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Disney Business Logic Analysis

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Abstract: This paper analyses the development of the Disney Company since its founding in 1923, discusses the evolution of its main business, the risks, and opportunities it faces, and looks forward to the future development direction of Disney. As a giant in the global entertainment industry, Disney has successfully grown from a single animation studio to a global enterprise with diversified businesses including media networks, theme parks and resorts, consumer products business, and film and television entertainment services. The article provides a detailed analysis of how Disney has maintained its business growth and market competitiveness by adapting to digital transformation and globalization challenges while continuously expanding its IP library and strengthening its industry leadership through M&A strategies. It also explores Disney's risk management strategies in the face of global economic volatility, digital transformation challenges and intellectual property protection, as well as new opportunities arising from global expansion, technological innovation, and cross-border cooperation. Through a comprehensive analysis of Disney, this paper aims to provide a case study on how innovation and strategy can achieve sustainable business development in the era of globalization and digitalization.

Keywords: Disney, Business logic, Digital transformation, Intellectual property

1. Introduction

Since its founding by Walt Disney in 1923, Disney has grown to become one of the world's most influential entertainment groups [1]. The company not only successfully listed on the New York Stock Exchange in 1957, but continued to consolidate its leadership in the global entertainment market through its film distribution brands, such as Walt Disney Pictures, Touchstone Pictures, Hollywood Pictures, and Miramax Pictures [2-4]. These brands, both original and acquired through carefully planned acquisitions, demonstrate the company's ability to expand and integrate [4]. Disney's acquisition of Pixar Animation Studios in 2006 is notable [5]. With a deal value of $7.4 billion, Disney acquired Pixar, which was valued at $6 billion at the time, which not only greatly expanded Disney's animation inventory, but also won it multiple Academy Awards for best animated feature, and Pixar's films have amassed more than $11 billion at the global box office. The addition of animated IP such as "Cars" has not only enriched Disney's content library, increased the interactive experience of the park, but also further consolidated Disney's position as the preferred brand for family entertainment [6]. The acquisition of Marvel in 2009 solidified Disney's dominance in the global entertainment market [7]. With the acquisition of Marvel for $4 billion, Disney has not only broadened its superhero IP library, but also significantly boosted global box office receipts with characters like Iron Man,

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Captain America, and Thor, of which Marvel films alone have contributed more than $30 billion. In addition, Disney's subsequent strategic acquisitions, including Lucasfilm and Fox, which owns the rights to "X-Men," are further evidence of its effective strategy of enriching its IP library and expanding its target audience through acquisitions. In addition to its success in film and animation, Disney also operates the world-famous Disneyland Resort and Walt Disney World to provide visitors with a one-of-a-kind entertainment experience [8]. However, in recent years, Disney's media networks business and direct-to-consumer and international markets services have become the main source of earnings for the company, which is a sign of Disney's flexibility to adjust its business strategy as it continues to adapt to the challenges of digital transformation and globalization [9].

Disney's main business is distributed in four main areas: the media network business provides a solid revenue base; Theme parks and resorts, consumer products business carries the brand's heritage and culture; Film and television entertainment services continue to be the company's core business; The emerging direct-to-consumer and international business units demonstrate Disney's ability to respond quickly to market dynamics and potential for future growth.

1.1. Media Network business: Solid revenue base

Disney's media networks business is a significant source of earnings, including television networks, cable channels, broadcast networks and related digital platforms. This area provides Disney with a steady and significant cash flow through advertising revenue, channel subscription fees and content licensing fees. Popular networks like ESPN, ABC and the Disney Channel have not only expanded Disney's audience base, but also strengthened its market position through high-quality content production and diverse programming. With the deepening of its digital transformation, Disney has also gradually enhanced its online live and streaming services, further expanding the boundaries of its media network business.

1.2. Theme Parks and Resorts: Carry the Heritage and Culture of The Brand

Disney's theme parks and resorts are an important platform for showcasing the magic of its brand to the world. From Disneyland in California to the Disneyland Resort in France, each park is a three-dimensional representation of Disney's stories and characters, allowing visitors to experience Disney's unique magical world firsthand. These parks not only carry Disney's heritage and culture, but are also an important source of revenue for the company. Disney parks and resorts contribute significantly to the company's overall financial performance through tickets, hotel accommodations, food and beverage services, and souvenir sales.

1.3. Consumer Goods Business: Strengthen Brand Image

Disney's consumer products business brings its classic characters and stories into homes through toys, clothing, home goods and more. This business not only creates additional revenue channels for Disney, but also deepens the emotional connection between consumers and the Disney brand. Disney uses its powerful IP library to partner with retailers and manufacturers around the world to launch a range of popular products through which the magic and dreams of Disney extend into the everyday lives of consumers.

1.4. Film And Television Entertainment Services: The Company's Core Business

One of Disney's core businesses is film and television entertainment services, including film production, distribution, and related digital content services. Through its multiple film production studios, such as Walt Disney Pictures, Pixar Animation Studios, Marvel Studios and Lucasfilm,

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Disney has continuously produced a series of commercially successful and popular films such as Frozen, The Avengers and the Star Wars series. These films not only set new box office records, but also brought huge brand value and market influence to Disney. In addition, Disney has expanded the reach of its filmed entertainment business by delivering high-quality content directly to global audiences through its streaming services such as Disney+.

2. Disney Business Model Analysis

Since its founding in 1923, Disney's early growth has been largely based on content creation. Based on iconic animated characters such as Mickey Mouse and Donald Duck, Disney has not only pioneered animated films, but also established theme parks around the world, which have been deeply rooted in people's hearts through these unique entertainment experiences and established Disney's unique brand image. By 1996, Disney had significantly expanded its media and broadcast channels with the acquisition of ABC and ESPN Sports. This strategy has allowed Disney to distribute its content more widely to a global audience, resulting in a nearly 20-fold increase in the stock price and marking Disney's transformation from a single content provider to an integrated media giant. Beginning in 2006, Disney greatly expanded its IP library by acquiring companies such as Pixar, Marvel, and Lucasfilm. These strategic acquisitions not only strengthen Disney's leadership position in the animation and film industry, but more importantly, realize the transformation from pure animation production to cross-media IP operations, making Disney a leading global entertainment content and IP giant. In 2019, Disney acquired 21st Century Fox and officially announced its entry into the streaming space, a move that marks a major layout for Disney to address the challenges of the digital age. With the launch of streaming services such as Disney+, Disney has not only successfully transformed itself into an entertainment content provider for the digital age, but has also injected new vitality and growth momentum into this historic media empire.

The data in Table 1 shows the change of profit distribution of Disney Company from 2017 to 2023. From 2017 to 2018, Disney demonstrated its steady growth ability, with its operating income and net profit returning to mother increasing from 55.137 billion US dollars to 59.434 billion US dollars and from 10.762 billion US dollars to 12.598 billion US dollars, respectively. This reflects the company's strong performance in content creation, theme parks and media networks. During this period, Disney strengthened the development and utilization of IP, and consolidated its leading position in the global entertainment industry through strategic acquisitions such as Pixar and Marvel. However, between 2019 and 2020, Disney faces unprecedented challenges, mainly due to the global economic stagnation caused by the COVID-19 pandemic. Operating income fell from \$69.385 billion to \$65.125 billion, while net income from the parent was more volatile, falling from \$10.441 billion to a loss of -\$2.832 billion. Financial data for the period clearly shows the negative impact of the pandemic on Disney's theme park closures and film release delays. In the face of this challenge, Disney has quickly adjusted its business strategy, accelerating the development of its streaming service Disney+ to adapt to changing consumer behavior and digital trends. From 2021 to 2023, with the gradual control of the epidemic and the recovery of the economy, Disney's operating income and net profit to the mother have achieved recovery, increasing to \$88.454 billion and \$2.354 billion, respectively. This is not only a testament to Disney's resilience in the crisis, but also a reflection of its success in transforming its business model through streaming services.

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Table 1: Change in profit distribution of the Disney Company (unit: $100 million).

A given year	2017	2018	2019	2020	2021	2022	2023
Operating income	551.37	594.34	693.85	651.25	673.87	825.80	884.54
Net profit attributable to mother	107.62	125.98	104.41	-28.32	20.24	31.93	23.54
Net profit	93.66	125.88	104.42	-28.33	20.22	31.96	23.53

As shown in Table 2, Disney's total assets have almost tripled from $71.359 billion in 2017 to $205.579 billion in 2023. This remarkable growth is largely due to Disney's key acquisitions of Pixar, Marvel, Lucasfilm, and its massive investment in its streaming platform Disney+. The acquisition not only expands Disney's content library and IP assets, but also provides a solid asset base for the company's leadership position in the global entertainment market. At the same time, the launch of Disney+ is a key strategy to respond to the challenges of digital transformation, and its successful investment further increases the value of Disney's assets. Return on equity (ROE) is an important index to measure a company's profitability and capital efficiency. The data show a decline from 18.59% in 2017 to 2.66% in 2023, with volatility experienced during the period, notably a negative negative of -3.37% recorded in 2020. The volatility reflects the external challenges Disney faces, particularly the impact of the COVID-19 pandemic on its profit model. The theme park closures and film release delays caused by the pandemic have directly impacted Disney's revenue and profits, thereby reducing ROE. However, with the gradual recovery of the market and the rapid growth of Disney+, Disney's profitability began to recover, which is reflected in the gradually rising ROE from 2021 to 2023. Disney's debt-to-asset ratio was relatively stable over the analysis period, fluctuating slightly from 50.97% in 2017 to 51.34% in 2023. The stability of this ratio indicates that Disney has maintained a relatively sound financial structure while expanding and investing. Despite significant growth in total assets between 2019 and 2020 because of mergers and acquisitions and large-scale investments, Disney has maintained its long-term financial health and risk control ability through effective financial management and operational efficiency.

Table 2: Changes in assets and liabilities of the Walt Disney Company (in US $100 million).

A given year	2017	2018	2019	2020	2021	2022	2023
Total assets	713.59	985.98	1939.84	2015.49	2036.09	2036.31	2055.79
Return on equity	18.59%	21.37%	16.57%	-3.37	2.35%	2.04%	2.66
Asset-liability ratio	50.97%	46.37%	47.16%	51.71%	50.13%	50.79%	51.34%

Table 3 shows the revenue changes of Disney's various businesses from 2017 to 2023. The media network business increased from $21.288 billion in 2017 to $28.676 billion in 2023, and its proportion of total revenue increased from 38.57% to 51.99%. This growth reflects not only Disney's strong performance in traditional and digital media, but also the rapid growth of emerging businesses such as the streaming platform Disney+. Especially during the pandemic, consumer demand for home entertainment has increased, and Disney has attracted many subscribers through its rich content library and strong brand, which has driven revenue growth in the media network business. After experiencing the hit of the pandemic in 2020, the theme park business gradually recovered from \$22.625 billion to \$28.341 billion in 2023. Despite a sharp drop in revenue to \$19.582 billion in 2020 and a drop in share to 32.93%, this business line is showing strong resilience as the global epidemic is gradually contained and tourism recovers. Theme parks, as an important part of Disney's brand, not only bring a stable income stream to the company, but also reflect its core competitiveness. The film and television entertainment business grew steadily from \$8.252 billion in 2017 to \$15.392 billion in 2023, accounting for an increase from 11.89% to 22.18%. This growth reflects Disney's leading position in film production and distribution, especially through the success of strong IP franchises such as Marvel and Star Wars, Disney has not only strengthened its brand presence, but also cemented its leadership position in the global entertainment market. The direct-to-Consumer and International business (DTCI) jumped from \$2.97 billion in 2017 to \$16.045 billion in 2023, and its share of total revenue also grew from 5.38% to 29.11%. This leapfrog growth is a sign of Disney's success in adapting to digital transformation. In particular, the launch of direct-to-consumer streaming services such as Disney+ not only expands Disney's consumer base, but also opens new revenue growth points for the company.

Table 3: Changes in income of Disney Company by business (unit: ten thousand yuan).

	2017		2018		2019		2020		2021		2022		2023	
	amount	proportion	amount	proportion	amount	proportion	amount	proportion	amount	proportion	amount	proportion	amount	proportion
Media network	212.88	38.57%	219.56	39.77%	223.28	40.47%	248.37	45.04%	247.83	44.96%	280.41	50.81%	286.76	51.99%
Theme park	226.25	38.04%	241.37	40.57%	263.16	44.27%	195.82	32.93%	210.17	35.40%	287.19	48.34%	283.41	47.66%
Film and television entertainment	82.52	11.89%	100.65	14.49%	112.08	16.15%	117.01	16.86%	115.89	16.71%	145.62	20.95%	153.92	22.18%
DTCI	29.70	5.38%	32.76	5.95%	95.33	17.29%	90.05	16.34%	99.98	18.12%	112.58	20.42%	160.45	29.11%

3. Risks and Opportunities for Disney

3.1. Risk Analysis

3.1.1. The Impact of Global Economic Fluctuations

Disney's business is extremely sensitive to fluctuations in the global economy, as was evident during the COVID-19 pandemic. According to Disney company financial data, from 2019 to 2020, Disney's operating income fell from \$69.385 billion to \$65.125 billion, and its net profit fell from \$10.441

billion to -2.832 billion. The global economic stagnation caused by the pandemic has not only forced Disney to close its theme parks, but also to suspend filming and distribution of its films. The experience highlights Disney's urgent need to revamp its business model to make it more resilient to external economic fluctuations. Disney is improving its financial stability and flexibility by strengthening the development of its digital content platform, such as Disney+, and optimizing its cost structure, such as adjusting its operating expenses and investment strategy.

3.1.2. The Challenge of Digital Transformation

While Disney's digital transformation has opened new avenues for growth, it has also created many challenges. Starting in 2019, Disney officially entered the streaming space with the launch of Disney+. However, in the face of fierce competition from mature streaming services such as Netflix, Disney needs to continuously improve its content innovation and user experience. According to the data, the media network business grew from $21.288 billion in 2017 to $28.676 billion in 2023, and the proportion of total revenue also increased significantly, which indicates that Disney has achieved certain success in streaming services. However, Disney still must face the question of how to balance the allocation of resources between old and new businesses, how to maintain content quality while accelerating content production, and how to achieve differentiated competition in the global market.

3.1.3. Intellectual Property Protection

The continuous expansion of Disney's IP library has brought great business value to the company, but it has also increased the difficulty of intellectual property protection. As the global reach of Disney content expands, especially in the digital and online environment, Disney faces increasing risks of intellectual property infringement. To meet this challenge, Disney will need to not only take legal action to maintain its copyright, but also use technology to prevent the illegal copying and distribution of content. Disney also needs to work with copyright authorities around the world to combat piracy and ensure the long-term value of its IP. This is reflected in the continued growth of Disney's total assets, which grew from $71.359 billion in 2017 to $205.579 billion in 2023, showing that Disney has achieved substantial results in protecting and leveraging its IP.

3.2. Chance Analysis

3.2.1. Global Expansion and Localization Strategy

As a globally recognized entertainment giant, Disney has a unique opportunity to continue to expand its presence in global markets. This is particularly true in emerging markets such as Asia, Africa, and Latin America, where economic growth and an expanding middle class have provided Disney with a new consumer base. Through the localization strategy, Disney can not only produce content that meets local culture and preferences, but also consider opening theme parks and entertainment facilities within these emerging markets to attract visitors from the local and surrounding areas. For example, the successful opening of Shanghai Disneyland is a good example of the results of Disney's localization strategy, which not only promotes the deepening of Disney's brand in the Chinese market, but also sets a model for the company's global expansion.

3.2.2. Technological Innovation and New Platform Development

Continued advances in technology provide Disney with a tremendous opportunity to explore new forms of entertainment content and services. In particular, the development of augmented reality (AR) and virtual reality (VR) technologies has provided innovative ways to experience Disney's theme parks and gaming businesses. These technologies not only appeal to technology enthusiasts, but also

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offer new interactive and immersive experiences for audiences of all ages. At the same time, Disney can use artificial intelligence (AI) technology, especially in data analysis and personalized recommendation systems, to provide more intimate and customized content recommendations for users of streaming media services such as Disney+, thereby enhancing user engagement and enhancing service value.

3.2.3. Cross-Border Cooperation and Diversified Business Expansion

Disney has the potential to work with different industries across borders, which could not only broaden the boundaries of its business but also open new revenue streams. Partnerships with technology, retail, education and even health and sports will allow Disney's IP resources to be more widely used and promoted. For example, Disney could incorporate its characters and stories into the latest consumer electronics products by partnering with tech companies; Or cooperate with educational institutions to develop educational content and products themed on Disney IP, not only increasing the diversity of the brand, but also contributing educational resources to society. In addition, combining Disney's IP with sports events also brings new growth opportunities for the brand, such as through licensed merchandise sales, event sponsorship, and other ways to further expand the market influence of the Disney brand.

4. Conclusion

A series of valuable conclusions can be drawn from an in-depth analysis of the development of the Disney Company since its founding in 1923, the overview of its main businesses, and the risks and opportunities it faces. As a leader in the global entertainment industry, Disney's success stems not only from its strong brand and rich content library, but also from the company's sensitivity to market changes and the ability to grasp new opportunities.

Throughout its nearly a century of development, Disney has always maintained a spirit of innovation and enterprise. Through its acquisition strategy, Disney has continuously expanded its IP library and strengthened its leadership position in the animation and film industries, while also successfully transforming itself from a single content provider to an integrated media giant. Disney's diversified businesses such as theme parks and resorts, consumer products business, and film and television entertainment services form a solid earnings base, while the rapid development of the direct-to-consumer and international market business units demonstrates Disney's rapid response to market dynamics and great potential for future growth. However, Disney's path has not been smooth. Global economic fluctuations, the challenges of digital transformation, and intellectual property protection are all risk points that Disney needs to continue to pay attention to and address. Especially in the face of a global crisis like COVID-19, Disney has shown its resilience in the crisis and its success in transforming its business model through streaming services. Looking ahead, global expansion and localization strategies, technological innovation and new platform development, cross-border cooperation and diversified business expansion will bring new growth opportunities for Disney. With the continuous advancement of technology and the further opening of the global market, Disney is expected to continue its leading position in the global entertainment industry and create a new chapter of growth.

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