

'Last Jedi' will play a big role as Disney takes on Netflix

December 15 2017, by Ryan Faughnder And Daniel Miller, Los Angeles Times

Few would dare underestimate the cultural and commercial power of "Star Wars." The latest movie in the Skywalker saga, "Star Wars: The Last Jedi," is sure to have one of the biggest opening weekends of the year, with an estimated \$425 million in its global premiere.

That's another good omen for Walt Disney Co., which has staked a big piece of its future on the enduring appeal of the decades-old series, with an expanding universe of "Star Wars" content coming to big and small screens in the next few years.

"Star Wars'" value to the Burbank entertainment giant goes well beyond the box office. Aside from spawning new video games, toys and theme park attractions, the space opera franchise will play a pivotal role in Disney's efforts to build an online destination that can rival Netflix.

A live-action "Star Wars" TV show will be a main attraction of the Disney-branded streaming service set to launch in 2019.

"The fact is that Disney is the only company out there that can go toe-to-toe with Netflix, and 'Star Wars' is a huge part of that," said Jeff Bock, a box-office analyst with Exhibitor Relations.

Essential to Disney's streaming strategy is having the programming that will attract consumers. Netflix has courted millions of subscribers worldwide with shows such as "House of Cards," "Stranger Things" and

"The Crown." The Los Gatos, Calif., streaming giant said it will release 80 original films next year and spend \$8 billion on content, raising the competitive stakes for traditional studios.

Securing content for Disney's streaming service is a driving factor behind the company's planned purchase of assets from Rupert Murdoch's 21st Century Fox, in a deal that is expected to happen this week.

Besides the "Star Wars" live-action series, Disney is planning a show based on Pixar's "Monsters, Inc." franchise, along with a "High School Musical" series and a new program from superhero brand Marvel Entertainment. The studio will also produce four or five feature films a year exclusively for the service, Disney Chief Executive Robert Iger told analysts recently.

Some think the promise of new "Star Wars" content alone would be enough to get people's attention.

"'Star Wars' is obviously a marquee brand," said Scott Krisiloff, chief investment officer at Avondale Asset Management, which is not an investor in Disney. "I am sure you have fans that will pay for a Disney service just for 'Star Wars.'"

Disney also said it plans to launch an ESPN-branded over-the-top service for sports programming in 2018. Long its crown jewel and profit center, ESPN has been squeezed as customers have ditched costly cable TV packages.

Netflix Chief Content Officer Ted Sarandos downplayed Disney's entry into streaming at a recent investor conference, saying it wasn't clear what the company wanted to do in the space.

Still, he acknowledged that Disney has bulked up on "killer brands—including "Star Wars," Marvel and Pixar—that could attract viewers.

"Disney's been very good at being a destination company," he said. "You know what I mean, like getting you so excited you go to the park or being so excited that you go to their service."

Disney representatives declined to comment.

Underscoring the value of the "Star Wars" franchise, Disney has taken pains to make sure the movies are successful, and it hasn't shied away from major shakeups to get them right.

Disney in June fired directors Phil Lord and Chris Miller during the production of "Solo: A Star Wars Story" over creative differences, replacing the pair with Ron Howard. This year the company also removed Colin Trevorrow from the yet-to-be-titled "Episode IX," naming J.J. Abrams to take over the key project.

The studio has downplayed expectations for "Star Wars: The Last Jedi," which is unlikely to gross as much as "The Force Awakens." That 2015 film, directed by Abrams, benefited from decades of pent-up demand to see the likes of Harrison Ford (Han Solo) and the late Carrie Fisher (Princess Leia) reprise their signature roles.

Still, "The Last Jedi" is virtually a guaranteed hit. The film is expected to open this weekend with \$200 million in ticket sales in the United States and Canada, and an additional \$225 million from foreign countries for a combined box-office haul of about \$425 million. That could put it on track to gross \$1.7 billion in worldwide ticket sales, according to analysts.

"The Last Jedi" is expected to slot in between the two prior "Star Wars" pictures in terms of its opening-weekend performance. Both of those films also opened in mid-December, with "The Force Awakens" delivering a global haul of \$529 million, and last year's "Rogue One: A Star Wars Story" generating \$290 million in worldwide ticket sales over its opening weekend.

The new movie has already gotten a major vote of confidence from Disney. Director Rian Johnson has been tapped by the company to develop a new "Star Wars" trilogy. Interest in "The Last Jedi" appears strong: The film's full trailer was viewed more than 120 million times in the 24 hours following its premiere during ESPN's "Monday Night Football" in October.

Expanding the "Star Wars" franchise throughout the Disney empire has been a key strategy for Iger since Disney acquired Lucasfilm for \$4 billion in 2012. The "Star Wars" lineup includes a Han Solo spinoff in May, a ninth film in the main series in 2019, and the recently announced trilogy.

So far, the strategy has paid off handsomely. "The Force Awakens" and "Rogue One" grossed a combined \$3 billion in global box-office sales.

Besides the films, arguably the biggest of Disney's "Star Wars" projects are two themed areas being built at Walt Disney World Resort and Disneyland Resort. The 14-acre areas are scheduled to open in 2019.

Other "Star Wars" products include video games, apparel and toys. One popular item this holiday season is expected to be a \$149.99 BB-9E droid made by Sphero, which had a hit two years ago with a similar app-controlled toy modeled after the BB-8 character in "The Force Awakens."

"We had big ambitions for the 'Star Wars' franchise when we acquired Lucasfilm five years ago, and we're already exceeding our expectations," Iger said on a conference call with analysts in November.

But although the brand has enjoyed a remarkable run in recent years, some analysts say the company runs the risk of stretching itself thin with an overabundance of "Star Wars" material.

"It's a fine line to walk in terms of over-saturation," said Barton Crockett, a media analyst who covers Disney for B. Riley FBR Research.

Avoiding that problem will be an important balancing act for Disney, said Doug Creutz, an analyst with Cowen & Co.

"They've done very well on the first two movies, and I suspect this one will do well too," Creutz said. "Let's see if they can do this for 10 years."

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Citation: 'Last Jedi' will play a big role as Disney takes on Netflix (2017, December 15) retrieved 3 May 2024 from <https://phys.org/news/2017-12-jedi-big-role-disney-netflix.html>

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