teaching note

Comcast and Disney Theme Park Strategy: Competing in a complex environment

Introduction

The Comcast/Disney case is constructed to engage students into the practical usage of the strategic tool kits using a current example of a major company making a new market entry. This case is particularly unique in that the companies, Comcast and Disney, are both well-known giants in their respective business fields. The case provides the foundation for laying the ground rules for implementation strategy using models to secure growth for the future. A number of tools can be applied to this case both in the assessment and possible solutions for the future of both companies. Students can evaluate the trends in the market of both companies before and after the entrance of Comcast to ascertain the elements and methods suited for market entry and capitalize on a potential niche entertainment market.

Learning Objectives

By studying this case and participating in a class discussion of its key facts and issues, students will:

1. be able to examine an organization's business environment from both macro and micro aspects and recognize the significance of strategy in terms of competitive advantage.
2. be able to analyze an organization's status and opportunities for growth and expansion by using the Strategic Tool Kit (STK) set and give recommendations.
3. learn to evaluate an organization's market and its strategies based on the integration of business tools such as Porter's Competitive Forces Model, Business Growth Competitive Strength (BGC) Matrix and Ansoff's matrix

Summary

Comcast is now in the position to gain current market share from amusement park giant Disney Corporation with a strategic partnership with NBCUniversal. In an effort to expand its business portfolio and revenue streams, Comcast has made an alliance with an existing amusement theme partner to capitalize on a new market segment. Comcast has the unique ability to combat competition because of its unique offerings. They have shown steady gains in market share and have the potential grow.

With the success of Disney's multimedia and Entertainment Empire it is no doubt that well established companies looking to diversify their portfolio look to garner lucrative capital earnings from loyal entertainment customers. Comcast, the telecommunication giant took steps to expand its growth beyond its core to enter the fiercely competitive entertainment and tourism business. In order to do this effectively, strategic tools can be applied to assess the entertainment markets opportunity for growth and market readiness.

There are a number of ways these tools can be used to create a strategic and competitive advantage for Comcast in the years to come. Disney Corporation alternately will have to defend its market strength by looking to expand their hold in the current market and maintain their objectives for growth with the onset of new major competitive players.

Target Audience

The target audience for this case will be college students who are taking courses in strategic management and equipping them with the knowledge and tools to apply what they have learned in an effort to create a strategic plan for both Comcast and Disney into the future.

Teaching Approach and Strategy

Teachers can have a class session in which strategic principles are taught and the Comcast-Disney case is read. Students can be assigned to work in small groups to discuss in an hour deciphering possible solutions to the case. The students will be assigned with the task of presenting their solutions in groups addressing the chief strategic officer's (CSO) recommendations. Students will be graded on the quality of their answers and strategy outline.

Student Knowledge Prior to Case Analysis

In order to analyze the case adequately, the students should have a working knowledge of common strategic tools. One of the main objectives of the learning process is to introduce a number of strategic tools to the students and the ways in which they are currently being used in a dynamic market. Students will be challenged to use creativity and the right tool mix to provide a strategic game plan for charting the path to business success for Comcast and Disney. The case provides an interesting example of a strategic business opportunity within an established competitive environment, giving students a chance to apply the concepts learnt to remedy or give recommendations for the future of the companies.

Prerequisite

To appreciate this case, students must understand the dominance of Disney in the theme park industry and what challenges Comcast has to contend with in entering this market. Students must also know that Comcast will utilize its traditional products and services to create a distinctive niche within the theme park industry which could enhance customers experience in communication, virtual technologies, and social media services and so on. Students must also understand the choice and selection of the strategic tools used in analyzing the case. Students must be able to make projections about the return on investment as well as other impacts this expansion will produce.

Courses that Benefit from Case Analysis

- Strategic Management (graduate course)
- Strategic Business Technology (undergraduate course)
- Business Strategy
- Global Business

Case Business Objectives

1. This case outlines the existence and usage of core business strategies within a dynamic growing market. An instructor can introduce the concept of business environmental scanning and the use of strategy to forecast and assess trends that may impact market.
2. This case addresses strategy as one of the most important drivers of competitive advantage including possible methods to enter a dominant market.
3. Comcast's strategic move poses both opportunities and challenges. Likewise Disney continuously innovates and evaluates the changing external market.
4. This case offers a comprehensive knowledge of multiple business marketing strategies including business models and tools. Instructors can introduce these models and tools before the lecture starts in order to give students some insight of basic business strategies. It is recommended that a combination of these tools can be used in analyzing the case.

Suggested Readings

Cetron, M., DeMicco F., & Davies, O. (2010). Hospitality 2015: The Future of Hospitality & Travel. The Educational Institute of the American Hotel and Lodging Association, Orlando, FL.

Fernandez, B. (2014). Comcast 'doubling down' on theme park business. The Philadelphia Inquirer, pp. 1.

Kim, W. Chan & Mauborgne, R. (2004). "Blue Ocean Strategy". Harvard Business Review: 76–85.

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Preperation Questions

1. What is Comcast's core business?

Comcast's core business is mass media and telecommunication services, primarily cable and television services and networks. They have recently expanded their portfolio with their entry into the amusement park industry.

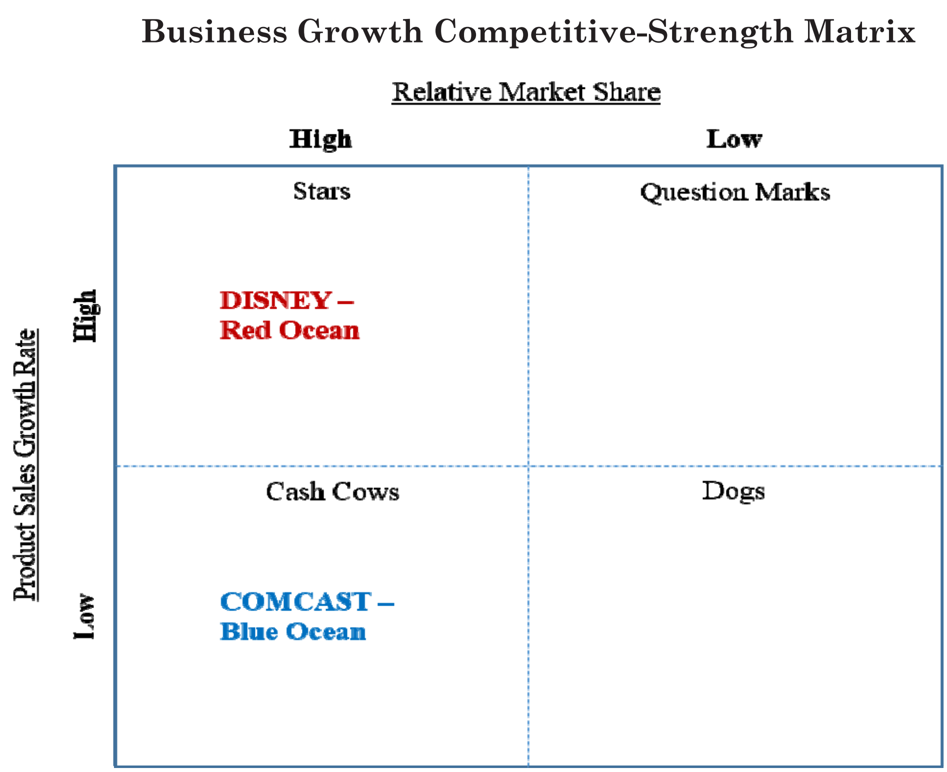
2. Analyze Comcast current business status using the following models:

a. Business growth competitive-strength matrix (Boston Consulting Group) & The Generic 3 strategies

b. Porter Competitive 5 Forces Model

c. SWOT Analysis

Figure 1



d. Ansoff's Matrix

As illustrated in Figure 1, the Business Growth Competitive-Strength Matrix developed by the Boston Consulting Group, (BCG) defines the positioning of a business, relative to its competitive set, when assessed by its product sales growth rate, shown on the Y Axis, and its relative market share, shown on the X axis. When we extrapolate Comcast and Disney into the BCG matrix, we find Disney in the upper left quadrant indicating that their product sales growth rate is high as well as their relative market share. On the contrary, Comcast finds itself in the lower left quadrant indicating low product sales, because it has just entered the theme park market, but also has a high relative market share since there is potential for growth. The goal of Comcast, having developed its competitive products by carving a market niche for teens and young adults, is to increase sales to be located in the upper left quadrant of the BCG matrix, just as Disney.

Inserted in the BCG matrix diagram, is the theory of "Blue Ocean Strategy" – Kim, W. Chan; Mauborgne, Renee (2005). According to these authors, they argue that companies can succeed not by battling competitors, but rather by creating "blue oceans" of uncontested market space. They assert that these strategic moves create a leap in value for the company, its buyers, and its employees, while unlocking new demand and making the competition irrelevant. A company that does not pursue this strategy, according to them, will land in the "Red Ocean" The authors argue that in an industry, competition based strategies assume structural conditions which are given and that firms are forced to compete within them. They further state that in order for companies to sustain themselves in the marketplace, practitioners of red ocean strategy focus on building advantages over the competition, through examining what their competitors do and push to be more effective. Kim and Mauborgne stress that these companies grab a bigger share of the market making their effort a zero-sum game. This is because what one company gains are achieved at another company's loss since the total profit level of the industry is also determined by structural factors. This results in companies striving to capture and redistribute wealth instead of creating wealth. As they focus on dividing up the red ocean, growth becomes increasingly limited.

Disney finds itself being in the "Red Ocean" because its industry is known as well as its rules, products and services. Disney must innovate or competitors such as Comcast will make attempts to reduce their market share. Comcast, on the other hand, as the potential competitor is found in the "Blue Ocean". Comcast has the opportunity to exploit an untapped market which has a high potential for growth.

b. Porter Competitive 5 Forces Model

Porter's five forces analysis is a strategic tool that allows for business strategy and development. The model incorporates 5 external forces that threaten a business. The model can be used to make an evaluation of a firm's potential for position within the market. Porter's Five Forces include three forces from 'horizontal' competition: threat of substitute products, the threat of established rivals, and the threat of new entrants; and two forces from 'vertical' competition: the bargaining power of suppliers, bargaining power of customers.

In addition to this model Porter added the three generic strategies as a supplement to the core model. The three generic strategies include Cost leadership, Differentiation and Focus. The two most vital components in the analysis of this case are the Differentiation element which states that the company develops something that the customers describe as unique and Focus, meaning the company concentrates on a particular group of customers. Based on the case, Comcast follows the differentiation approach by creating an entire park dedicated to the Harry Potter theme, a feat which Disney has not done nearly as well. Disney has smaller attractions within the landscape of its variety of theme based rides. Comcast was able to identify and take advantage of Harry Potters emerging fan base and used that success to fuel the need to gain fans that would be attracted to the rides and attractions. Both Disney and Comcast incorporate the Focus element by concentrating on the teenage and young adult followers that are attracted to their rides and amusement attractions. Disney seems to appeal to the entire family but Comcast has specifically incorporated the process of targeting children and young adults who are fans of Harry Potter.

Comcast, using Porter's five forces model in analyzing its situation can be the best way to determine their stance and blueprint for future growth. An assessment of competitive rivalry will determine if the market itself has the potential for growth. According to the statistics in the case study, the competitors have huge revenue stream earnings and increasing tourist visitor arrivals. A competitive strategy plan would include:

- Create sustainable advantage by innovating new products – an example of this is continuing to capitalize on the niche attraction market. Universal has been successful with popular children's movie, 'Despicable Me'. Other major children's box office cartoon movies can be used as the platform to create a more diverse offering of attractions and rides.
- Increase current marketing – showcase unique offerings to the public, make offerings new and attractive to the target customer segment

As described in Porter's five forces model, when it comes to the threat of substitute products, both Comcast and Disney face the market substitutes of other competitors in the Orlando area. Their competitors' products and services have attractions that range from the Holy Land, Magic Kingdom and Holly wood studio parks. This is indicative of the fact that though both companies have unique offerings, they exist in a competitive market. Disney is the competitive giant but Comcast has leverage because of its unique offerings. The major value drivers within the remote environment that will impact

Comcast's future strategy include innovation, technology and product differentiation. The Co-alignment model was used to assess these elements by scanning the existing environment. The amusement park industry is marked by constant development and the implementation of newer, bigger, faster and more attractive rides. In order to meet the existing demand, they will have to continuously innovate to increase their market share.

Towards this strategy, Comcast is developing the following products and services:

1. Investment in theme parks in California and Florida through the acquisitions of Universal Orlando Resorts.
2. Opening of 750 acre Harry Potter ride and Potter themed area Complex in Florida.
3. Construction of the largest hotel complex with 1800 rooms, 1960s themed Cabana Bay Resort-with a potential goal 10,000 to 15,000 rooms over time.
4. Plans to open the Harry Potter and Escape from Gringotts ride for visitors to enjoy the full Potter experience.

Disney

Disney now has to take the stance of strategic defense in order to keep their existing market share. The company has the option to maintain their dominant infrastructure by upgrading and adding to the services and attractions they provide. Disney also has to assess the progression of their steadily improving competitor Comcast. Disney may do well with incorporating the Comcast best practices by offering new and improved Harry Potter attractions of their own. The attractions could be varied, offering key elements that are not provided by Comcast's Harry Potter theme park.

Disney has the option to also diversify its competitive products and services through memorabilia, role plays and other elements that distinctly different from Comcast's offerings. Disney can use Porter's Model as a tool to create an assessment of their offerings and understand their current position in the market. By making an assessment of the remote environment, power of suppliers, buyers and substitute products, they will be able to determine the game plan for the future.

Disney can take measures to reduce buyer power by reducing existing prices; a possible reduction in prices can combat Comcast's requirement for customers to pay twice to enter various park sections. They could also assess the availability of existing substitute products; an example of this would be to scan their competitors to determine their use of new and emerging technologies. Disney also has the potential to capitalize on their differential advantage (uniqueness) of their industry products. The existing popularity of movies, characters and attractions works in tandem to strengthen the company's brand awareness and act as a basis for further product development.

c. SWOT Analysis

Keeping the vision and mission of a company in mind, a SWOT analysis can be used to identify the company's position and opportunities for competitive advantage. In the case of Comcast, the following can be identified in conducting a SWOT analysis.

Strengths

- Size and position as television and mass media market leader
- Technological expertise (existing networks and infrastructure)
- Increasing revenues from primary product offerings (cable and internet services)

Weaknesses

- Reliance on primary cable/ television offerings
- Reduction in capital gains unless Comcast adds new value offerings
- More product focused instead of customer focused

Opportunities

- New merger: greater capacity for a diversified product offering
- Growth in internet access
- Growth in telephone and data services
- Product and services expansion

Threats

- Intense competition from existing market leader Disney
- Destructive technologies
- Changes in regulations
- External trends e.g. economic downturns

Strategies based on SWOT

- Utilize strategic partnerships and alliances to strengthen the company's service offerings
- Upgrade current infrastructure
- Investing in technology to increase revenue streams
- Differentiate product offerings
- Invest in research and development options to create competitive advantage within the existing amusement park industry

d. Ansoff's Matrix as tool in analyzing the Comcast/Disney case

Ansoff's Matrix "focuses on the firm's current and potential products and markets (customers). It has four dimensions, which describes four different growth strategies: Market Penetration (promote existing products in existing market), Product Development (develop new products in existing market), Market Development (introduce existing products in new market), and Diversification (generate new products in new market).

This model was chosen as it is a great identifier of the company's market position and areas for future investment. Based on the model we can identify that Comcast is in the Product development stage with the need to diversify its products and services. Disney is in the Market Penetration stage with the potential for market and product development. The theme park market in North America is still soaring with existing hotel rooms and attractions. Both the top two companies, Disney and Universal are seeing the huge potential and expansion in their businesses so as to gain more market share and generate enormous profit. This creates a standoff between the two amusement park giants regarding market share and product offerings.

Disney has the majority in the share of theme park market in North America at present. It leads the way in this domain and has kept growing in recent years. Now it even raises its ticket prices to take advantage of "Universal visitor spillover". As a result of the ever increasing visitor market, Disney needs to maintain its leading role by diversifying its existing products and services, extending its product usage, and improving customer service and quality, which refers to the Product Development dimension in the Ansoff Model. Comcast, on the other hand, wants to step into the theme park market with a great and growing potential. The company has invested a large portion of capital to build new hotel rooms and new theme parks after its partnership with NBC Universal. Its strategy is Product Development, making an effort to develop new products (Harry Potter attractions) in the existing market.

The following strategy for Comcast would be to continue developing Harry Potter attractions to strengthen its attraction to niche markets. Because this is also a product development strategy, and the target market is specified to teenagers and young people, investment in more hotel rooms and special experience elements is still crucial. On the other hand, since the visitors have to pay twice to get into different Harry Potter parks, although it helps the company generate higher revenue in the short-run, the ticket charges in both parks should be merged sooner. As long as the market is still growing, Comcast could gain more market share if it focuses on product and service development.

3. What competition and challenges will Comcast face entering the theme park market?

- Winning new and existing customers that are loyal to the Disney brand
- Selecting new and innovative offerings within their existing parks
- A major challenge will be to convince the market that the two park offerings are worth the two separate entrance payments

4. How are they differentiating their products and services from that of Disney and the other competitors?

Comcast is focusing on creating a niche market for amusement park offerings. It offers something Disney does not currently have namely, an entire park dedicated to the Harry Potter movies. With a number of Harry Potter movies expected in the coming years, the opportunities for innovative creative landscape for new rides and themed areas are endless.

5. How would the market Comcast is targeting react and how would these competitive methods help maintain these customers?

The current market is re acting favorably to the new offerings by Comcast. With the existing and expected future success of the Harry Potter movies, loyal fans are likely to visit the parks a number of times to enjoy the rides being offered as well as pay repeat visits to see the new ones being implemented. The nostalgia and creative nature of the movies will fuel the platform for product innovation for rides and overall atmosphere of the parks.

6. What can Comcast learn from the success of Disney's Magic Kingdom (Florida); Disneyland (California) Epcot (Florida)?

- How to successfully innovate within their existing market – these companies have the ability to continuously release and advertise new rides and upgrades to existing infrastructure in an attempt to give their customers the best entertainment options.
- Dynamic marketing and advertising strategies for their target audience – Disney has created a strong brand that includes a wide range of products that thrive as a result of innovative product spin offs from their movies and shows. This brand is strengthened with the addition of unique characters serving as additions to their portfolio of quality products. This quality dimension is appreciated by customers and can be counted as one of the key elements that cause customers to continue to support Disney as a brand.
- The importance of distinctive customer service – Disney is known for their strict guidelines about being a part of their team. Their service is appreciated and replicated by companies in an effort to emulate the upbeat Disney interactions that create unforgettable memories for customers.
- How to effectively gain as much revenue from guests during their visit; capitalize on value offerings for guests – an example of this in the case was the option for guests to eat, conduct recreational activities and sleep in one fun filled visit.

7. In studying strategic management, do you foresee any environmental events and trends that Comcast should be aware of and monitor?

The trends to watch can be categorized and discussed under the following headings:

- Population Trends – the world's population is increasing resulting in an increased demand for goods and services. People now have access to more and more disposable income that they will spend on options on their choices of products and services. These trends should be monitored to assess the makeup and type of customers within the expanding population market in an effort to best meet their needs.
- Family trends – Families with two incomes are becoming larger with greater disposable and discretionary incomes to spend on vacations and time away from the work environment. Parents

want to offer their children vacations in an effort to increase memorable outings. Both companies should focus on this trend in an effort to appeal to the families that travel, noting pricing and preference to meet their needs in the future as well as attract new family structures.

- Economic Trends – people are becoming more aware of the issues affecting the environment and are fiercely loyal to companies that incorporate sustainability efforts in their company's objectives. New and existing companies should keep track of the environmental trends to ensure that their carbon footprint is as low as possible, maintaining a harmonious existence with the surrounding community and environment.
- Technology – this is one of the most crucial trends in any company's scanning process. Technology is the backbone for R&D objectives and fuels the innovation at the most successful companies in the amusement park industry. In order to achieve optimum competitive advantage, companies need to focus their efforts on harnessing the power of technology to create products and services that are ahead of what their competitors are offerings.

8. Give general strategic recommendations for both Comcast and Disney.

Recommendations for Comcast

1. Continually liaise with "Visit Orlando", the group that promotes tourism in the area, to promote ticket sales and campaigns geared at increasing visitor attendance.
2. Create awareness about the economic value Comcast brings to the area by citing employment benefits, an example being the creation of 3500 jobs.
3. Strictly adhere to the specifications and the concerns of the community on noise, light and traffic reduction, and wildlife preservation.
4. Continue to promote and reinforce its brand as the destination for teens and young adults. Emphasis should be put on experience in terms of the theme being interactive and customer satisfaction driven.
5. Continuously launch campaigns around the Harry Potter series to potential younger customers through commercials on kid friendly products such as cereals, milk, fruit juices, cartoons, books, toys, movies and so on.
6. Track loyal customers and target and offer discounts and other promotions.
7. Continuously engage in socially responsible projects such as supporting school libraries, the environment and food banks.
8. Comcast should continuously innovate in order to stay ahead of their competitors.
9. Comcast needs to continually monitor income flows to assess return on investment in order to meet shareholders' earnings per share.

Recommendations for Disney:

1. Disney should pursue as a strategy for its maturity products, an offer of diversified brands and models, by comparing its prices to match or beat competitors as its price strategy;
2. Build more intensive distribution as its distribution strategy;
3. Stress brand differences and benefits as its advertising strategy;
4. Increase sales to encourage brand switching as its sales promotion strategy.

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