Disney to hike streaming prices and crack down on password sharing amid pressure on earnings

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The Walt Disney Co. logo appears on a screen above the floor of the New York Stock Exchange on Aug. 7, 2017. Disney reported narrower losses on its Disney+ streaming platform in the quarter ended July 1, 2023, and boosted revenues, but also shed Disney+ subscribers for the second quarter in a row. Credit: AP Photo/Richard Drew, File

Walt Disney Co. CEO Bob Iger vowed to make its streaming services profitable via a planned October price hike on its ad-free Disney+ and Hulu plans and a crackdown on password sharing expected to extend through next year.

The increases, expected to take effect later this year, will raise the monthly cost of ad-free Disney+ by $3, or roughly 27%, to almost $14. The cost of ad-free Hulu will likewise rise $3 to almost $18—a 20% hike that will make it more expensive than the most popular ad-free tier at Netflix.

Iger spoke following Disney's release of mixed earnings for its fiscal third quarter ended July 1. The company reported a substantial net loss while shedding customers in both domestic and international markets. Overall, Disney reported a 4% increase in revenue for the quarter but swung to a net loss of $460 million from a year-earlier profit of $1.4 billion. Disney shares, which closed at $87.49, rose roughly 2.5% to around $90 in after-hours trading.

While Disney reported narrower losses on Disney+ in the quarter, the service lost domestic subscribers in the U.S. and Canada for the second straight quarter. Internationally, it racked up its third straight quarter of declines, although issues in the Indian market played a large role there.

The service had 146.1 million international customers in its third quarter, a 7.4% decline from the 157.8 million it reported in the second quarter. That followed a loss of 4 million streaming subscribers in the second quarter. Domestically, it shed 300,000 subscribers in the third quarter, the same number it lost in the second quarter.

The Disney CEO acknowledged that the price hikes are intended to steer consumers toward cheaper ad-supported versions of these services, whose subscription prices are not changing. The advertising market for

streaming is "picking up," he said, noting that it's healthier than traditional TV ads. "We're obviously trying with our pricing strategy to migrate more subs to the advertising supported tier."

Iger didn't provide details about the password-sharing crackdown beyond saying that Disney could reap some benefits in 2024, although he added that the work "might not be completed" that year and that Disney couldn't predict how many password sharers would switch to paid subscriptions.

Some analysts doubted whether price hikes and getting tough on password sharers can do much to lead Disney back to sustainable growth. Paul Verna, an analyst with Insider Intelligence, said in a note that the company's moves aren't likely to calm investors "anxious for clarity on the company's strategy for its streaming services and TV networks."

While a narrowing in Disney's streaming losses is heartening, he argued, the improvements owed more to dramatic cost-cutting than organic growth, suggesting that Iger still doesn't have a plan for putting Disney on a sound footing.

Disney is in the middle of a " strategic reorganization " that includes cutting about 7,000 jobs to help save $5.5 billion across the company.

Iger, who returned in November to take over the CEO post from Bob Chapek, has worked over the past several months to turn around Disney's streaming business while making sure that the financial might of its theme parks doesn't waver.

Disney's theme parks are widely viewed by industry experts as a critical component of the Burbank, California-based company's business. To that end, Iger has prioritized reconnecting with the Disney theme park die-hards and restoring their faith in the brand. Shortly after Iger's

return, changes rolled out at U.S. parks.

He's also had to contend with trying to protect Disney World's theme park district from a takeover by Florida Governor Ron DeSantis. Disney sued DeSantis in late April, alleging the governor waged a "targeted campaign of government retaliation" after the company opposed a law critics call " Don't Say Gay." This month a group of mostly Republican former high-level government officials called the Florida governor's takeover of Disney World's governing district "severely damaging to the political, social, and economic fabric of the State."

Disney announced last month that Iger will remain as CEO of The Walt Disney Co. through the end of 2026, agreeing to a two-year contract extension that will give the entertainment and theme park company some breathing room to find his successor.

On Tuesday, Disney-owned ESPN announced that it struck a lucrative deal to rebrand an existing sports-betting app owned by Penn Entertainment as ESPN Bet. Penn Entertainment is paying $1.5 billion plus other considerations for exclusive rights to the ESPN name and will continue to own and operate the betting app.

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