To effectively understand Disney+ position in the world of entertainment, it is important to first get a grasp of the industry it operates in, which is streaming services. Overall, this industry is fairly attractive, and presents opportunities for incumbents, especially as it is in the growth stage of its life cycle. Presently, the market is worth $41.8BN with projected annual growth of 23.2% from 2020 - 2025. There have been several key external factors driving this growth such as increases in consumer spending, internet traffic volume, mobile internet connections and capabilities of compatible technologies. Further, the onset of the pandemic and related social distancing measures have also contributed to a drastic growth in the industry.

Despite these strong drivers for growth, entering the industry can be a challenging venture. Thus, the threat of entry is low and has minimal impact on industry profitability. This is mainly due to the efforts required to start a sizable library on the platform, be it through licensing or creating original content, both of which require immense capital investments. For example, certain Disney+ series are believed to cost up to $25 million dollars[[1]](#footnote-0), indicating that entry into the industry is likely only possible for firms already entrenched within entertainment, or those that have existing content and the necessary established relationships.

The profits and performance of the industry are positively impacted by the moderate to low threat of substitutes. There has been an increasing trend in cord cutting i.e. a movement away from traditional cable TV subscriptions. Since 2014, the cable and satellite industry has witnessed 23% choosing to cut the cord. This has been accelerated by the pandemic, which led to a 7.5% drop in subscriptions from 2019 to 2020, and the trend is expected to continue. Consumers are preferring to opt for streaming services, which are typically cheaper and offer a wider variety of content. Similarly, movie theaters are also losing popularity due to the pandemic, down by 80% in 2020. Although economies are opening up, particularly with the introduction of the vaccines, the future of physical theatres seems to be bleak. Forecasts suggest a turnaround well after 2022, with attendance dropping by 15-25% on a permanent basis. This enables Disney+ to increase its role as a movie premier platform, specifically with their original releases, further increasing the value of Disney+ to consumers.

The trends within substitutes demonstrates that buyers have a significant level of power in dictating industry profitability. This is primarily a result of low switching costs. Consumers can easily switch between streaming platforms, given the lack of contracts and ability to cancel subscriptions at will. In fact, most people are subscribed to multiple streaming services due to this ease and the relative low cost, also indicating the lack of brand loyalty[[2]](#footnote-1). The main differentiating factor between services is ultimately the content which is unique to each streaming service.

Given that Disney+ is a streaming service for content that Disney already owns, the supplier power is relatively low. Disney does not need to manage relationships with suppliers because it is vertically integrated and owns most if not all of its content. The only instance wherein supplier power would come into play would be if Disney+ was trying to further diversify their offering and add a new series of shows or movies that it doesn’t already own. This would allow the supplier to have power with all the streaming services that are competing for its product meaning that this issue isn’t Disney+ specific. Similarly, the rest of the industry has low supplier power especially and firms like NBC are starting to recapture control of their original series’. If this trend of original series being streamed on their creator’s platform, then supplier power will further decrease across the industry since firms will own their own content.

The impact of these four forces has allowed the industry to grow with substantial profits at a rapid rate, especially when combined with external forces in the industry as previously mentioned. However, there is a high concentration ratio, with the four major players (Netflix, Alphabet, Walt Disney, Amazon) holding a combined market power of 76.2%. The oligopolistic nature of the industry suggests that while there may mean there is space for established incumbents to continue to grow, competition can be high for newer and smaller platforms.

* **Current attributes of the industry, trends projected growth**
  + $41.8BN revenue with annual growth of 23.2% from 2020-2025
  + Key external drivers between 2015-2020: increase in consumer spending, mobile internet connections, internet traffic volume and decrease in cable TV subscriptions
  + In growth stage of life cycle → fuelled by the pandemic & lockdown/social distancing measures
  + Increasing capabilities of compatible tech allows users to stream from multiple devices + rollout of 5G
* **Five Forces** 
  + **Supplier power: Low**
    - Disney owns so many TV and movie companies that they supply all of their entertainment. Examples include: Marvel, Fox film studio, StarWars and NatGeo
    - Important to maintain good relationships with suppliers - high bargaining power e.g. Netflix losing Friends
    - Backward integration by creating own content
  + **Buyer power: High**
    - Low switching costs to change between platforms as not tied to contract and can cancel subscriptions at will - most people have subscriptions to multiple streaming services
    - Most services are similarly prices
    - Content is main differentiating factor but if buyers don’t want their content then the buyers have no reason to stay with Disney
  + **Rivalry: High**
    - Major players: Netflix (27.6%), Alphabet Inc (21.8%), Walt Disney (18.6%), Amazon (8.2%)[[3]](#footnote-2)
    - High concentration as C4 = 76.2%
    - High CAGR → space for industry to grow
  + **Threat of entry: Low**
    - High and/or increasing barriers to entry
    - High capital investments due to costs of licensing and creating original content - relatively easier for entertainment companies such as Disney
    - Cost of acquiring content likely to rise as competition increases
    - Network effects, first mover advantage, economies of scale
  + **Threat of substitute: Low** 
    - Cord cutting/decrease in cable TV subscriptions as a result of a shift towards streaming services
    - Movie theaters losing popularity, further accelerated by pandemic, mean that people will look for their movies via streaming or on-demand
    - Need data point to show decline
* **Overall analysis based on what we find / summary** 
  + Screen time vs entertainment
  + Also involved in video games
  + What jobs is disney fulfilling?
* Add links / sources here
  + <https://my.ibisworld.com/us/en/industry-specialized/od6197/about>
  + <https://www.businessinsider.com/major-film-franchises-that-disney-will-own-after-fox-deal-2018-7>
  + <https://www.pwc.com/us/en/industries/tmt/library/global-entertainment-media-outlook.html>

<https://fortune.com/2020/09/21/cord-cutting-record-covid-19-pandemic/>

https://www.forbes.com/sites/robsalkowitz/2021/01/08/heres-why-the-future-of-movie-theaters-may-be-brighter-than-it-looks/?sh=5c3132dc1718

1. <https://qz.com/1735700/apple-and-disney-are-creating-an-explosion-of-tv-series-budgets/#:~:text=Before%20Silicon%20Valley%20got%20into,about%20%242%20million%20per%20episode> [↑](#footnote-ref-0)
2. [https://www.cordcuttersnews.com/55-of-people-subscribe-to-more-than-one-of-the-bi-three-streaming-services/#:~:text=According%20to%20numbers%20from%20Leichtman,and%20from%2020%25%20in%202015](https://www.cordcuttersnews.com/55-of-people-subscribe-to-more-than-one-of-the-big-three-streaming-services/#:~:text=According%20to%20numbers%20from%20Leichtman,and%20from%2020%25%20in%202015) [↑](#footnote-ref-1)
3. Talk about Screen time Competition: Netflix vs Fortnite: <https://www.washingtonpost.com/technology/2019/01/18/netflix-fortnite-is-bigger-rival-than-hbo/> [↑](#footnote-ref-2)