

# *The Development of Disney's Ecosystem Strategy and Sustainability Challenges*

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**Abstract.** This essay aims to learn from the company Disney and focus on analyzing the ways they use on operating their intellectual properties. The essay hopes that by knowing how things operate within the Disney company, the readers could take in some information to view the structure of the movie industry clearer and find a new perspective of watching a movie. It also aims to give advice to the movie market in China to see what the companies could do to attract more audience and perform better job. The essay is going to start from how Disney created their IP, finding how they develop their company step by step and eventually build into such a great empire. Then, turning the focus back to specific IPs and give examples on how the company protect the character and use them properly to profit. After that, the essay's going to talk about the different tactic that Disney used in different places to fit better to the local condition. Finally, the ending is about the issues that Disney is facing now, and how the industry can adjust by analyzing their case.

**Keywords:** Intellectual properties(IP), Visual characters, Real life interaction, localization, target audience

## **1. Introduction**

Ever since Walt Disney founded it in 1923, the company had been making dreams for people all around the world. Now, we know the company not just for its creativity and story-telling ability, but also for the company's great economic value and its influence over a variety of fields. In the few decades, Disney had not only enhanced their reputation in the field of cartoon production, but also gain fame in the participation of other topics like superheros, sports games, and even theme parks. The creation of IP field, as an ultimate weapon, is one of the most crucial step that let to the company's eventual success. With the start of an IP, then expending to online distribution of the works and eventually profiting from the character. Under the context of the current global situation, companies fighting each other over the attention of the audience, Disney's way of operating certainly could gave them a competitive edge over other companies. Studying their development could not only help us gain theoretical knowledge, but also gain inspection on how the global market could reflect on our country and make changed according to it.

## 2. Development

Rome wasn't built overnight, of course, the success of a great company needs years of preparation. The empire of Disney took a century to get to the scale it is today with not only well management, but also the ability to sense the need for the market. Disney always could provide the character most fitting for the time.

### 2.1. Creating the IP

In 1920s, when the company just started, the company created the Mickey mouse [1]. Mickey and his friends breaks into the everyday entertainment using the symbolic traits, the exaggerated eyes, the round ears, and the pants he wore. In the age when time when children lacked entertainment, the Mickey mouse effectively capture the eyesight of all the children and help Disney build the reputation [2]. This phrase of Disney is producing characters like Mickey, building up the bases so that they can have enough motivation for the future. Other characters created in this phrase could include Snow white, the beauty and the Beast and, Donald Duck. These characters are just like Mickey, appealing to children; they together set the basis for Disney's targeted audience and help the company to plan its future.

### 2.2. Expanding to the reality

Continuing this vide, Disney created Disney land [3], beginning the trend of off line interaction with the visual characters. As the first movie company to develop real life theme park, Disney profit from the park beyond their exception. Using these IPs and attracting the family to actually spend their money on things that they could touch seems to be a brand new and interesting trend to people at that time. Following Disney land, Disney started to expand their reach in the real world by creating other products like toys.

### 2.3. Adopting more characters

In the 1980s, just as people started to think that this giant in the cartoon met its end, Disney used the savings accumulated in the 60 years to buy Pixar, Marvel and Lucasfilm [4]. Pixar helped Disney reinforce its status in the anime production field; Marvel helped it enter the genera that's most viral at that time, super hero; Lucasfilm helped it took over the empire of the most famous space fantasy of all time, Star war. By having these new IPs, Disney not only kept its location in the anime production and cartoon field, but also enrich its eyesight and entered the genera of action film, real life filming, and superheros [5].

### 2.4. Entering the internet age

Entering the age of internet, the company got more and more rivals, Sony mentioned in the previous chapter, Netflix that just rises, and a set of different video platform trying to get something out of this sea of consumer. During this phrase, Disney created Disney+ [6] to balance the lack of video platform and made lots of changes to their projects. They also combined the ABC channel and ESPN sports into their application, attracting even more audience.

### 3. Key factors and structure

#### 3.1. Basic definition and why company want IP

Of course, intellectual properties isn't the result that companies wanted, but just a way to achieve their goal. To make money, the company is going to transform that IP into visible capital. There are three major step, putting in cost and generating the IP, giving it legal assets, and finally trying to convert it into something you can make money form. The final step is what trouble many people, to make money out of these ideas need time and efforts. There are many ways, such as setting up monopoly to prevent everyone else from making money from that IP; Using the IP itself as a currency and trading it for money; buying IP and setting up things so when others are trying to develop something, they'll have to use the technology; using it to gain reputation and then making profit; and collaboration and open innovation. The five technique are all used in different circumstances and a company often use multiple ways at a time to maximize their profit [7].

For Disney and most company in the entertainment industry, all five are going to be used. The company used all five method when solving the issue relating to the the worldwide famous IP, Spider man. When Marvel was still poor, they used the IP Spider man as a currency and trade the character and the series of characters that comes with Spider man (such as Mary Jane, Flash Thompson, Doctor Octopus) to Sony for money in 1998 [8]. Since then, Sony have the full right to produce Spider man related films. They certainly did use to make money to a great extent, creating the two spider man series's movie with two different casting [9]. They also used the relating characters such as Venom to produce film and make money. For a long time, Sony had been in the monopolistic market for the spider man works, and they used this character to gain reputation in the movie industry. In 2015, Marvel and Sony got to an agreement so that Spider man could occur in MCU( the marvel superhero world), but Sony still holds most of the right [10]. The two company have some arguments over the years but eventually got to a final agreement in September of 2019, where Sony keeps 75percent of the income this character brings. In this case, Sony and Disney demonstrate using the IP directly for trading, creating monopoly, negotiation, and long term treaties.

#### 3.2. Law enforcement- expanding the Mickey's life span and the CTEA

Of course, every thing mentioned previously was based on that the company is strong enough to protect the IP from other company. The company is going to need a strong law enforcement sector to keep a IP safe. Lucky for Disney, they have one of the best law department in the world and participated in some of the most famous law suits on the history of rights.

One of the most well known IP for Disney is the Mickey mouse. Created by the founder Walt Disney, this mouse symbolize the face of Disney and is the most important character for the company. To keep profiting from this character, the Disney Law enforcement team started the proposal called Copyright Term Extension Act, CTEA for short [11]. Before this proposal came up, the age for a character is 50 years after the death of the author. If that tradition continues, the first Mickey Mouse image, the classical black and white Mickey whistling on the steam boat, would enter the public field. To keep that trademark, Disney propose the CETA, this proposal includes that the company should still have the right for the character 70years after the death of the author. This proposal was even sent to the highest court in America, it not only saved the Mickey mouse, but also longer the age of all the characters in the world [12].

## 4. Localize

Another way that Disney used to make sure everyone could accept their product is to fit into everyone's taste. To get a better idea on how they actually perform this localization task, we can analyze the different adaptation that they did to their different Disney park.

### 4.1. Tokyo- Licensing Agreement

In Tokyo, they used Licensing Agreement. This method is that the company cooperate with another company, in this case the company OCL in Japan, and get to certain agreement on the profit. In this agreement, OCL took most of the profit in the theme park, and Disney will take profit when the whole profit exceed a certain level [13]. For OCL, this is a great project, all they have to do is to pay for the IP they use and can earn profit, in fact, this Disney land is the most profit earning Disney among all the Disney Lands. However, this business pattern could only be successful in Japan. The country is able to provide one of the best service in the world due to one of their code, Omotenashi-meaning to serve the best to the audience. The park spread out this idea, and provided delicate experience to the tourists.

### 4.2. Shanghai- Joint venture

In Shanghai, the company took the method called Joint venture. In this case, the two company, Disney and the company that opens the park- Shanghai Shendi Group, splits the income almost i half. Disney took 43percent of the income and Shendi took the rest [14]. Similar to the Tokyo's case, Disney only provides ideas and Shendi provides rest of the things such as facility, people and so on. The main reason that Disney cooperate with Shendi is because it is a company with recolonization from the country. In China, if a new company is coming and starting a brand new theme park, they will have to go over a variety of procedure and spend lots of time and power. By cooperating with Shendi, Disney made the procedure more convenient and as a local company, Shendi is also more familiar with the country's requirement and could save lot of time meeting the quality.

### 4.3. Paris- failed and then to total investment

But of course, things don't always go well, when operating with the Paris Disney land, the company had made some mistake. At first, Disney was trying to cooperating with a local company just like it had in previous two cases. However, the result didn't went well, for many years, the account had been negative and there are many times that the main Disney had to give financial support to the park to keep it running [15]). Finally, in 2017, Disney corrected the mistake by buying the total stock of the Disney land in Paris. Since then, the park had added more romantic aspect such as wine, sleeping beauty and so on to fit more with the Paris's atmosphere. Disney also added some new IP such as Frozen and Guardian of the Galaxy to improve the situation. Eventually, Disney fixed the problem [16].

## 5. Business mode and challenges

### 5.1. Audience loosing interest in the 'Disney mode'

The first thing is that people are getting tired of the Disney mode. Disney movies in the past few years are not as influential compared to the last decade. For example, the new movie from the

Marvel studio, the new fantastic four, is not having really well feed backs. Even compared to movies from marvel ten years ago, this movie is still not exactly a success. Fantastic four should be a hot topic, after all, it had been famous and is also important in the comic. This not only happen in the superhero movies, but also in other fields such as theme park, anime, TV programs, and cartoons. The back up ideas that Disney had, most of them are out-dated, the same thing for the IP. The number of IPs that Disney could buy are also limited because that are are way more movie industry now than before. If the company couldn't come up with some new concepts or ideas, eventually, they will have no new IPs to use [17].

## 5.2. Competitor started to build up

Also, they started to have more and more competitors, and these rivals are tough and are also strong. In TV programs, Netflix is doing better than Disney, attracting more audience and expanding over a boarder range of audience. In movie production, the universal studio is catching up, they started to have enough high quality IP such as Harry Potter, Minions, Jaws, and so on. These characters could help them attract more audience, they even started theme parks around the world just like Disney and are making similar profit from these parks compared to Disney Land. Even in short video, Disney still have to face opponents like Apple and Amazon, both are experienced company with strong backups.

## 5.3. Loosing target customer

The targeted customers is also a huge issue for Disney. For almost 100years, Disney's focus is on children and family film. This limited their audience to only some people, while their rivals such as universal studio could reach to adult audience more easily. Even in the field of anime and cartoon, companies in Japan such as Gibini are producing high quality anime movies that are suitable for audience all age. Another thing is that there are less people that are willing to go out to the cinema to actually see a movie. Disney is loosing their target audience. People are getting busier, and don't really wanted to go to the cinema. They are getting more ways of entertainment, games and traveling could both be complements for movies. If a movie doesn't have some aspect that must be seen in cinema, most people would choose to view them at home.

## 6. To us

If the movie industry can learn from Disney's experience, the companies can see that they have a system based on creative ideas.

### 6.1. Develop new ideas by hiring more people

It is observed that successful film productions often possess innovative concepts capable of capturing audience attention. For the domestic industry to achieve similar impact, companies must not only uphold traditional approaches to film and art production but also embrace novel aesthetic forms. For instance, in the recently concluded summer season, few classical film productions achieved significant success. Numerous releases during the period were met with high audience anticipation, yet nearly all failed to meet expectations in terms of quality. These films were widely perceived as deficient and garnered negative reception. A common drawback among these new releases was their inability to transcend conventional narrative and creative frameworks. Despite appearing to possess elements associated with commercial success—such as renowned directors,

popular actors, and extensive marketing campaigns—many even under performed in basic aspects such as acting. By contrast, the two animated feature films released during the same period attained relatively stronger reputations and box office returns.

This phenomenon suggests that contemporary audiences exhibit increasing receptivity to innovative storytelling and original concepts. By drawing inspiration from models such as Disney and creating characters that depart from established archetypes, the Chinese film industry could achieve greater commercial and artistic success. To facilitate this transformation, it is recommended that production companies recruit younger professionals with diverse cultural and educational backgrounds. Such individuals may introduce unique regional and subcultural elements, thereby enriching creative development. Through the integration of these fresh perspectives, entirely new intellectual properties could be cultivated, offering enhanced appeal in a competitive market.

## **6.2. Make changes to the business mode to be more effective**

In China, the majority of films fail to extend their presence beyond theatrical release, contrasting with the approach of Disney, where intellectual properties (IPs) that achieve significant popularity are systematically integrated into theme parks. China currently lacks a comparable mechanism for sustaining cultural IPs in physical entertainment spaces. While platforms such as TickToc play a central role in promoting film awareness, most IPs remain confined to the digital realm without further development.

Implementing a project dedicated to deepening audience engagement with domestic IPs could strengthen public interest in locally produced films and encourage a return to cinema attendance. Drawing on the operational model of Disney, several strategies could be adopted. For instance, rights-holding companies could collaborate with local businesses or theme parks to create real-world interactive experiences. Such initiatives would likely prolong the visibility and commercial viability of IPs. Revenue generated from these ventures could, in turn, be reinvested into subsequent productions within the same series, establishing a positive feedback loop. This approach would not only attract fresh investment and talent into the industry but also potentially initiate a ripple effect, contributing to the sustained development of the Chinese film sector.

## **6.3. Target clearer audience to maximize profit**

It is argued that transformative changes can be introduced to contemporary film narratives, particularly in response to shifts in audience demographics and preferences over time. Modern audiences demonstrate a stronger attraction to innovative content as opposed to conventional thematic elements. A notable example is the highly successful film *Nezha 2*, released during the Spring Festival season, which exemplifies this trend. Rather than merely retelling the mythological story in its traditional form, the film incorporated unconventional traits into the protagonist's character design, including sharp teeth, impolite behavior, and dark circles around the eyes. Such attributes deviate from traditional representations of heroic figures, yet the unique combination generated a remarkable chemical reaction, contributing to the film's status as one of the highest-grossing releases of the year.

By examining successful cases such as *Nezha* and Disney productions, it becomes evident that recently popular characters often possess unexpected and non-traditional features. Consequently, in developing new characters, production companies may consider integrating novel elements that have not been previously explored. Such innovative approaches are likely to yield favorable audience reception and commercial outcomes.

## 6.4. Timing

Disney's advantage in IP development is that they can often come up with ideas ahead of time. When they are developing on their own, they can find the market that are currently vacant, create something, and quickly fill in the gap. Just like the Disney land, when the company notice the lack of off net bonding experience, they came up with the idea of theme park and soon became viral. They tender the character and even put on lawsuit to extend the life of the avatar. In China, there are many interesting topics that lacks breaking works, most works are surrounding the few famous characters such as Wukong, Nazha, Yang Jian. Finding a different aspect to tell the same story is always going to be harder than starting a new story and most of the time, same character can only bring audience boring experience.

## 7. Conclusion

Learning things from the ones who had already succeed is what should be done, and from Disney, the Chinese movie industry could take advice from studying how they develop the IP ecosystem. Disney used combined idea, real life reinforcement, strong law enforcement and localization to build their strong business empire. By learning from them and improving our knowledge, it is sure that the new Chinese movie could bring the audience back to cinema.

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