Disney Consumer Products: Marketing Nutrition to Children

I. Summary of the case

A. Executive summary

B. The case study overview

II. Environmental analysis

A. Company's globalization

B. Corporate and social responsibility

III. Strategies adopted

A. Corporate strategy

B. Marketing strategy: suitability, positioning, and target market

C. The 4 Ps (place, product, price and promotion)

IV. Recommendations

V. Conclusion

Executive Summary

The Walt Disney Company was founded as a cartoon studio by two brothers – Walt and Roy Disney in 1923. *Mickey Mouse* was the first cartoon with synchronized sound to be produced. In 1954, the company developed its first television program known as *The Wonderful World of Disney*. The company then expanded into non- film-making business by leveraging on the popularity of the animated film characters and developing amusement parks. Later on the Disney brand spread over numerous products for children including food the production of which requires licensing.

The key issues in the Disney case study involve the nutrition levels of the products under the Disney brand and the transition process from a largely confectionery collection of food into a balanced nutritional offering. In solving these issues, I recommend to increase the number of characters in the animated films to avoid the repetition of the products. Again, caution should be taken on the pace of the revolution as competitors may take advantage. In addition, lobbying should be intensified for nutritional laws to be passed by the political class, and, finally, the company should further expand into alternative income generating businesses.

Summary of Case Study

The case study casts light on the history of Walt Disney Company. The company was formed as a cartoon studio by two brothers – Walt and Roy Disney – in 1923. It influenced the development of the TV industry by presenting such programs as *The Wonderful World of Disney* and *The Mickey Mouse Club*. The company later expanded into amusement parks where it leveraged the popularity of characters and the animated films to attract customers.

After the death of both brothers (Walt Disney died in 1966 and his brother died in 1971) other CEO’s started further expansions. Michael Eisner expanded Walt Disney into the media company with the purchase of ABC in 1996. By the year 2006, four major business segments of Disney had been created. They included media networks, studio entertainment, parks, resorts, and Disney Consumer Products (DCP) (Bell & Winig, 2007, p. 1).

The formation of Disney Consumer Products enabled the company to introduce and utilize the Disney brand to products varying from toys, books, home decor, interactive games and electronics to food and beverages. Retail stores in Europe and the US stocked the DCP. By 2006, DCP retail sales revenues stood at $23 billion scattered in 90 countries. The main model presupposed getting the license for the use of Disney brand on quality products made by other companies. The model dates back to 1929 when Mickey Mouse Films were very popular. The first licensing fee cost $ 300 and was obtained for being allowed to put the image of the mouse on paper tablets for school children. Other products included dolls, toothbrushes, books and newspaper comic strips. It became a formal business in 1932.

Things didn’t go well all the time, and in 1998 - 1999 the sales on US and Japanese markets decreased by 10% and 15%. The decline was attributed to high royalty rates and reliance on character licensing from new firms. The hiring of Andy Mooney in January 2000 provoked a shift from the pure licensing business model to models that offered more flexibility. Two extra models were introduced. One of the models presupposed that Disney would create and design products but a third party would handle the manufacturing, sales and marketing functions. Another one involved the development of direct partnerships with retailers and presupposed that brands and character rights could be sold to retailers bypassing wholesale dealers. Indeed, successful partnerships with Target, Wal-Mart and others were established.

A basic precept that “Disney was about fun” enabled the company to reach supermarkets. Most of the products were thus confectionery. Concerns for obesity caused by these items, the changing licensing models and the need to consolidate retail industry created an opportunity for the company to expand and rationalize its products. Research conducted in 2004 showed that mothers perceived Disney products as being of high quality and that mothers wished to buy healthy foods for their children. Considering this, DCP decided that juice, pasta, frozen foods, soup, fresh food, water, cereal, dairy milk and baked goods were the new products to be introduced.

The obesity problem was getting serious. The US Department of Agriculture laid emphasis on the dietary guidelines for Americans. However, they were seldom followed. Obesity rates had risen from 5% to 14% among 2-5 year olds, from 4% to 19% among 6-11 year olds and from 5% to 17% for 12-19 year olds.

DCP realized the need for children’s healthy nourishment. Efforts were put to develop food products standards and nutritional guidelines for both licensed and propriety products. The focus was shifted towards producing foods with less fat and sugar. An audit of the 2100 food products showed that only 41% of the products complied with guidelines. Commendably, by September 2005, 75% of DCPs products in the US complied with nutritional standards. A whole foods philosophy was embraced. Some vendors were able to meet the standards while others failed and had to leave.

Environmental Analysis

While analyzing the performance of Walt Disney, some globalization elements can be traced, especially in the expansiveness of the company’s operations. Founded in the US in 1923, by 2006 the company had been able to take an advantage of improving transport and communication infrastructures and had managed to become an international company operating in 90 countries. Its revenue reached 23 billion dollars.

Again, the powerful advertising effect arising from the use of Disney characters was reached because of the use of media and technology in the entertainment industry. All these are aspects of globalization.

Still, the growth rate for Disney Consumer Products was very high. Up to the year 1998, the average annual growth rate for the company was about 25%. This is a very high rate of growth for any business entity. The decline in growth rates to 10% - 15% in 1998 was because of rigidity in the business models. Having introduced new models, the growth rates rose again.

Aspects of corporate social responsibility can be vividly seen in the response given by DCP to the increased rate of obesity among children. The increase in obese children definitely leads to complications in the future health status when they become adults. The company took the responsibility of pursuing ways of improving the nutritional balance of the foods. The big switch from the fat and sugar rich confectionery to the more healthy snacks, fruits and vegetables required not only huge investments but also involved the bearing of increased business risks. However, the company was determined to contribute to the health of children. These were not only ethical but the upcoming social and cultural issues, especially those related to health and nutritional matters.

Corporate Strategy

Starting as a simple animated film company, Walt Disney continually diversified the products it offered at the market as a strategy to spread the risk. Even within certain categories, such as food, diversification was crucial. The strategy to offer license to manufacturers and retailers for the use of the Disney brand was a very fitting strategy bearing in mind that Walt Disney did not specialize in manufacturing. Received royalties made the company very profitable. Again, they ensured that the licensed companies made food of very high standards.

To solve the problem of nutritional concerns, DCP had to look for ways of selling nutritionally rich food for children. Three strategies were used. The first strategy predisposed using widely acceptable products, such as milk, in healthier form. Secondly, the firm selected some already healthy foods and made them go under the company’s brand. Thirdly, they used product packaging to encourage the sampling of products. The basic premise was that the food had to taste good fro the children to like it, and it had to be nutritious for mothers to like it too. The three strategies were very fitting in developing the market for healthy foods among children as they fully considered the delicate balance between nutrition and taste. Again, the purchase of media businesses was a good way to secure quality and positive relations with the public.

Marketing Strategy

The marketing strategy adopted by DCP can be divided into two categories. Advertisements made by the company captured kids' attention to their products. Again, the use of characters, such as Mickey Mouse, on products attracts children who associate products with the characters. The introduction of nutritious foods appeals to mothers who actually buy products for their children. The partnership with Kroger is very impacting. The "Better for You" tag line placed next to the picture of a gloved, thumbs-up Mickey's hand was used to promote the high nutritious value. Besides, the use of Disney story telling and characters for communicating with kids in a funny way was a very effective marketing strategy.

The Disney magic selection lines were supported by in-store signage, advertisements, floor displays, direct mail and billboards. All these marketing elements combined with the intense media advertisements spread the common message of the high nutritional production contents offered under the Disney brand.

The common feature of all these marketing elements is that they are targeted at children. Children can easily identify the Disney characters. The effectiveness cannot be overemphasized. Kids like to see favorite characters on products and request parents to buy them. In 2006 Imagination Farms was founded to serve DCP as a licensee in fresh produce. The farms engaged 15 large U.S growers to produce both organic and conventionally grown produce under the Disney Garden brand. Peaches, grapes, apples and citrus from Disney Garden were in the retail stores just five months after contracting. They were differentiating produce through promotion, creating value added products and developing exclusive produce varieties. Customer feedback was very positive. The Disney Garden brand symbolized the quality associated with Disney products and elicited emotions associated with the company's animated programs.

4P's (Price, Place, Product, Promotion)

The basic marketing strategy which incorporates the use of the Price, Product, Promotion and Place (4Ps) is very well applied to DPC. Though the retailers sell the products at the normal market price, there exists an extra cost of royalty charged by the company for the advertising effect. Product is the most intensely used marketing strategy. A great deal of product differentiation has occurred throughout the life of DCP. In 2004 the number of food products under the DCP increased up to 2100. An emphasis is laid on the quality of the goods to be licensed to use the Disney brand. A conducted research showed that mothers appreciated the fact that the products offered under the Disney brand were of high quality. The high quality standards have continually positioned the company as the preferred food distributor.

A great deal of promotions through the owned by the company media and the advertising in the animated programs developed by Walt Disney were very effective. Besides, the use of packaging for attracting customers and the use of stickers on fruits and other products was a powerful promotion tool utilized by DCP.

Operating in more than 90 counties, DCP adopted an integrated distribution channel. Direct ownership of retail outlets was applied in Europe while contracting of third parties was mainly adopted in Northern America.

Recommendations

I would recommend several ideas to be implemented in an attempt to improve the state of the company. First, the extreme reliance on a small number of characters is not very good for market products. The popularity of the characters is not guaranteed. Therefore, new characters should be created to handle the competition. This is not an easy task. Massive investments in animated production will have to be undertaken. Secondly, the aggressive change towards more healthy foods is a positive step. The problem lies in competition. Not having time to watch competitors may give them lots of room for exploiting the products that were being sold by the company. Big fast food producers, such as McDonalds, can make other very powerful partnerships with competitors to come up with foods that can offer very stiff competition for the company. Thirdly, since there are no supporting laws aimed at enhancing nutrition standards, the company’s move is a very risky one. Lobbying should be intensified to ensure that nobody takes advantage of the loopholes left behind. Still, the decision to terminate established partnerships based purely on the inability to adopt the standards may not be viable. Careful considerations should be taken as this may tamper with the company’s reputation in respecting deals and established relationships. Besides, it is advisable to search for some alternative sources of income.

Conclusion

The application of good business development strategies defines the success of DCP. The development of products in accordance with the current market requirements enables the company to position itself as the leader in the healthy foods production which has the potential to sustain the business model. Further implements of new marketing strategies will bring the company to a new level of world entertainment and food industry, and the competitors may only attempt to catch up.

Reference List

Bell, D., & Winig L. (2007). *Disney consumer products: marketing nutrition to children.* Harvard: Harvard Business School.