of Directors consists of ten members, the most recent being Robert Iger. Susan Arnold has been on the board since 2007 and worked as the President of Global Business Units for Proctor and Gamble until retiring in 2009. John Chen has been a Director since 2004 and is the Chairman and CEO of Sybase, Inc. Judith Estrin is the CEO of JLABS, LLC and has been on the Board since 1998. Fred Langhammer joined the Board in 2005 and also acts as the Chairman of Global Affairs for Estée Lauder Companies, Inc. Aylwin Lewis has acted as a Director since 2004 and is also the CEO of Potbelly Sandwich Works. Monica Lozano is the CEO of impreMedia, LLC and La Opinión; she has been on Disney's Board since 2000. Robert Matschullat is a private equity investor and has acted as a Director since 2002. Sheryl Sandberg is the Chief Operating Officer at Facebook and joined the Board in 2010. Lastly, Orin Smith acts as the Elected Independent Lead Director for the Board and has been a member since 2006; he retired as President and CEO of Starbucks in 2005.

*The Employees*

As of 2010, Disney employed 134,532 employees, of whom 93,722 were full-time, 23,694 were part-time, and the remaining 17,116 were temporary and seasonal employees.[39] Based on the results of a corporate-wide survey, most of the employees are working at Disney because: they are proud to be associated with brands represented by Disney, they feel that the company treats them with respect, they enjoy the corporate culture, they enjoy the challenge that their jobs provide them, and they believe that they have been provided the tools to succeed at their job. Many of the tools provided to the employees come from their training. Disney offers development courses through the Disney University. Disney also offers career planning workshops and talent planning processes for its employees.

## The Media Industry

Although Disney is involved in a variety of industries, this section will focus on the Media Industry, specifically Television Broadcasting and Cable Networks, which is the industry from which Disney derives the greatest portion of its sales. In 2010, the Media Industry had total revenue of $263 billion with an expected compound annual growth rate of 1.6% through 2015.[40] The combination of TV Broadcasting and Cable Networks continue to be the largest segment of the Media Industry, making up more than 50% of the industry's total value. Disney is the market leader in both Television Broadcasting and Cable Networks with shares of 15.3%[41] and 15.6%[42] respectively. While this section will specifically be dealing with the US Media Industry, the United States only accounts for about 30% of the global media industry value.[43]

*Television Broadcasting*

The TV Broadcasting industry has declined at an average annual rate of 0.9% to $37.3 billion in revenue over the past five years leading up 2012, but revenue is expected to increase by 1.5% with a 14.2% profit margin in 2012. Industry performance is influenced by many factors: external competition, including competition from cable and satellite TV services, the rise in online television streaming, and other media sources; technological investments, including the switch to digital broadcasting and HD channels in 2010; the number of cable TV subscriptions; and trends in advertising. Advertising dollars, while cyclical relative to TV viewership trends, are also dependent on per capita disposable income and corporate profit. [44] The traditional broadcasting industry is comprised of four main companies: Disney (ABC), News Corporation (FOX), NBC Universal and CBS Corporation.

*Cable Networks*

As of October 2012, the Cable Networks industry had total yearly revenue of $17.9 billion. The industry saw an annual growth of 5.2% from 2007-2012 and is projected to have an annual growth of 1.9% from 2012-2017. The industry is comprised of about 400 businesses, including Disney, Viacom Inc., Comcast Corporation, Time Warner Inc., News Corporation and Discovery Communications, which share a total of $2.6 billion in yearly profit. Industry performance is dependent on many key external factors such as the number of cable subscriptions, technological changes, per capita disposable income, total US advertising spend, and time spent on leisure and sports.[45]

## Media Industry Market Trends

Competition in the media industry is high and stems from multiple prongs: competition for viewers, advertising dollars, carriage by multi-channel video service providers (MVSPs) and procurement of sports and other programming. In order to garner as many viewers as possible, media companies have to fight against other television and cable networks, individual television stations and other media (including DVDs and the internet). Viewership levels fluctuate throughout the year, usually highest in the fall and lowest during the summer months. Advertising dollars fluctuate with viewership trends and advertiser budgets. Companies must compete with other TV and radio networks, independent stations, MVSPs and other media (print, digital, outdoor, etc.) to receive their share of advertising revenue.[46]

The broadcast TV and cable business model has seen significant changes and will continue to do so as the viewer experience becomes more customized and interactive. The broadcast TV industry currently earns 85.5% of its revenue from advertising dollars. While TV is still a high-powered advertising platform, demand has decreased over the past five years. With increased competition from emerging media types, such as online streaming and digital video recorders (DVR), TV audiences will continue to be more fragmented and viewership is forecasted to decline, leading to decreased television ratings overall. Additionally, these platforms reduce audiences' attention span for commercials, which is a major issue as declined ratings drives down the amount advertisers are willing to pay for commercial time. [47]

## Key Players

*News Corporation*

News Corporation has a 12.8%[48] market share of the TV Broadcast Industry and a 9.5%[49] share of Cable Networks. Industry brand names include FOX, MyNetworkTV, FSN, FX, SPEED, FUEL TV, and National Geographic Network. As part of News Corporation, Fox TV Stations Inc. has 203 FOX affiliates and 173 MyNetworkTV affiliates, with 17 and 10, respectively, owned and operated by the company.[50] Fox has a median viewer age of 45, the youngest of the four major broadcast TV platforms – NBC is 47, ABC is 49, and CBS is 53. This puts Fox in a position to attract viewers aged 18-49, the main demographic for advertisers, which explains why almost all of Fox's revenue stems from advertising dollars. News Corporations has recently forayed into the Cable Networks industry with its Fox branded news and sports networks. News Corporation is anticipated to have $4.8 billion yearly revenue from Broadcast TV [51] and $1.7 billion from Cable Networks[52] in 2012.

*Viacom Inc.*

Viacom competes in both the TV Broadcast and Cable Networks industries with market shares of 3.8% and 10.8% respectively. In 2006, Viacom split into two separate entities: Viacom Inc., which includes MTV, BET, Paramount Pictures, Paramount Home Entertainment and Famous Music, and CBS Corporation, which combines CBS and UPN broadcast networks, Viacom TV Stations Group, Infinity Broadcasting, Viacom Outdoors, the CBS, Paramount and King World TV production and syndication operations, Showtime, Simon & Schuster and Paramount Parks. Industry brand names include CBS, CW, MTV, VH1, TV Land, Nickelodeon, CMT, TNN, Showtime, BET, and Comedy Central. CBS delivers broadcast TV programming through CBS Entertainment, CBS News and CBS Sports. CBS owns and operates 28 television stations in 15 of the top 20 US markets.[53] Viacom's cable networks are separated into four distinct groups that cater to clearly defined target audiences: music and logo, kids and family, entertainment, and black entertainment.[54] In 2012, Viacom is expected to earn $1.4 billion from its broadcast TV segment[55] and $2.3 billion from cable networks.[56]

*Comcast Corporation*

Comcast Corporation holds a 7.6% market share of the TV Broadcast industry through NBC Universal, which is co-owned with General Electric, who has a 49% ownership.[57] Additionally, Comcast Corporation is a major player in the cable networks industry through Comcast Cable Communications Inc. with a 10.8% share.[58] Industry brand names include:  NBC, Telemundo, E! Entertainment TV, Style Network, G4, Golf Channel, Versus, USA Network, Bravo, CNBC, SYFY, MSNBC, and Oxygen. The NBC Television Network and Telemudo, Spanish-language broadcast TV, have a combined 234 affiliates across the US. NBC has 26 owned and operated TV stations and has the exclusive TV rights to the Olympic Games, NFL Sunday Night Football, and the 2012 Super Bowl. Additionally NBC Universal has non-controlling parterships with many networks and related companies including MSNBC.com (50%which is a joint venture with Microsoft), Hulu (32%), The Weather Channel (25%) and A&E Television Networks (16%), which includes A&E, The History Channel, The Biography Channel and Lifetime.[59] It is projected for Comcast bring in 2012 yearly revenue of $2.8 billion from Broadcast TV[60] and $1.9 billion from cable networks.[61]

*Time Warner*

Time Warner competes in the Cable Networks industry through its subsidiary Turner Broadcasting System, with a 10.6% market share. Turner owns and operates eight cable networks in the US: TBS, CNN, HLN, TNT, Cartoon Network, Turner Classic Movies, Adult Swim, and TruTV. Turner's flagship network, TBS, has been very successful with a lineup combining original series, syndicated programming, and sports including MLB and NCAA Basketball. As of October 2012, Turner's yearly revenue is estimated to be $1.9 billion in the Cable Networks industry.[62]

*Discovery Communications*

Discovery Communications has a 6.8% market share of the Cable Networks Industry. In the U.S., Discovery owns and operates nine TV networks, including Discovery Channel, The Hub, the Oprah Winfrey Network, TLC and Animal Planet. Discovery has also formed a joint venture with Sony and IMAX Corporations to develop a 3-D TV network, showing its commitment and leadership in new content and technologies. Discovery is anticipated to have $1.2 billion yearly revenue from cable networks in 2012.[63]

**Industry Regulation**

Regulation in both the television broadcasting and cable networks industries is high. The TV broadcasting industry is controlled by the Telecommunications Act (TA), which is enforced by the Federal Communications Commission (FCC). The TA and FCC have banned mergers among the top broadcast networks (ABC, NBC, CBS, and FOX), capped the percentage of ownership each network can have in a market to 39%, required all stations to switch from analog to digital transmissions, and controlled content prohibiting offensive content between 6:00 am and 10:00 pm.[64] Fines for "indecent" programming can be up to $325,000. Additionally, all TV stations must be licensed by the FCC; licenses can be obtained for up to eight years at a time.
An owner must renew its license once it expires in order to continue operations or they must divest the station.[65] The FCC also regulates the cable industry by limiting consolidation among companies (there is currently a 30% cap on horizontal ownership) and establishing policies regarding channel usage, subscriber rates and privacy. There are also a multitude of laws and

regulations for the cable industry on the state and local level dealing with a variety of topics such as franchising and subscriber rates.[66]

## MOVING FORWARD

As Disney moves forward into a future of advancing technology and globalization, the company has some decisions to make. Its strategic goals have been to fully develop and monetize its franchises and increase its presence internationally. Its presence is a dominant force in the United States, but how can its success translate overseas? Walt Disney was never afraid to dream big; but as the margin of error continues to narrow in a technologically advancing society, how can Disney continue to adapt?

## EXHIBIT 1: SEGMENTS WITHIN MEDIA NETWORKS

*ESPN*

ESPN is an entertainment company serving the sports media industry. ESPN consists of over 50 business entities broadcasting over television, radio, through smartphone applications, podcasts and online. Of the 6,500 employees that the company houses worldwide, 3,900 work out of Bristol, CT. The company features individual and team sports as well as original sports programing and its flagship program, SportsCenter. The company was founded in 1979.

*Disney | ABC Television Group*

The Disney |ABC Television Group is composed of The Walt Disney Company's global entertainment and news television properties, owned television stations, and radio and publishing businesses. In essence, Disney | ABC Television Group is the holding company of most of the Disney media networks that are not associated with ESPN. The group is based in Burbank, CA and was founded in 2004.

*ABC Family*

ABC Family is a cable station in the United States that includes programming designed to entertain families. The station regularly broadcasts seasonal family programs, but has recently developed a string of edgy hits aimed at female viewers aged 12 to 34. This trend is being made in an effort to replace the programming that the WB aired before being cancelled. The company is based in Burbank, CA and was founded in 2001.

*Disney Channels Worldwide*

Disney Channel Worldwide is a conglomerate of entertainment channels developing, producing and broadcasting children's and families' entertainment around the world. In addition to cable television channels, the company supports the distribution of content via the internet and video-on-demand. The channels are broadcast to 169 countries around the world. The company is based in Burbank, CA and was founded in 1983.

*ABC Entertainment Group*

The ABC Entertainment Group develops and produces ABC's television and digital content. This includes all of the daytime, evening, and late night offerings made by ABC. Some of the groups offerings include: "Dancing with the Stars," "Castle," "Modern Family," "Jimmy Kimmel Live," and "Grey's Anatomy." The group is based in Burbank, CA and was founded in 2009.

*ABC News*

In a sister role to the ABC Entertainment Group, ABC News is develops and produces ABC's news programing. Some of the offerings include: "20/20," "Nightline," and "Good Morning America." The company has digital, television and radio properties. The company is based in New York City, NY and was founded in 1962.

*ABC Owned Television Stations*

In addition to broadcasting on ABC, Disney owns eight television stations in major markets. Through these stations, Disney is able to reach 23% of the United States population. The ABC Owned Television Stations Corporation is based in Burbank, CA and was founded in 1948.

*Hyperion*

Hyperion is a publishing company that focuses on general interest books for adults and children. In addition to hard cover and soft cover books, the company also offers eBooks and audio books. The company is based in New York City, NY and was founded in 1991.

Sources: The Walt Disney Company, Media Networks. http://thewaltdisneycompany.com/disney-companies/media-networks, Accessed October 30, 2012; About ESPN. http://espnmediazone.com/us/about-espn/, Accessed October 30, 2012; Maney, M. 2011. *DATG_One_Sheet_FEB_11*, Press release describing Disney | ABC Television Group, February 23; Ulaby, N. 2012, Ratings Success? It's All In The (ABC) Family, *NPR: Morning Edition*, October 22.

## EXHIBIT 2: SEGMENTS WITHIN WALT DISNEY STUDIOS

*Walt Disney Studio Motion Pictures*

Founded in 1950 and headquartered in Burbank, CA, Walt Disney Studio Motion Pictures is the arm of the Studio segment tasked with producing live-action, family-friendly films. The first film created by the Studio Motion Pictures was Treasure Island, in 1950. The company continues to produce movies such as the Pirates of the Caribbean series and the latest addition of Alice in Wonderland.

*Touchstone Pictures*

Other live-action films are distributed under Touchstone Pictures. These films typically include content that would not be considered synonymous with the Disney name. The group is headquartered in Burbank, CA and was founded in 1984. The first film distributed under Touchstone Pictures was “Splash” in 1984. As Touchstone Pictures is a distribution channel, it simply exists so that Walt Disney Studios can send its PG-13 and R rated materials to the market. Further, Disney reached an agreement with Steven Spielburg’s DreamWorks Studios in February, 2009 to distribute its content through Touchstone Pictures.

*Marvel*

Disney acquired Marvel on August 31, 2009 for $4 billion. The company originally began in Manhattan Beach, CA in 1996. Through the acquisition, Disney can now monetize the thousands of Marvel characters through all segments of its business. The Marvel Studios most recently released “The Avengers” and are expected to release a third Iron Man, second Thor and second Avengers movie in the coming years.

*DisneyNature*

In 2008, Disney began DisneyNature to focus on the “true-life adventures” segment of films. This segment is based in Paris, France and is responsible for initiation, development and acquisition of high quality feature projects. Some of the projects distributed through DisneyNature include: “Earth,” “African Cats,” and “Chimpanzee.”

*Walt Disney Animation Studios* and *Pixar*

Beginning in 1923, Walt Disney Animated Studios began creating animated films, starting with Steamboat Willie, and bringing to market the first feature cartoon in 1937, “Snow White and the Seven Dwarfs.” The group has made family movies that are one and the same with the Disney name such as “Pinocchio,” “Peter Pan,” “Beauty and the Beast,” and more recently, “Tangled.” The group is based in Burbank, CA and is still located on the site Walt Disney developed with the proceeds from “Snow White.”

Pixar began in 1986 in Emeryville, CA and is known for its computer-animated feature films. Some of Pixar’s films include “Toy Story,” “The Incredibles,” “Up” and “Brave.” Disney purchased Pixar in January, 2006 for $6.3 billion. The goal of the acquisition was to merge Pixar’s preeminent creative and technological resources with Disney's unparalleled portfolio. As it stands now, both Walt Disney Animation Studios and Pixar work independently, but share talents. For example, “The Muppets,” “Tron” and “Wreck It Ralph” are all Walt Disney Animation Studio productions with assistance from Pixar.

*Disney Music Group*

The Disney Music Group is an outlet for Disney to distribute soundtracks and original recordings. The company was formed in 1956 as Disneyland Records and is located in Burbank, CA. The group owns several record labels, including: Hollywood Records, Walt Disney Records, and Disney Music Publishing. In addition to owning record labels, the group develops music videos and operates Radio Disney. In the Disney way of monetizing assets through all outlets, many of the musicians that perform for the Disney Music Group also act in the Media Segment such as Selena Gomez and Miley Cyrus.

*Disney Theatrical Group*

The theater portion of Disney productions began in 1993 and operates from New York City, NY. The group has obtained much success by taking many of the products offered through Walt Disney Motion Pictures and Walt Disney Animated Studios and bringing them to the theater. All of the productions to date have been musicals and operate both on and off Broadway. Examples of the Disney’s successful monetization of franchises in this category include “The Lion King” and “Mary Poppins.”

Sources: Keating, G. 2009. Disney, DreamWorks in distribution deal. ***Reuters News***, February 9; Barnes, B and Cieply, M. 2009. Disney swoops into action, buying Marvel for $4 billion. ***New York Times***, September 1: B1; Trotta, H. Disney launches new film label – DisneyNature; to produce outstanding nature documentaries with the world’s top documentary filmmakers. ***PR Newswire***, April 21, 2008; Mucha, Z. Disney to acquire Pixar; long-time creative partners form new worldwide leader in quality family entertainment. ***Business Newswire***, January 24, 2006.

## EXHIBIT 3: SEGMENTS WITHIN DISNEY CONSUMER PRODUCTS

*Merchandise Licensing*

The Merchandise Licensing division works to license the intellectual knowledge of Disney for the use in products. Some of the larger properties that are handled are Mickey Mouse, the Disney Princesses, and the Disney Fairies. This segment also works with retailers to develop specialized promotional campaigns such as the designs on and the products that go in McDonald's Happy Meals. Disney Licensing began in 1929 and operates out of Glendale, CA.

*Publishing*

Disney Publishing Worldwide publishes children's media on a global scale. Media is delivered as books, magazines, eBooks, and applications for smartphones and tablets. The media is broadly categorized as story telling or learning material. This division of Disney operates out of White Plains, NY and has been in operation since 1930.

*Retail*

The Retail business for Disney consists of retail shops and an online presence where Disney products may be purchased. The stores are located across the United States, in Japan and throughout Europe, with a total of over 340 stores around the world.

## EXHIBIT 4: SEGMENTS WITHIN DISNEY INTERACTIVE

*Disney Interactive Games*

The Disney Interactive Games division creates and publishes video games for consumers. These games are now available on video consoles, such as "Disney's Epic Mickey," on mobile devices, such as "Where's My Water," and other online avenues. The firm was established in 1986 in Glendale, CA while the electronic gaming industry was still in its infancy.

*Disney Interactive Media*

The Disney Interactive Media segment was created in 1995 and is headquartered in North Hollywood, CA. This segment provides family-friendly online content and also provides advertisement for other Disney products. Some of the key products offered are DisneyBaby.com, Spoonful.com, and Babble.com.

# EXHIBIT 5A: THE WALT DISNEY COMPANY INCOME STATEMENT

| *(in millions, except per share data)* | 2009 | 2010 | 2011 |
|---|---|---|---|
| Revenues | 36,149 | 38,063 | 40,893 |
| Cost and Expenses | (30,452) | (31,337) | (33,112) |
| Restructuring and Impairment Charges | (492) | (270) | (55) |
| Other Income | 342 | 140 | 75 |
| Net Interest Expense | (466) | (409) | (343) |
| Equity in the income of Investees | 577 | 440 | 585 |
| **Income before Income Taxes** | **5,658** | **6,627** | **8,043** |
| Income Taxes | (2,049) | (2,314) | (2,785) |
| **Net Income** | **3,609** | **4,313** | **5,258** |
| Less: Income Attributable to non-controlling Interests | (302) | (350) | (451) |
| **Net Income Attributable to The Walt Disney Company** | **$3,307** | **$3,963** | **$4,807** |
| **Earnings Per Share:** | | | |
| Diluted | $1.76 | $2.03 | $2.52 |
| Basic | $1.78 | $2.07 | $2.56 |
| **Weighted Average Number of common & common equivalent shares outstanding:** | | | |
| Diluted | 1,875 | 1,948 | 1,909 |
| Basic | 1,856 | 1,915 | 1,878 |

Source: The Walt Disney Company. 2011. ***Form 10-K***.

## EXHIBIT 5B: THE WALT DISNEY COMPANY SEGMENT REPORTING

*(in millions)*

| | 2009 | 2010 | 2011 |
|---|---|---|---|
| *Revenues by Operating Segment:* | | | |
| Media Networks | $16,209 | $17,162 | $18,714 |
| Parks and Resorts | 10,667 | 10,761 | 11,797 |
| Studio Entertainment | 6,136 | 6,701 | 6,351 |
| Consumer Products | 2,425 | 2,678 | 3,049 |
| Interactive Media | 712 | 761 | 982 |
| **Total Consolidated Revenues** | $36,149 | $38,063 | $40,893 |
| | | | $0.29 |
| *Segment Operating Income (loss)* | | | |
| Media Networks | $4,765 | $5,132 | $6,146 |
| Parks and Resorts | 1,418 | 1,318 | 1,553 |
| Studio Entertainment | 175 | 693 | 618 |
| Consumer Products | 609 | 677 | 816 |
| Interactive Media | (295) | (234) | (308) |
| **Total Segment Operating Income** | **$6,672** | **$7,586** | **$8,825** |
| Corporate & Unallocated Shared Expenses | (398) | (420) | (459) |
| Restructuring & Impairment Charges | (492) | (270) | (55) |
| Other Income | 342 | 140 | 75 |
| Net Interest Expense | (466) | (409) | (343) |
| **Income before Income Taxes** | **$5,658** | **$6,627** | **$8,043** |
| **Capital Expenditures** | | | |
| Media Networks | $294 | $224 | $307 |
| Parks and Resorts | 1,182 | 1,533 | 2,723 |
| Studio Entertainment | 135 | 102 | 118 |
| Consumer Products | 46 | 97 | 115 |
| Interactive Media | 21 | 17 | 21 |
| Corporate | 75 | 137 | 275 |
| | **$1,753** | **$2,110** | **$3,559** |

Source: The Walt Disney Company. 2011. ***Form 10-K***.

# EXHIBIT 5C: THE WALT DISNEY COMPANY BALANCE SHEET

*(in millions)*

| | 10/3/2009 | 10/2/2010 | 10/1/2011 |
|---|---|---|---|
| **ASSETS** | | | |
| Current Assets | | | |
| Cash & Cash Equivalents | $3,417 | $2,722 | $3,185 |
| Receivables | 4,854 | 5,784 | 6,182 |
| Inventories | 1,271 | 1,442 | 1,595 |
| Television Costs | 631 | 678 | 674 |
| Deferred Income Taxes | 1,140 | 1,018 | 1,487 |
| Other Current Assets | 576 | 581 | 634 |
| **Total Current Assets** | **11,889** | **12,225** | **13,757** |
| | | | |
| Film and Television Costs | 5,125 | 4,773 | 4,357 |
| Investments | 2,554 | 2,513 | 2,435 |
| Parks, Resorts and Other Property, at | | | |
| cost Attractions, Buildings & Equipment | 32,475 | 32,875 | 35,515 |
| Accumulated Depreciation | (17,395) | (18,373) | (19,572) |
| | **15,080** | **14,502** | **15,943** |
| Projects in Progress | 1,350 | 2,180 | 2,625 |
| Land | 1,167 | 1,124 | 1,127 |
| | 17,597 | 17,806 | 19,695 |
| | | | |
| Intangible Assets, net | 2,247 | 5,081 | 5,121 |
| Goodwill | 21,683 | 24,100 | 24,145 |
| Other Assets | 2,022 | 2,708 | 2,614 |
| **Total Assets** | **$63,117** | **$69,206** | **$72,124** |
| | | | |
| **LIABILITIES AND EQUITY** | | | |
| Current Liabilities | | | |
| Accounts payable & other accrued liabilities | $5,616 | $6,109 | $6,362 |
| Current Portion of borrowings | 1,206 | 2,350 | 3,055 |
| Unearned royalties & other advances | 2,112 | 2,541 | 2,671 |
| **Total Current Liabilities** | **8,934** | **11,000** | **12,088** |
| | | | |
| Borrowings | 11,495 | 10,130 | 10,922 |
| Deferred Income Taxes | 1,819 | 2,630 | 2,866 |
| Other Long-Term Liabilities | 5,444 | 6,104 | 6,795 |
| Stockholder Equity & Retained Earnings | 35,425 | 39,342 | 39,453 |
| **Total Liabilities & Equity** | **$63,117** | **$69,206** | **$72,124** |

Source: The Walt Disney Company. 2011. ***Form 10-K***.

# EXHIBIT 6: COMPETITOR FINANCIAL INFORMATION

| *(in millions)* | News Corporation | | |
|---|---|---|---|
| ***Year Ended June 30,*** | **2012** | **2011** | **2010** |
| Revenues | $33,076 | $33,405 | $32,778 |
| Operating Expenses | 20,785 | 21,058 | 21,015 |
| SG&A | 6,363 | 6,306 | 6,619 |
| Income from Continuing Operations | 1,407 | 3,148 | 3,323 |
| Net Income | 1,179 | 2,739 | 2,539 |
| Current Assets | 19,448 | 21,748 | 18,024 |
| Total Assets | 56,663 | 61,980 | 54,384 |
| Current Liabilities | 9,617 | 9,571 | 8,862 |
| Total Liabilities | 31,478 | 31,333 | 28,843 |
| Total Equity | 25,185 | 30,647 | 25,541 |
| **Segment Analysis:** | | | |
| **Revenues:** | | | |
| Cable Network Programing | $9,132 | $8,037 | $7,038 |
| Filmed Entertainment | 7,302 | 6,899 | 7,631 |
| Television | 4,734 | 4,778 | 4,228 |
| Direct Broadcast Satellite Television | 3,672 | 3,761 | 3,802 |
| Publishing | 8,248 | 8,826 | 8,548 |
| Other | 618 | 1,104 | 1,531 |
| **Total Revenues** | **$33,706** | **$33,405** | **$32,778** |

Source: News Corporation, 2012, ***Form 10K***

## Competitor Financial Information (continued)

*(in millions)*

### Comcast Corporation

| *Year Ended December 31,* | 2011 | 2010 | 2009 |
|---|---|---|---|
| Revenues | $55,842 | $37,937 | $35,756 |
| Operating Income | 10,721 | 7,980 | 7,214 |
| Net Income | 4,160 | 3,635 | 3,638 |
| Total Assets | 157,818 | 118,534 | 112,733 |
| Total Debt, including current portion | 39,309 | 31,415 | 29,096 |
| Comcast Corporation Shareholders' Equity | 47,274 | 44,354 | 42,721 |
| **Net cash provided by (used in)** | | | |
| Operting Activities | 14,345 | 11,179 | 10,281 |
| Investing Activities | (12,508) | (5,711) | (5,897) |
| Financing Activities | (6,201) | (155) | (4,908) |

Source: Comcast Corporation, 2011, ***Form 10K***

*(in millions)*

### Viacom Inc.

| | Year Ended September 30, 2011 | Nine Months Ended September 30, 2010 | Year Ended December 31, 2009 |
|---|---|---|---|
| Revenues | $14,914 | $9,337 | $13,257 |
| Operating Income | 3,710 | 2,207 | 3,045 |
| Net earnings from continuting operations | 2,183 | 1,185 | 1,655 |
| Total Assets | 22,801 | 22,096 | 21,900 |
| Total Debt | 7,365 | 6,752 | 6,773 |
| Total Viacom stockholders' equity | 8,644 | 9,283 | 8,704 |
| Total Equity | 8,633 | 9,259 | 8,677 |

Source: Viacom, Inc. 2011, ***Form 10K***

## Competitor Financial Information (continued)

*(in millions)*

### Time Warner Inc.

| *Year Ended December 31,* | 2011 | 2010 | 2009 |
|---|---|---|---|
| Revenues: | | | |
| Subscription | $9,523 | $9,028 | $8,445 |
| Advertising | 6,116 | 5,692 | 5,161 |
| Content | 12,635 | 11,565 | 11,074 |
| Other | 700 | 613 | 708 |
| **Total Revenues** | **$28,974** | **$26,898** | **$25,388** |
| SG&A | 6,439 | 6,126 | 6,073 |
| Operating Income | 5,805 | 5,428 | 4,470 |
| Net Income | 2,886 | 2,578 | 2,477 |
| Total Assets | 67,801 | 66,707 | 66,059 |
| Current Liabilities | 8,922 | 8,826 | 9,473 |
| Total Equity | 29,954 | 32,945 | 33,396 |

Source: Time Warner, Inc, 2011 ***Form 10K.***

*(in millions)*

### Discovery Communications

| *Year Ended December 31,* | 2011 | 2010 | 2009 |
|---|---|---|---|
| Revenues: | | | |
| Distribution | $2,070 | $1,832 | $1,719 |
| Advertising | 1,852 | 1,645 | 1,427 |
| Other | 313 | 296 | 312 |
| **Total Revenues** | **4,235** | **3,773** | **3,458** |
| SG&A | 1,183 | 1,185 | 1,188 |
| Operating Income | 1,799 | 1,360 | 1,274 |
| Net income available to Stockholders | 1,132 | 652 | 541 |
| Current Assets | 2,431 | 1,735 | 1,671 |
| Total Assets | 11,913 | 11,019 | 10,952 |
| Current Liabilities | 746 | 785 | 783 |
| Total Liabilities | 5,394 | 4,786 | 4,683 |
| Total Equity | 6,519 | 6,233 | 6,220 |

Source: Discovery Communications, Inc., 2011, ***Form 10K***

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## THE WALT DISNEY COMPANY: A CORPORATE STRATEGY

## ANALYSIS DISCUSSION QUESTIONS

1. Describe how Disney's businesses are integrated. Why does integration work so well for Disney and not other companies. Can you think of any other companies that follow a similar strategy?
2. What are Disney's key resources leading to competitive advantage? Is Disney's competitive advantage sustainable over the long term?
3. Where is Disney vulnerable? That is, what are Disney's weaknesses?
4. If you had to write a one-sentence vision statement for Disney, what would it be?
5. How are technological changes likely to influence Disney's businesses in the future? Which businesses are most susceptible to these changes?
6. Disney has diversified into a variety of businesses over the years, but they all seem to be connected to a common core? How would you describe this core? Are there any other businesses that are similar enough that Disney should seriously consider getting involved in them?
7. How can Disney make more money from its existing businesses?
8. If you had money to invest in 2012, would you have bought Disney stock? Why or why not?