

# [The possible issues with disney's merge with streaming services](https://assignbuster.com/the-possible-issues-with-disneys-merge-with-streaming-services/)

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Walt Disney (DIS) reported its third quarter results last week and although the company posted increases in all its metrics, the numbers missed analyst expectations and the stock bore the brunt of the market’s disappointment. Being under the spotlight is nothing new for Disney but over the past couple of months, the scrutiny has increased thanks to the Fox (FOX) deal and the humungous changes that the industry is expecting with the coming together of the two. In addition to the merger with Fox, there is immense interest around Disney’s new streaming service which is expected to launch toward the end of next year. It has been stressed time and again that the Fox deal will benefit Disney greatly by providing a rich trove of content, and this benefit is one that will spread to multiple areas of Disney’s business.

Although Disney is facing a slight drawback from the rising cord-cutting trend, it has managed to maintain its profits largely due to the continued strength of its other businesses, namely the movie studio and theme parks. Franchises like X-Men, Star Wars and Avatar hold immense potential for Disney going forward and along with the movie profits, these could lead to new attractions at the theme parks too. The content from Fox will also boost Disney’s upcoming streaming service. Disney has already stated that it plans to run a content-driven platform rather than a volume-driven one like Netflix (NFLX), and Fox’s content will help lay some strong groundwork there.

While all this looks very interesting, it also needs to be pointed out that before the Disney-Fox merger can be successful, it needs to gain all the required international regulatory approvals. Once that is done, countless other matters need to be sorted out over the vast array of businesses at the combined entity. As the integration of all the brands and franchises is a complicated process that is bound to take time, the groups of comic book characters may not come together that soon, or maybe at all. Fans who are eagerly waiting for their favorite superhero gangs to join forces may have to wait a while or even prepare to be disappointed as these are plans Disney is yet to start working on. In order to complete the Fox deal, Disney has to divest 22 of Fox’s regional sports networks. Disney is likely to get a good amount of proceeds from the divestiture which can be used for strategic investments. Another asset that will come with the Fox deal is Hulu. Hulu, which is jointly owned by Disney, Fox, Comcast (CMCSA) and AT&T (T), posted losses for the second quarter of 2018 but saw increases in subscriber numbers. The parent companies are increasing their investments in the platform which is estimated to total $1. 5 billion in 2018.

By taking over Fox, Disney will gain a majority stake of 60% in Hulu, which is expected to go along very well with Disney’s own streaming service. Over time, Disney might even attempt to acquire Hulu completely. Overall, there appears to be an immense growth in Disney’s future which is likely to bear sweet fruits for investors.