



LCMB7024 Marketing Management

Assessment component 1:

Marketing Environmental Analysis for a Pioneer and a Follower in Subscription Video Streaming

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Introduction

In this essay, the critical analysis is made as to how two external macro marketing players influence the opportunities and threats of a pioneer firm and a follower firm within the same industry: subscription video streaming (SVOD). Netflix is regarded as the pioneer since it assisted in industrialising subscription streaming on a global scale and establishing first-mover benefits in the area of recommendation systems, international distribution and original content commissioning. Disney+ is regarded as the follower since it has entered into the market of global SVOD later (was launched in 2019) and adopted a fast follower model based on franchised intellectual property (IP) and side-by-side services.

Two macro actors are the subject of analysis that are currently redefining the competitive position in streaming: (1) regulation and platform governance (particularly the Digital Services Act (DSA) requirements of the EU and privacy governance which influences the economics of customer acquisition, retention, measurement, and content production); and (2) the rush of technological change in the area of artificial intelligence (AI) and addressable advertising technology, which is altering the economics of customer acquisition, retention, measurement, and content production. Based on these observations, the essay draws a comparison between how Netflix and Disney Plus have acted to maintain growth based on the Generic Strategies of Porter and the Growth Matrix of Ansoff to assess the strategic fit, trade-offs, and the sustainability of competitive advantage.

Industry and company context

Streaming has now grown beyond high growth into a highly competitive and multi-homing market that is typified by increasing cost of content, price elasticity and an industry transition to ad supported levels to expand the addressable market. Netflix is the biggest international subscription streaming service and has increased monetisation instruments including advertisement and paid sharing. According to the Netflix reports, the ad supported plan is one of the factors that have contributed to new sign ups in the markets where Netflix operates (Netflix, 2024a; Netflix, 2024b). Competition Disney+ is

a part of the larger direct to consumer business of Disney (Hulu in the US and international bundles) that builds on iconic franchises and a wider "ecosystem" approach in content, consumer products, and experiences (The Walt Disney Company, 2024).

The first mover advantage is significant as first movers are able to enjoy the benefits of learning effects, switching costs, pre-emption of scarce resources, reputational leadership, and also disadvantages of legacy systems and regulatory oversight as they grow (Lieberman and Montgomery, 1988). Scales in streaming have implications to unit economics (amortisation of content over a more substantial base), bargaining power with device platforms and advertisers, and recommendations quality based on feedback information. Meanwhile, large scale may expose to regulatory and reputational risk.

Task 1. Macro actor analysis

In the assessment brief, a critical analysis of the macro marketing environment and the opportunity and or threat created by two external actors on a pioneer and a follower to establish competition position is required. Here, (A) regulation and platform governance and (B) AI and addressable advertising technology are analysed.

A. Macro actor 1: Regulation and platform governance (DSA, privacy, IP and transparency)

Why this actor matters. The Digital Services Act by the EU establishes a system of governance of online intermediaries, with more responsibilities of very large online platforms (VLOPs) in evaluating and reducing systemic risks, subjecting the platform to independent audits, and enhancing transparency (European Commission, 2020; European Commission, 2026a). Although SVOD services are not accompanied by social networks, streaming companies are becoming more of a data intensive digital platform, even with personalised recommendations, advertising platforms, and content governance options. Simultaneously, privacy regulations like GDPR influence data collection and use to personalise and measure ads, copyright and IP protection is becoming stricter as generative AI creates new challenges on rights and content training.

Opportunity and threat mechanisms. The competitive position is influenced by three interconnected mechanisms that are formed by the regulatory environment. First, compliance raises the fixed costs (legal, auditing, trust and safety, data governance and reporting) which may favour smaller entrants, but also squeeze margins when the existing entrants are unable to monetize compliance into trust based differentiation. Second, limitation of data utilisation may undermine targeting and measurement, lower advertising performance and appeal of ad supported levels. Third, the governance of the platform may escalate the reputational risks: any mistake in the content checks, children safety, or transparency may lead to the creation of regulatory fines and destruction of the brand loyalty.

Netflix implications (pioneer). The international nature of Netflix exposes the company to the complexity of cross jurisdiction compliance. According to the annual report of Netflix, its business is highly and constantly regulated in the areas of privacy, consumer protection, advertising, and content regulations, and failure to comply may negatively affect outcomes and reputation (Netflix, 2024a). In the case of Netflix, regulatory pressure is a risk factor since it limits data driven product optimisation and increases compliance costs at scale. Nevertheless, it is also a chance when Netflix transforms the power of governance into a trust premium to advertisers and consumers. Advertisers in an ad supported model appreciate brand safety, transparency and consistency in measurement. The decision by Netflix to develop further direct advertising functionality and measurement relationships can be seen as a reaction to the environment in which regulators and advertisers seek greater clarity on the responsibility of digital advertisements.

What it means to Disney+ (follower). Disney+ is not any different as it encounters the same regulatory environment, although its exposure is influenced differently by its corporate structure and brand positioning. Disney reports have focused on regulatory risk, content standards, and reputational sensitivity in all the markets worldwide (The Walt Disney Company, 2024). The reputational cost of failures in content governance is higher in the case of Disney family friendly brand and regulatory attention to advertising to a child and the use of data may be especially sensitive. Simultaneously, the diversified

business model can assist Disney in spreading compliance costs in the segments, and the extensive experience of the company in dealing with IP rights and content standards may assist in compliance ability. The follower status of Disney, in comparison to Netflix, allows it to learn the previous regulatory scandals in online platforms and build compliance into product features and policies at a later stage of development.

Comparative influence on competitive position. The regulation is a trust and barrier actor. In the case of Netflix, both scale and data centric operations increase the exposure to compliance and simultaneously offer resources to invest in compliance systems and to distribute fixed costs. In the case of Disney+, reputational and brand safety risk is the most important, whereas differentiation based on trusted family entertainment and controlled franchise ecosystems is the opportunity. On the whole, regulation makes operational governance a more critical competitive capability. The pioneer advantage of the scale of Netflix is somewhat counterbalanced by the pioneer disadvantage of increased scrutiny and increased expectations, and the follower is able to structure governance around a more recently constructed product and ad stack.

B. Macro actor 2: AI and addressable advertising technology

Why this actor matters. Personalisation, discovery and efficiency in monetisation in streaming competition are becoming increasingly crucial. AI allows making more recommendations, predicting churn, localisation (subtitling and dubbing), and automating operations. Meanwhile, addressable advertising technology transforms the streaming economics by enabling companies to monetize price sensitive audiences and subscriptions are only part of the revenue. There is an indication that ad supported levels are already becoming a significant growth driver in a market where customers are increasingly becoming proactive in their subscriptions. Netflix has publicly claimed good usage of its advertisement plan and advertiser interest, and Reuters mentioned that the ad supported option achieved 94 million users by May 2025 (Netflix, 2024b; Reuters, 2025a). The data on the industry level also indicates further increases in the amount spent on digital advertisements, which confirms the strategic rationale of ad sponsored streaming levels (IAB and PwC, 2025).

Mechanism of opportunity and threat. The opportunity that AI can create is by enhancing customer lifetime value through retention (relevant discovery lowers churn) and reducing costs per unit through automation and enhanced production processes. It poses a threat in that it would lead to more imitation and less differentiation when recommendation systems become convergent, and IP and labour issues when generative AI approaches creative labour. In the case of advertising technology, the opportunity is incremental revenues per user and a broader overall addressable market, the threat is that ad load, privacy limits and poor measurement may hurt user experience and decrease advertiser ROI.

Netflix implications (pioneer). The technological capability of Netflix has close links with the pioneer status. Its initial adoption of recommendation systems and culture of experimentation have generated learning benefits that cannot easily be imitated in a short period. Netflix has applied AI adjacent capabilities in the present environment in order to scale global hits via localisation as well as enhance monetisation. Netflix stated that the advertisements strategy is a major contributor to subscriptions in advertisement markets (Netflix, 2024b), and it is still building ad products and infrastructure. The opportunity is the macro actor since Netflix can use the scale to enhance the performance of the model, ad targeting under privacy conditions, and measurement credibility. However, it is also a danger: to create an ad business, one has to have the capabilities that cannot be described as pure subscription as sales, measurement, brand safety, and fraud prevention. When the execution is not strong, the pivot of the ads may weaken the brand or erode the user experience.

Consequences to Disney+ (follower). Disney+ has great content IP and lacked digital advertising infrastructure as much as Netflix did in the past. Its follower approach has also involved bundling (with Hulu and ESPN + in the corresponding markets) and adding ad supported levels in addition to increasing prices to transition to profitability (Reuters, 2025b). In the case of Disney+, AI and ad tech have a chance to monetise its massive brand portfolio, to cross promote across the ecosystems, and to enhance personalisation across a variety of services. They are also threats as fragmented services and past structures of organisations can slacken technology integration. Disney needs to balance

data governance between brands without violating privacy limitations and family associated sensitivities in advertisements and recommendations.

Relative effect on competitive position. Technology is a scale learning and scale monetisation factor. The operational advantage of Netflix is that it is exceptionally faster in iteration, has mature streaming capabilities, and has already transitioned to the innovation of monetisation (ads and paid sharing). The Disney advantage is that of assets: globally recognised franchises and that it can bundle across complementary products and experiences. Both are enhanced by the macro environment: AI enhances the value of data and experimentation (benefiting Netflix), and ad supported streaming enhances the value of premium brand safe IP and advertiser appeal (which may benefit Disney provided it manages to measure and target effectively).

Figure 1. Mechanism linking macro actors to competitive position

Figure 1 summarises how regulation and AI plus ad tech translate into competitive outcomes through capabilities and scale differences between a pioneer and follower.

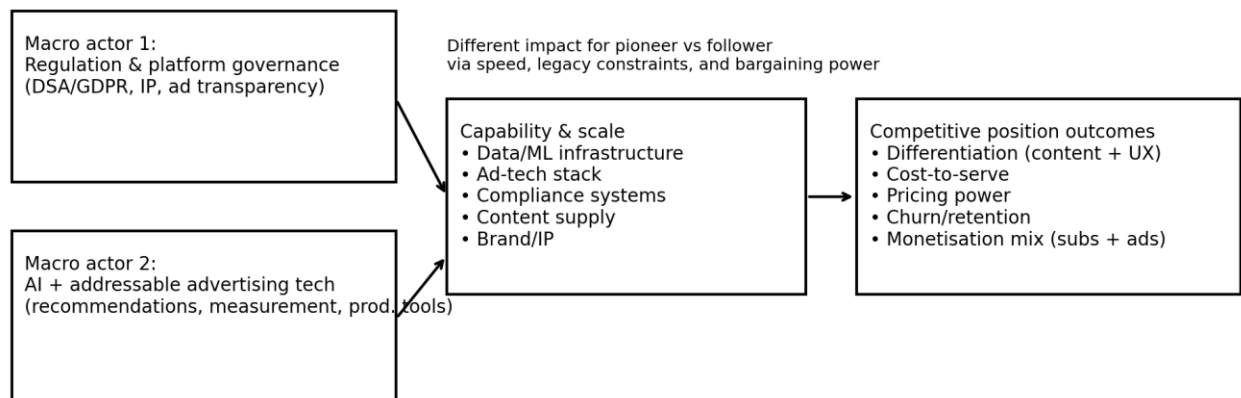


Figure 1. Macro actors to competitive position mechanism (conceptual).

Source: Author's synthesis based on European Commission (2020; 2026a) and Netflix (2024a).

Task 2. Strategic responses evaluated with Porter and Ansoff

In this section, the strategy of Netflix and Disney+ actions under two macro actors will be evaluated to determine the ability to maintain growth and survive in accordance with Porters Generic Strategies and Ansoff Growth Matrix. It is not only to label strategies, but also to evaluate fit, trade-offs, and sustainability.

A. Porter's Generic Strategies: Where each firm competes and how it wins

Porter believes that companies can perform better by being cost leaders, differentiated, or focused, and risks that situations of being in between are not coherent (Porter, 1980; Miller, 1986). In streaming, strategy is reflected in the positioning of content, pricing structure, user experience, distribution, and cost structure.

Netflix: Selective cost discipline differentiation. Netflix is a company that mainly competes based on broad differentiation. It bases its differentiation on (1) a large and diversified catalogue that has an established pipeline of originals, (2) high personalisation and product experience, and (3) global and localisation. Within the technology macro actor, Netflix strengthened differentiation by adding to the experience and extending monetisation by ad supported tier and paid sharing, turning nonpaying usage into revenue. Brand and advertiser relations are also preserved under the strategy of Netflix based on the regulation macro actor where trust and compliance are maintained. Although Netflix is not a low-cost leader based on the high content expenditure, it implements cost discipline by scale economics and data-driven commissioning, aiming to achieve greater content efficiency with each dollar of expenditure.

Disney+: Franchise IP and brand safety differentiation with a shift to hybridisation. Disney+ is also a differentiation strategy, except that its differentiator is smaller and more brand based: high-quality franchises and family content. Within the technology and advertising macro actor, Disney has resorted to taking hybrid steps that facilitate a journey towards profitability, such as price increment and advertisement-based services (Reuters, 2025b). Disney also has a stronger differentiation under regulation based on a brand safety storey, yet there is also increased reputational risk in terms of advertising or data practises being seen as wrong by family values.

Comparative evaluation. The two companies are both competing on differentiation, but Netflix competes on product and breadth, whereas Disney competes on iconic IP and ecosystem integration. Trust and safety capability is becoming a part of differentiation in an environment of growing platform governance. Netflix is ahead in product iteration and data-based retention, whereas Disney leads in perceived brand security as well as franchise devotion. Imitation in technology and increasing content costs is the most important sustainability risk to Netflix; franchise dependence can be constraining breadth and technology integration can be slow, preventing retention beyond core fandom audiences.

Table 1. Porter strategy comparison (evidence based)

Table 1 summarises the dominant competitive approach and how each firm’s response aligns with the macro actors.

Firm	Dominant generic strategy	Key signals	evidence	Fit with macro actors (summary)
Netflix (pioneer)	Broad differentiation (product + breadth) with selective cost discipline	Scale catalogue and originals; personalisation; tier adoption and monetisation levers (Netflix, 2024a; Netflix, 2024b; Reuters, 2025a)	strong ad and AI/ads. Regulation: needs strong governance to protect advertiser trust.	actor: reinforces differentiation via AI/ads. Regulation: strong trust.
Disney+ (follower)	Differentiation (franchise IP + brand safety), moving toward hybrid monetisation	Franchise proposition; increases and supported to push profitability (The Walt Disney Company, 2024;	led price and ad options profitability	Tech actor: if data/ads integration improves. Regulation: brand can but

Reuters, 2025b)	raises reputational exposure.
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B. Ansoff's Growth Matrix: How each firm pursued growth under the macro environment

The product market logic of Ansoff identifies four growth strategies which are market penetration, market development, product development and diversification with the risk of the firm increasing as it moves out of current products and markets (Ansoff, 1957). The macro actors contribute to understanding of why certain growth paths would be more appealing.

Netflix growth path. Market penetration: Netflix leveraged monetisation tools that enhance the revenue in the already existing markets, such as advertising tiers and paid sharing (Netflix, 2024b; Reuters, 2024). Product development: Netflix has extended to related products like live events and games that can enhance interaction and decrease churn and utilise existing subscriber relationships. Market development: Netflix further expanded internationally through localisation and investing in non-English originals, making it more globally relevant (Netflix, 2024a). Diversification: a focus on alternative activities via selective, controlled diversification (such as games) dispels the danger, at the cost of new capabilities.

Disney+ growth path. Penetration of the market: Disney has been engaging in price optimisation and bundling with an aim of increasing average revenue per user and minimising churn. In 2025, Reuters announced further increases in Disney+ prices in an effort by the company to become profitable in streaming (Reuters, 2025b). Product Development: Disney has diversified the content and offered more ad supported features and incorporated Disney+, Hulu, and ESPN offerings in areas it makes sense. Market development: Disney has been able to enter and expand in foreign markets since 2019 using international franchises, but has to navigate diverse local content and regulatory frameworks. Diversification: The broader model of the corporation Disney has streaming

as a diversified business strategy, which connects theatrical releases, parks, and consumer products, with the streaming business unit itself having a narrower range of diversification.

Comparative evaluation. Growth response at Netflix is more product and monetisation innovation based, which leverages technology and ad technology in order to generate more revenue per household and expand the addressable audiences. The reaction of Disney is more portfolio- and price-based, with IP strength and bundles to enhance unit economics. When it comes to regulation macro actor, both companies have to spend money in compliance and transparency; Netflix has the advantage of scale to distribute fixed costs, whereas Disney is able to use its brand positioning to make governance a strategic point of difference. Within the AI and advertising macro actor, Netflix seems to have previously and more intensely shifted to advertising, which could enhance its resilience as the subscription growth rate declines. The subsequent shift of Disney can lower the risk of execution by learning how to execute it in market leaders, but it will also result in wasted time to establish ad measurement credibility.

Table 2. Ansoff mapping of growth initiatives

Table 2 maps visible growth initiatives to Ansoff categories for each firm and indicates the main macro actor drivers.

Ansoff option	growth	Netflix (pioneer) examples	Disney+ (follower) examples	Main macro actor driver
Market penetration		Ads plan expansion; paid sharing to convert multi-household usage (Netflix, 2024b; 2024)	Price optimisation; bundling (e.g., Disney+/Hulu bundles in relevant markets) (Reuters, 2025b)	Economic pressure + ad-tech shift; privacy compliant monetisation
Market		Localised originals,	International rollout	Regulation +

development	dubbing/subtitles, deeper international investment (Netflix, 2024a)	and local market tailoring post-2019 (The Walt Disney Company, 2024)	localisation needs; global demand for local stories
Product development	Games and live experiences; improved recommendation and discovery (Netflix, 2024a)	Broader content slate; ad supported options; ecosystem integration	AI and product innovation; retention and engagement
Diversification	Selective adjacencies (interactive, experiences)	Corporate diversification linkages across parks, consumer products, theatrical windows	Risk spreading; IP and brand ecosystem leverage

Overall judgement and recommendations

In general, the macro environment rewards companies that integrate (1) reputable governance and regulatory preparedness and (2) AI facilitated product quality and (3) adaptable monetisation. The technological and monetisation dimension of NetFlix seems to be more dominant, due to the fact that Netflix has already implemented the earlier on advertising and paid sharing and can leverage learning benefits of scale. Disney+ has a highly robust base of differentiation in franchise IP and can further enhance their position in competition by leveraging brand safety and ecosystem bundling, however, it still needs to bridge the gap in ad tech integration and measurement credibility in order to gain the full benefit of the macro shift to ad supported streaming.

Recommendations (viable, evidence based). First, the two companies ought to consider governance as a differentiator: release more transparent transparency reporting and

reinforce independent assurance over advertising and data practises, which is in line with the focus of accountability and audits offered by the DSA (European Commission, 2020; European Commission, 2026a). Second, Netflix needs to safeguard brand and user experience as its ads business expands by reducing ad load, enhancing sensitive content category controls, and investing in privacy preserving measurement. Third, Disney+ ought to quicken the single data and identity regulation between Disney+ and Hulu to enhance individualisation and advertisement performance and keep child and family safeguards. Lastly, both companies need to come up with clear AI governance of content and IP protection as generative AI is applied to media processes, striking a balance between efficiency and right management and reputational risk (Rosati, 2025).

Conclusion

This essay discussed how two macro marketing players, regulation and platform governance, and AI and addressable advertising technology influence the opportunities and threats to a pioneer (Netflix) and a follower (Disney+) in subscription video streaming. Regulation does raise compliance costs as well as reputational risks, but may as well build a trust-based advantage to the firms that operationalise transparency and sound governance. The AI and advertisement technology adds to the growth toolkit by enhancing retention and allows ad supported monetisation, though they increase new execution, privacy and IP risks. The strategic responses of Netflix are very much in line with technology driven differentiation and market penetration using new monetisation levers, whereas Disney+ uses franchise led differentiation and pricing along with bundling to enhance unit economics. It is the firm that can merge the credibility of governance with AI enabled customer value and a balanced revenue model between subscriptions and advertising that is likely to achieve sustainable growth in a maturing streaming market.

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