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BUS 401 - International Business

Module 1 Case Assignment: Disney's E-Commerce Strategy

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If the Walt Disney Company expects to achieve success as it pursues international markets, effectively integrating the Internet and e-commerce into its global strategy must become one of its prime considerations. In an article published on the website *Forbes.com*, Disney CEO Michael Eisner indeed states: "The Internet continues to be a central focus of our company's business strategy".¹ This paper will address three key points: why Disney must expand its use of e-commerce to gain leverage in the global market, how it can be done, and what the potential benefits are. Let's begin by discussing why Disney should place increased emphasis on e-commerce.

If it expects to remain competitive and attract new business, Disney should strive to raise its position in the e-commerce arena. This is an important challenge because, as a major media company, it lags far behind its competitors when it comes to controlling Internet user minutes. As of June 2001, Disney provided less than one percent of online usage minutes while top competitor AOL/Time-Warner captured a sizable 32 percent share.² Based on those statistics, it's easy to conclude that the company's ability to generate worldwide business to business (B2B) and business to customer (B2C) relationships is somewhat diminished due to its weak Internet presence. Another reason Disney must boost its use of e-commerce is because it cannot feasibly build tourist attractions in every country in the world due to political, cultural and or economic barriers. However effective use of the Internet would afford the company easier penetration of most markets and profit even in regions where parks can't be built. It's clear Disney needs to enhance its e-commerce and Internet position. But how should the company go about it?

¹ Dick Ackman; **Forbes.com**; *For Disney, Go, Going, Gone*; found at <http://www.forbes.com/2001/01/30/0130topnews.html> on December 26, 2002.

² Michael Pastore; **Internet.com**; *Internet Playing Field Tilts Further Toward Big Names*; found at http://cyberatlas.internet.com/big_picture/traffic_patterns/article/0,,5931_777851,00.html on December 28, 2002.

Disney is moving in the right direction towards expanding its e-commerce capacity. For example, in 2001 Disney purchased the Fox Family Worldwide cable network, which had more than 105 million subscribers in the U.S., Europe, and Latin America.³ And as recently as June 2002, the company struck a deal to provide "select online content on a non-exclusive basis to AT&T Corporation for re-distribution via the AT&T Worldnet Service homepage".⁴ The arrangement may yield dividends, but I believe Disney truly needs to establish a mutually beneficial partnership with a major Internet provider similar to what emerged when Time-Warner joined forces with AOL. Such a merger would place Disney products directly in the path of new and existing Internet Users. In addition to securing a solid internet distribution structure for its products, the company needs to become an e-commerce innovator; one that gives the potential customer a felt need to visit its sites for more than just theme park or movie information.

Once Disney implements appropriate changes to boost its Internet utilization, the benefits should be become more apparent. Reduced overhead is one of the more important advantages of e-commerce. The savings are typically derived from reduced advertising and marketing costs since the costs generally only involve the upkeep of websites, versus the high cost of continually updating printed media. When integrated properly into Disney's global strategy, the Internet would easily provide around-the-clock exposure in markets where there are no theme parks or Disney stores. Another key e-commerce benefit is simplified B2B transactions, as the Internet

³ **BBC News.com**; *Disney Buys Murdoch Cable Network*; found at <http://news.bbc.co.uk> on December 27, 2002.

⁴ **ATT.com**; *Walt Disney Internet Group Content To Be Distributed on AT&T Worldnet Service Home Page*; found at <http://www.att.com/news/item/0,1847,10826,00.html> on December 29, 2002.

provides an efficient way for companies to communicate and access products.⁵ Finally, speaking from personal experience, e-commerce is extremely conducive to impulse spending--the same kind happening inside Disney's attractions!

The bottom line is that Disney must transform itself into more of a "clicks-and-mortar" business to survive in a global environment. And while the company appears to finally be on the right track, it must keep in mind why it needs to revitalize its internet-based operations and employ proven strategies along the way. Hopefully, once developed, the benefits of an effective e-commerce strategy will motivate company leadership to take the Wonderful World of Disney to new heights as a global enterprise.

⁵ **IETP.com**; *Internet Concepts*; found at http://www.itep.co.ae/itportal/english/Content/EducationalCenter/InternetConcepts/e_commerce.asp on December 30, 2002.