

How Disney Plus Helped Disney out of Financial Crisis

Bixuan Sun^{1,a,*}

¹*University of Southern California, Los Angeles, US*

a. Bixuansu@usc.edu

**corresponding author*

Abstract: This paper examines the impact of the COVID-19 on The Walt Disney Company and the measures taken by the company, particularly the launch of the streaming service Disney Plus, to mitigate the economic crisis. The pandemic led to the closure of Disney's theme parks worldwide, resulting in significant revenue losses. The film industry also suffered as movie theaters closed and production was disrupted. As a result, Disney's stock price fell, and the company faced financial difficulties. However, the launch of Disney Plus in November 2019 provided a new source of income and profit opportunities. When people had to stay home, the demand for streaming services surged, and Disney Plus capitalized on this trend. As a result, the success of Disney Plus exceeded expectations, surpassing 60 million subscribers by August 2020. The paper analyzes the strategies employed by Disney to promote Disney Plus, including releasing blockbuster films directly on the platform and extensive advertising campaigns across various media channels. The company's public statements emphasizing its commitment to streaming media and its confidence in Disney Plus further contributed to its success. Overall, Disney Plus played a crucial role in mitigating the financial impact of the COVID-19 on The Walt Disney Company.

Keywords: COVID-19, pandemic, The Walt Disney Company, Disney Plus, streaming service, economic crisis

1. Introduction

This paper provides an overview of the impact of the COVID-19 pandemic on The Walt Disney Company, focusing on challenges faced in areas such as theme parks and film production. It examines how Disney utilized its streaming service, Disney Plus, to overcome economic challenges, with a particular emphasis on promotional and advertising strategies. Through a single case study approach, the study analyzes news reports, financial data, and promotional strategies to gain insights into Disney's resilience and recovery during the pandemic. The article highlights the significance of the launch of Disney Plus in mitigating the economic crisis. It explores measures taken by Disney to promote the service, including releasing popular films directly on the platform and implementing strategic marketing campaigns.

2. Manuscript Preparation

2.1. Overview of the Event

From the end of 2019 to the beginning of 2020, Covid-19 emerged and broke out worldwide at a breakneck speed, significantly affecting people's lives. Meanwhile, the pandemic has had a wide-ranging impact on the economy. As the virus spreads around the world, various industries have been affected, including tourism, catering, entertainment, retail, and manufacturing, among which the tourism and entertainment industries have suffered hefty losses.

As a giant mass media and entertainment company in the United States, Disney has also been deeply affected by the pandemic. First, Covid-19 has severely impacted the global large-scale tourism industry, and Disneyland, a famous tourist attraction in various countries, has also suffered. The company's primary source of revenue was hit hard when all six Disneyland parks in the world had to close due to lockdown measures and social distancing requirements. According to Voice of America News, Disneyland [1] in Los Angeles, California, has been closed for 13 months amid the coronavirus pandemic (The Telegraph). Also, the Disney Resort [2] in Shanghai, China, has been closed many times since the beginning of the pandemic, and it will fully resume its pre-pandemic business at the end of 2022 (NPR).

At the same time, the pandemic has also had a significant impact on the Disney films section. Due to the outbreak and massive lockdown measures worldwide, many offline theaters were forced to close, leading to a decline in the company's movie box office revenue. Additionally, film production has been limited, with some film projects delayed or suspended. For example, "The Little Mermaid," which was initially scheduled to be filmed in London in 2020, and "Shang-Chi and the Legend of the Ten Rings," which was filmed in Australia, has suspended [3] production due to fears of the COVID-19 virus spreading (Los Angeles Times).

As a result, Disney's stock price and financial status have also been hit hard. After the outbreak, the company's stock price fell as investors worried about the negative impact of the pandemic on the company's business and financial condition. Since January 2, 2020, Disney's stock price has fallen by 29.3%, and its market value has evaporated by \$82.491 billion. What's even more frightening is that the Walt Disney Company had to announce that it would stop paying salaries to more than 100,000 employees due to the unprecedented tension in cash flow. The company's top executives also cut salaries. For example, then-CEO Robert Iger announced in the company's internal email that he would give up all his salary. The new Disney Parks, Experiences, and Products Chairman, Bob Chapek, also announced that he would only receive 50% of his annual salary. Disney has also ushered in the darkest moment in the financial report. On May 5, 2020, Disney released [4] the financial report for 2020 Q2, "Ended March 28, 2020, dilute earnings per share (EPS) from continuing operations for the quarter decreased 93% to \$0.26 from \$3.53 in the prior-year quarter. Excluding certain items affecting comparability, diluted EPS for the quarter decreased 63% to \$0.60 from \$1.61 in the prior-year quarter. EPS from continuing operations for the six months ended March 28, 2020, decreased 73% to \$1.44 from \$5.42 in the prior-year period (The Walt Disney Company)." Furthermore, many news coverages have reported on Disney's economic difficulties during the pandemic, such as CNN [5] reported on Disney's business closures and economic losses during the pandemic; Bloomberg [6] reported on the decline in Disney's financial situation and the closure of theme parks; Forbes [7] reported the decrease in Walt Disney Co.'s stock price and the severe competition in the entertainment market. As an entertainment giant, Disney's challenges and subsequent responses have received much attention.

2.2. Measures Taken by Disney

Fortunately, the arrival of the pandemic is not all bad news for Disney. In November 2019, to cater to the rising demand for streaming services, Disney launched Disney Plus. Disney Plus was not initially favored as an emerging ad-free streaming media service, but its emergence has brought new sources of income and profit opportunities for Disney.

Due to the lockdown policies during the pandemic and the fear of the virus, many people are forced to stay at home, which has led to a huge surge in demand for streaming services, and Disney Plus caters to this trend. It offers Disney's [8] traditional animated films, classic films, original TV series, documentaries and other content, including the popular "The Mandalorian" and "Hannah Montana. (Los Angeles Times)"

The Walt Disney Company announced in August 2020 that Disney Plus has surpassed 60 million subscribers, which is an amazing achievement and completely exceeded Disney's expected goals. The success of Disney Plus has allowed Disney to offset declining revenues in other business segments, notably theme parks and movie production. At the same time, it has also brought great confidence to Disney's top executives and all employees. Bob Chapek said [4] in the earnings call after the announcement of the Q2 financial report in 2020, "While the COVID-19 pandemic has had an appreciable financial impact On a number of our businesses, we are confident in our ability to withstand this disruption and emerge from it in a strong position. Disney has repeatedly shown that it is exceptionally resilient, bolstered by the quality of our storytelling and the strong affinity consumers have for our brands, which is evident in the extraordinary response to Disney Plus since its launch last November. (The Walt Disney Company)" Disney Plus's success has also received much media coverage and further publicity. CNN Business emphasized [9] that the number of subscribers to Disney Plus exceeded expectations and said it had stimulated the company's stock price to recover, "The streaming service netted nearly 74 million subscribers by the end of the quarter, surpassing estimates and giving Wall Street a rare reason to cheer the struggling media company. Disney's (DIS) stock was up 5% in after-hours trading. (CNN)" CNBC, Forbes and many other authoritative media have also stated that the arrival of Disney plus has eased Disney's financial crisis during the pandemic.

2.3. Analysis

There is no doubt that the emergence of Disney Plus has saved Disney in the face of a severe economic crisis. At the same time, the efforts of Disney's public relations and advertising departments have also promoted the popularity and high returns of Disney Plus. The Walt Disney Company has spent much time and money promoting Disney Plus, developing many strategies to ensure its success.

First of all, when the pandemic caused the closure of movie theaters, Disney began to rework its movie distribution strategy. At the end of 2020, Disney announced that some of its important films will be released directly on Disney Plus, such as "Mulan" and "Black Widow". These IPs have a lot of popularity and traffic and a very large fan base. Moreover, as a company with a large number of classic IPs, Disney can produce more high-quality content and put it on Disney Plus, which greatly improves the competitiveness of Disney Plus. When offline theaters are restricted, it is very wise for Disney to choose to release these big-budget movies on Disney Plus. Such a strategy could attract more subscribers to Disney Plus, making the service a serious contender in the streaming market.

At the same time, the Disney company has also placed many advertisements to promote Disney Plus. Disney has produced several TV commercials, often in the form of short films, showing viewers what Disney Plus will offer in the future and encouraging them to subscribe to the service. For example, Walt Disney Company launched a 30-second TV commercial in France to promote the upcoming release of "Mulan" on Disney Plus. The Walt Disney Company has also placed advertisements at major events such as the Super Bowl [10] and the Oscars, further expanding its

brand awareness (Adweek). In terms of social media, Disney has opened official Disney+ accounts on social media (such as Twitter, Facebook, Ins) in various countries. It promotes its services by pushing posters, videos and other content. The Walt Disney Company has developed a unique promotional strategy [11] for each platform. Twitter serves as a destination for real-time conversations, communicating with fans and getting feedback anytime. Instagram showcases Disney Plus visuals, while Facebook posts more long-form videos (The Shorty Award). Disney makes good use of the characteristics of different platforms to showcase the advantages of Disney Plus in multiple directions, better attract the target audience's interest, and establish a good relationship with fans. In addition, Disney has also invited many influencers to evaluate and promote the content of Disney Plus, to increase the popularity and number of subscriptions of Disney Plus. At the same time, Disney has not given up on offline marketing channels. Although the company has had to reduce its offline publicity during the pandemic, it's still a good idea to promote. The Disney Plus marketing campaign kicked off at Disney's annual D23 Expo [12] in California, attracting more than 100,000 official Disney fan club members. At the event, the company invited over 50 actors and directors in Disney Plus content production to participate in the promotion. Attendees can sign up for the streaming service. Disney also promised a 33 percent discount to entice them to sign up (Indigo Digital). Disney Plus also conducts offline promotions around a series of Disney stores, hotels, cruise ships and other entertainment entities, including advertisements covering the content of Disney Plus on Disney's shuttle bus, and playing Disney Plus programs on Disney cruise ships. In offline souvenir shops, each employee has a QR code for registering a Disney Plus account and invites customers to subscribe on time.

Disney is also cooperating with some mainstream media, operators and retailers to expand the popularity and user base of Disney Plus. For example, Disney has reached a cooperation with Verizon to provide wireless users with a one-year free subscription, to touch as many as 18 million potential user groups; Disney also cooperates with visa gift cards that users with Disney-branded gift card faces can get streaming subscription offers. In addition, Disney has also cooperated with Apple, Google, Microsoft, Sony and other technology giants to promote Disney Plus to their respective platforms. Moreover, Disney has launched the latest streaming media package subscription. Disney's streaming media platforms include ESPN+ and Hulu, which already have a large user base. Disney will provide packaged subscription packages for Disney Plus, ESPN+, and Hulu, which will help Disney Plus quickly attract users and stimulate the company's revenue.

In addition to these, the public statement made by the company's executives when they launched Disney Plus to deal with the company's economic crisis also made consumers feel Disney's confidence in this streaming service. Disney's top streaming executive, Kevin Mayer, emphasized [13] in an interview with the New York Times that for Disney, there is no more important business than streaming media, and they have made long-term efforts on Disney Plus (The New York Times). Disney CEO Robert Iger said [14] in a February 2020 statement, "We had a strong first quarter, highlighted by the launch of Disney Plus, which has exceeded even our greatest expectations. Thanks to our incredible collection of brands, outstanding content from our creative engines, and state-of-the-art technology. (Techcrunch)" As Disney executives said in the 2020 Q2 earning call, although the company faces a severe financial crisis, they believe that Disney+ can help them break through challenges. These public statements emphasized the company's emphasis on Disney Plus, which to a certain extent ignited the confidence of consumers and advertisers, and stimulated their subscriptions and investments, all of which helped Disney get out of economic difficulties. In fact, since Disney encountered economic difficulties after the outbreak of the pandemic, the public statements of the company's top management have repeatedly emphasized their confidence in Disney's recovery from the predicament and their determination to deal with difficulties together. Whether it's the company's top executives voluntarily proposing a salary cut in internal emails, or their strong confidence in

implementing Disney Plus, they all reflect this great business empire's optimistic attitude and courage in the face of difficulties. They have established a good corporate image, strengthening consumers' positive attitude.

3. Conclusions

Although the outbreak of Covid-19 once seriously affected Disney's business in offline theme parks and film production, and caused the company to fall into a serious financial crisis. But the lockdown policy under the pandemic has also promoted the development of streaming media platforms to a certain extent, allowing Disney Plus, launched by Disney in 2019, to enter the vision of more audiences. Regarding public relations and advertising, Disney has also formulated corresponding strategies for Disney Plus, including PESO media strategy, which has successfully promoted more consumers to subscribe. The positive public statement of the company's top management also allowed people to maintain confidence in Disney despite the severe economic crisis and the fear of a pandemic, and finally let Disney out of the economic crisis. In the post-epidemic era, Disney's global business has returned to normal, and Disney Plus maintains a high growth rate. Disney has successfully overcome this economic challenge.

References

- [1] Disneyland is bringing back guided tours, park officials say | macon ... (n.d.). Retrieved March 5, 2023, from <https://www.macon.com/news/nation-world/national/article266897941.html>.
- [2] Archie, A. (2022, October 31). Shanghai Disney Resort will close indefinitely starting on Halloween due to covid-19. NPR. Retrieved March 5, 2023, from <https://www.npr.org/2022/10/31/1132764320/shanghai-disney-resort-covid-19>.
- [3] Los Angeles Times. (2020, March 13). Disney Studios halts production on 'The little mermaid,' 'Shang-Chi' and other films. Los Angeles Times. Retrieved March 5, 2023, from <https://www.latimes.com/entertainment-arts/business/story/2020-03-13/disney-studios-halts-production-coronavirus-mermaid>.
- [4] For immediate release second quarter and six months earnings for fiscal ... (n.d.). Retrieved March 5, 2023, from <https://thewaltdisneycompany.com/app/uploads/2020/05/q2-fy20-earnings.pdf>.
- [5] Duffy, C. (2020, March 29). Disneyland and Walt Disney World to remain closed because of Coronavirus | CNN Business. CNN. Retrieved March 5, 2023, from <https://www.cnn.com/2020/03/29/business/disney-closures-continue-coronavirus/index.html>.
- [6] Buckley, T. (2022, November 8). Disney's (DIS) stock erases almost all its pandemic gains after earnings miss. Bloomberg.com. Retrieved March 5, 2023, from <https://www.bloomberg.com/news/articles/2022-11-08/disney-profit-misses-as-streaming-costs-rise-ad-sales-soften>.
- [7] Forbes Magazine. (n.d.). Walt Disney | DIS stock price, company Overview & News. Forbes. Retrieved March 5, 2023, from <https://www.forbes.com/companies/walt-disney/?sh=6e1881945730>.
- [8] Los Angeles Times. (2019, August 22). Everything you need to know about disney+. Los Angeles Times. Retrieved March 5, 2023, from <https://www.latimes.com/entertainment-arts/tv/story/2019-08-22/disney-plus-shows-movies-price-launch-date>.
- [9] Pallotta, F. (2020, November 12). Disney+ is up to nearly 74 million subscribers | CNN business. CNN. Retrieved March 5, 2023, from <https://www.cnn.com/2020/11/12/investing/disney-q4-earnings-coronavirus/index.html>.
- [10] Kelsey S. (2021, February 5). Disney Super Bowl AD encourages streaming fans to bundle up. Adweek. Retrieved March 5, 2023, from <https://www.adweek.com/convergent-tv/disney-super-bowl-ad-encourages-streaming-fans-to-bundle-up/>.
- [11] Disney+ social - the shorty awards. The Shorty Awards - Honoring the best of social media. (n.d.). Retrieved March 5, 2023, from <https://shortyawards.com/13th/disney>.
- [12] McKinnon, T. (2021, August 24). How disney plus' marketing strategy set it apart. Indigo9 Digital Inc. Retrieved March 5, 2023, from <https://www.indigo9digital.com/blog/disneymarketingstrategy>.
- [13] Barnes, B., & Nicas, J. (2020, May 18). Disney's head of streaming is New Tiktok C.E.O. The New York Times. Retrieved March 5, 2023, from <https://www.nytimes.com/2020/05/18/business/media/tiktok-ceo-kevin-mayer.html>.
- [14] Etherington, D. (2019, November 13). Disney+ has already attracted over 10 million subscribers. TechCrunch. Retrieved March 5, 2023, from <https://techcrunch.com/2019/11/13/disney-has-already-attracted-over-10-million-subscribers/>.