Meaghan Yuen

Full Hulu ownership and content budget cutbacks: What Disney's big headlines mean for the streaming landscape

Article

The Walt Disney Co.'s recent moves, including the full acquisition of Hulu and adjustments in its content investment strategies, underscore a pivotal phase for the growth of the entertainment giant's streaming business.

For connected TV advertisers, these drivers and drawbacks are worth keeping an eye on.

Goal: Assert Disney as a streaming giant

In July, Disney CEO Bob Iger suggested the potential sale of the company's linear TV assets, which he said "may not be core" to the business, according to CNBC. Disney's willingness to step away from linear TV brands such as ABC could indicate the start of its full pivot to streaming.

The digital-first approach comes as linear TV viewership declines. By 2025, US adults' average time spent per day with linear TV will drop to 2 hours and 40 minutes, 15 minutes less than this year, according to our June 2023 forecast.

Challenge: Buying out Comcast

The acquisition of Comcast's stake in Hulu, though a significant stride toward Disney's streaming supremacy, presents challenges in valuation negotiations. "I will not be surprised if there is significant tension and lawsuits between the two companies to arrive at a deal," our analyst Paul Verna said on an episode of the "Behind the Numbers" podcast.

Industry experts are valuing Hulu at upwards of $40 billion, and with good reason. Hulu is one of the few major streaming services that is seeing a profit, said Verna. Plus, with the third-highest viewership rate among streaming platforms, according to our estimates, Hulu has a lot to offer a soon-to-be sole owner. "I don't see this going smoothly. I think there's going to be some haggling," Verna said.

Goal: Boost subscriber count

Disney's latest earnings reported more than 150 million Disney+ subscribers worldwide. The growth is still short of the 2024 subscriber target set last year by then-CEO Bob Chapek, who was aiming for 215 million to 245 million.

"I don't think [Disney's] going to get to 215 million by this time next year," Verna said. But if the company consolidates Disney+ and Hulu, merges them, or expands Hulu outside of the US, "there may be another way to spin the figures" so it doesn't seem like such a distant goal, he said.

Challenge: Content investment

Last month, the company announced plans to cut its content budget to $25 billion, down from $27 billion. On an earnings call, Iger said the focus on big films will help "increase our margins and grow the business."

As Disney seeks to gain a stronger foothold within the hyper-competitive streaming market, the decision to curtail content spending poses questions for the company's overall subscriber acquisition strategy. Already, nearly one-third of US internet households are canceling streaming services to save money, according to Parks Associates.

"Spending a lot less on content and expecting big subscriber growth—that is definitely trying to have your cake and eat it too," Verna said.

Listen to the full episode.

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