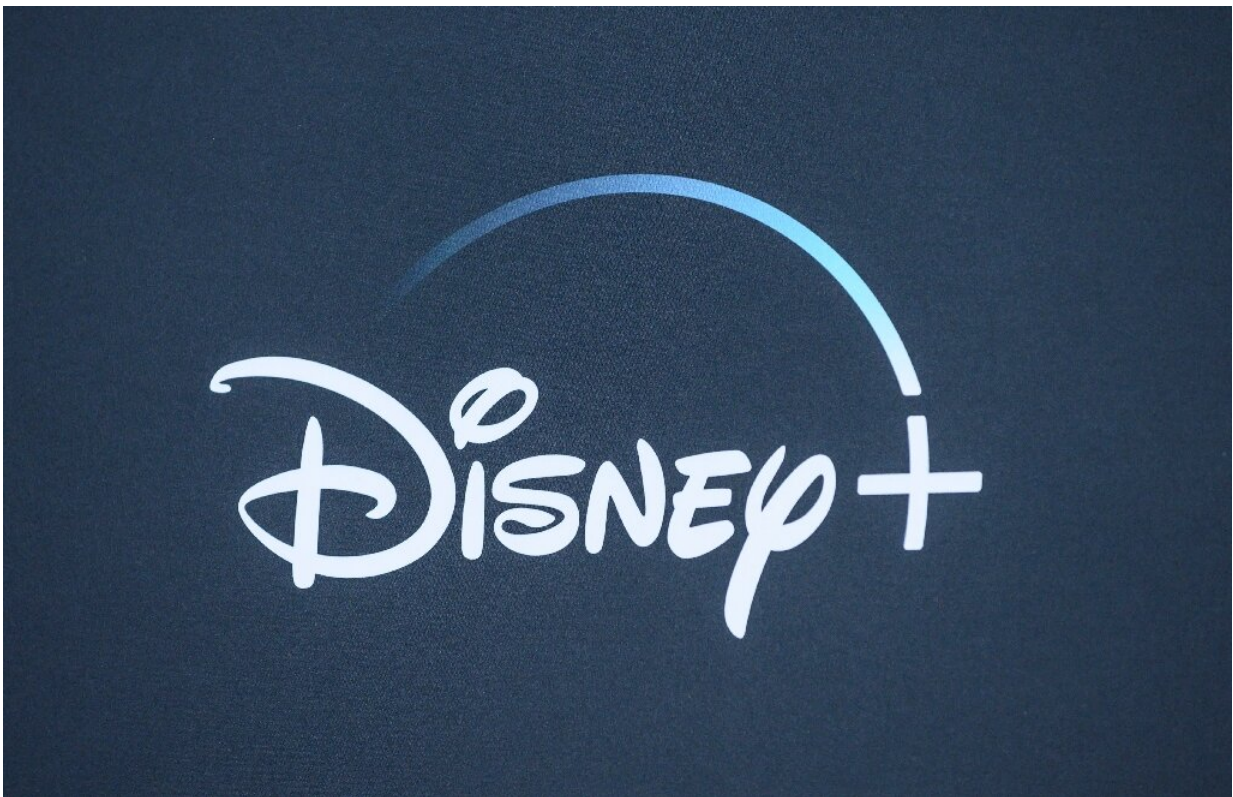


Disney streaming booms as theaters grapple with pandemic

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Disney+ subscriptions in the recently ended quarter more than doubled from the same period a year earlier to 116 million.

US entertainment giant Disney said Thursday its online streaming services have boomed while it grapples with how to release films as the Delta coronavirus variant drives viewers from movie theaters.

Disney+ subscriptions in the recently ended quarter more than doubled from the same period a year earlier to 116 million, while its Hulu and ESPN offerings also attracted more members, the company said.

Disney chief executive Bob Chapek said on an earnings call that a priority is to tell "great stories" and win viewers by leveraging hit franchises such as its Marvel Cinematic Universe, Star Wars movies and shows, and Pixar animated features and shorts.

The pandemic prompted Disney to release some films on its streaming service when contracts and conditions allowed with a focus on remaining flexible, according to Chapek.

"In light of the prolonged and unpredictable nature of the pandemic we needed to find alternative ways to bring our movies to consumers while theaters were closed," Chapek said.

"We will continue to utilize all available options going forward, learn from insights gained from each release and innovate accordingly."

Scarlett Johansson is suing Disney over its decision to release superhero movie "Black Widow" on streaming at the same time as in theaters, alleging a breach of contract which cost the star millions of dollars.

Johansson, one of Hollywood's biggest and top-paid stars, was entitled to a percentage of box office receipts from the much-anticipated Marvel film, according to a lawsuit filed in Los Angeles Superior Court.

The film was originally due for a big-screen release last year, but was delayed multiple times due to the Covid-19 pandemic and was eventually released in July simultaneously in theaters and on Disney+.

"We value flexibility in terms of making as many last minute calls as we

can," Chapek said about the future of theatrical releases for films.

"We did not anticipate the resurgence of Covid with the Delta variant that would have such a significant impact on the marketplace."

Disney's tactics regarding theatrical releases of films will have a "big impact" on the industry, according to Third Bridge senior analyst Joe McCormack.

Disney debuting all of its films simultaneously on its streaming service could potentially cut movie theater revenue in half, he said.

Covid costs

Disney reported a net income of \$923 million in the quarter ending July 3, compared with a loss of about \$5 million during the same period last year when the pandemic closed its theme parks and other businesses.

"We ended the third quarter in a strong position, and are pleased with the company's trajectory as we grow our businesses amidst the ongoing challenges of the pandemic," Chapek said.

Disney's portfolio of streamers ended the quarter with a combined 174 million subscribers, according to Chapek.

"With Disney+'s launch in most major markets in the rearview mirror, the tough work has just begun," said eMarketer senior analyst Eric Haggstrom.

Disney said it was continuing to deal with the impact of the Covid-19 pandemic, particularly on its theme parks, resorts and cruise ships.

Theme parks and resorts have been able to reopen at various points, but

with reduced capacity.

Disney has delayed, shortened or canceled theatrical runs for films and stage plays, and as theaters re-open the company faces capacity restrictions and shifts in regulations as the pandemic ebbs and surges.

"Although most film and television production resumed beginning in the fourth quarter of fiscal 2020, we continue to see disruption of film and television production, as well as live sports events, depending on local circumstances," the company said in the earnings release.

"We have and will continue to incur additional costs to address government regulations and implement safety measures for our employees, talent and guests."

Disney expects costs related to the pandemic to total about \$1 billion in the current fiscal year.

Disney shares were up more than five percent in after-hours trading that followed release of the earnings figures.

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