

Disney+ hikes prices and sets fees for its ad-supported tier—beating Netflix out of the gate

Article

The news: In a bid to make **Disney+** profitable, Disney revealed a December 8 launch date for ad-supported tier **Disney+ Basic** alongside new US price hikes.

- Disney+ Basic (with ads) will cost \$7.99 per month. That's how much the service *without* ads costs right now. The ad-free version will go up 38% in price, to \$10.99, and be known as **Disney+ Premium**.
- That isn't the only Disney-run streamer raising prices; starting October 10, the cost of ad-supported **Hulu** will rise \$1 to \$7.99 monthly; the ad-free tier will increase by \$2 per month to \$14.99.
- Last month, Disney announced that the monthly cost of ESPN+ (with ads) would increase 43% to \$9.99.

Why the hikes? They're partly a response to the streamers' expanding operating losses.

- Disney+ attracted nearly 15 million new customers in the quarter—nearly 50% more than analysts had predicted—but losses worsened.
- With content acquisition and production costs on the rise, Disney+, Hulu, and ESPN+ **collectively lost \$1.1 billion** in the most recent quarter, \$300 million more than analysts projected.
- Finance chief Christine McCarthy has said that Disney expects to lose money on Disney+ until 2024, with losses reaching their peak in the 2022 fiscal year.
- Disney's quarterly earnings, released on Wednesday, outperformed on both the top and bottom lines. In the most recent period, Disney+ subscriptions rose to 152.1 million, exceeding Wall Street's forecast of 147 million. Disney has 221 million streaming customers across ESPN+, Disney+, and Hulu (partially owned by Comcast).

The inflation effect: With many consumers feeling the pinch and [reevaluating their streaming subscriptions](#), they could switch from premium subscriptions to ad-supported tiers—or give bundles another look.

- A Disney+ and Hulu bundle with advertising will be available for \$9.99 per month. That's a significant savings over purchasing Disney+ and Hulu with ads separately.
- As more users choose cheaper bundles, Disney's average revenue per user (ARPU) could continue to drop. In the US and Canada, ARPU fell by 5% during the past quarter.

What it means: This makes it twice in a row that Disney+ has beat Netflix out of the gate: first on its timeline for releasing ads, and now on establishing pricing.

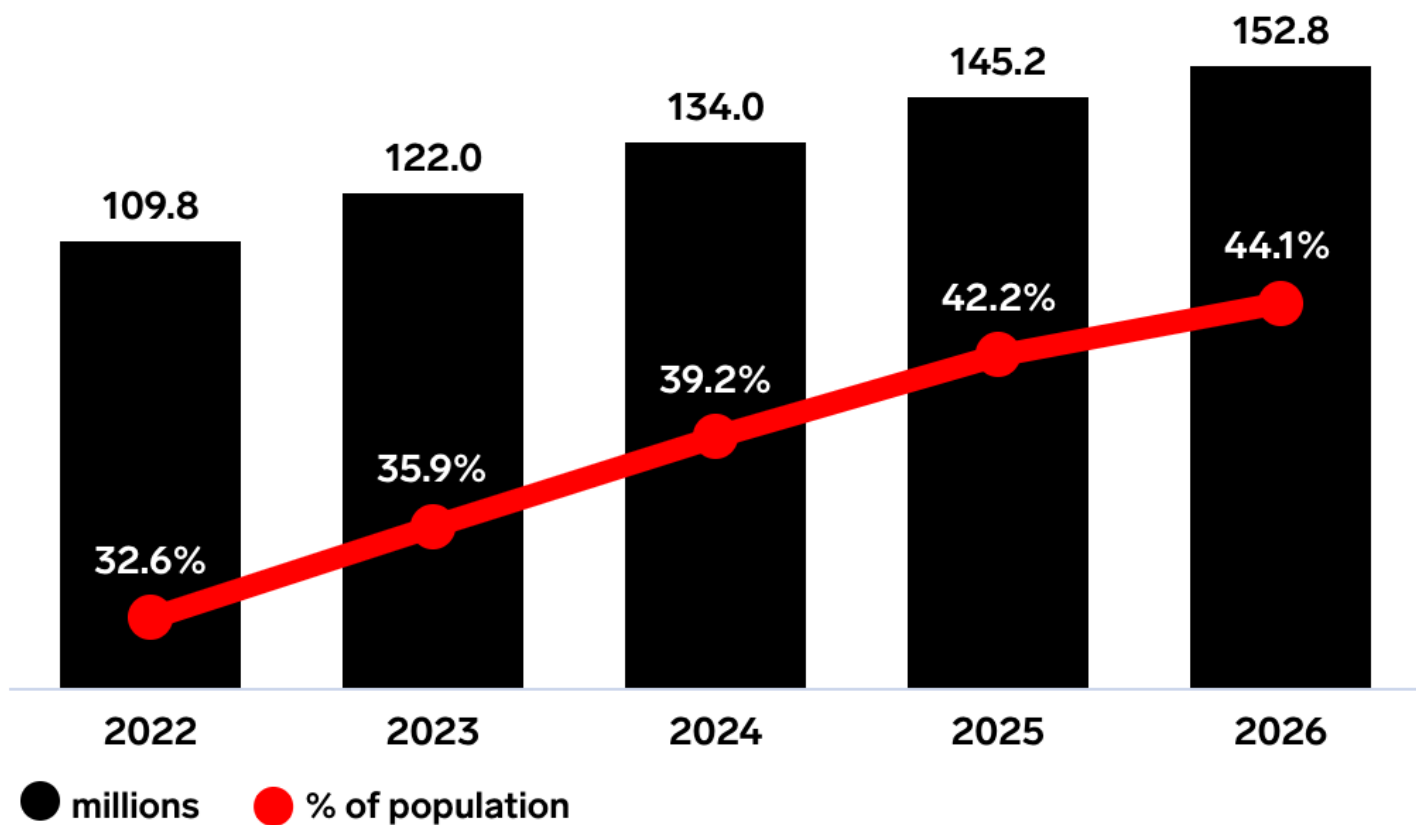
- Due to licensing issues, Netflix's ad-supported tier **won't provide** users access to the whole platform's library at launch, in contrast to Disney+.
- Disney has also said that kids' profiles won't include ads, and it will limit how often other profiles see them: For every 60 minutes of content, viewers are expected to watch four minutes of advertising.
- But these moves don't box Netflix into a corner, explains senior analyst **Ross Benes**. "In terms of time spent with OTT, Disney+ trails Netflix, Hulu, **Amazon**—and **YouTube** if you count them," says Benes. "Because the others already had ads in some fashion, Disney's moves won't control Netflix's strategy, despite the closeness of the timing."

Benes also notes that Disney+ is considerably cheaper than Netflix. **HBO Max's** pricing plans are probably comparable to what Netflix will initially charge, since HBO Max's ad-free tier is closer to Netflix's price than Disney+. Moreover, HBO Max's library size and content quality approximates that of Netflix.

The big takeaway: Disney+ may not be ahead of Netflix in some ways—but when it comes to launching its ad-supported tier, it has an early head start.

Disney+ Viewers

US, 2022-2026



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