

# Disney empire strikes back, sort of, with new streaming plan

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Walt Disney Co. has the potential to shake up the television sector with its plan to offer direct-to-consumer streaming services and take on Netflix on its own turf.

But analysts say the move is likely to have only limited impact on the Netflix juggernaut and represents an effort by Disney to keep pace with the industry shift to online television services.

Disney announced Tuesday it would launch a "multi-sport" streaming [service](#) under its ESPN brand in early 2018 and a Disney branded direct-to-consumer service in 2019.

At the same time, Disney said it would end its distribution agreement with Netflix for subscription streaming of new releases starting in 2019, including popular film franchises like "Lion King" and "Frozen."

The shift is likely a positive move "because Disney is a destination brand," said Rebecca Lieb, an independent media analyst and former television executive.

"Of all the content providers, Disney is in the best position. Parents take their kids to see the next Disney movie, and sports fans will follow ESPN."

## Missing pieces

But a closer look at the Disney announcement suggests it is not as dramatic as it appeared initially.

Disney chief Robert Iger said the company had not yet decided on whether its "Star Wars" and Marvel films would be on the Disney-owned service or on third parties such as Netflix.

And its ESPN service may be limited to sports such as baseball and ice hockey, without the more popular professional basketball and National Football League games.

"I don't think the threat to Netflix is that great," said Alan Wolk, an independent consultant who follows the television industry.

"Netflix is very well entrenched especially since they are international."

Wolk noted that streaming-only viewers without cable subscriptions are interested in live sports but that it's not clear if the ESPN package will be attractive.

"This is not full-fledged and I wonder if it will have trouble attracting viewers since it doesn't have NBA and NFL."

Disney's move comes with many US television viewers abandoning expensive cable TV "bundles" in favor of on-demand online services like Netflix and Hulu.

The availability of standalone streaming from channels like HBO and CBS is likely to accelerate that trend, as will the new services from Disney.

## **Getting viewer data**

Wolk said one advantage for Disney of moving online is getting better data on viewers without relying on third-parties.

"Traditional broadcasters have no relationship with their consumers, they have no idea who they are," Wolk said.

"One of the advantages (of streaming) for Disney is they get email addresses and credit card numbers. For advertising they can do addressable and cross-screen advertising."

Tuesday's announcement coincided with Disney's boosting its stake in the streaming technology group BAMTech LLC. Disney said it would pay \$1.58 billion to acquire an additional 42 percent stake in BAMTech to bring its ownership to 75 percent.

But Richard Greenfield at BTIG Research argued that Disney's actions were "too little, too late" in a sector that is rapidly shifting to a Netflix model.

"When historians look back on who is to blame for the rise of Netflix, we believe they will focus their attention on Disney, under the leadership of Iger," Greenfield said in a note to clients.

"Disney has sold Netflix more content across film and television than any other company, with Netflix now 'a monster' that we believe has achieved escape velocity."

Greenfield said Disney could have built its own direct-to-consumer system but is now playing a costly catch-up game that is likely to be "painful" for revenues.

"Disney simply waited too long to make this critical decision," Greenfield said.

Jan Dawson at Jackdaw Research agreed that Disney is late to the game.

The company "has been suffering as ESPN subscriber numbers and ratings go downhill, and so is coming at this direct-to-consumer shift from a position of weakness rather than strength, making it more urgent and critical for the company's future," Dawson said in a blog post.

"But those services won't launch until next year (ESPN) or the year after (Disney), meaning that the company won't see any meaningful positive impact until it's seen several more quarters of declines in the ESPN business."

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