

[Transcript] Plain English with Derek Thompson / Disney's Downfall: The Rise and Fall of an Entertainment Giant

Hey, it's Bill Simmons. Did you know I've had my podcast for 15 years?

Do you know that it is the most downloaded sports podcast of all time?

Did you know I have guests from the sports world, from the culture world, people who work for the ringer, people outside the ringer, celebrities, experts?

You name it, it's on my podcast three times a week.

Late Sunday night, late Tuesday night, late Thursday night, the Bill Simmons podcast.

Check it out on Spotify.

This episode is brought to you by Indeed.

Nobody wins when you play the waiting game, especially when it comes to hiring.

That's why Indeed finds quality candidates for you.

In fact, with Instant Match, Indeed says over 80% of employers get matched with quality candidates the moment they sponsor a job.

So don't wait.

Upgrade your job post today with a \$75 sponsored job credit at Indeed.com.

Offer good for a limited time, terms and conditions apply.

That's Indeed.com slash Plain.

Need to hire? You need Indeed.

This episode is brought to you by SAP.

If you have a business, every day is a window of opportunity.

The kind that can make you or break you.

So you need to be ready.

Like handling good surprises and bad ones.

Ready.

Opening multiple locations on the same day.

Ready.

Stock options plus paid family leave.

Ready.

SAP has been there.

Done that.

And can help you be ready for anything that comes next.

Because it will.

So be ready with SAP.

Today's episode is about the miserable state of the media and entertainment business with a special look at the last 20 years of the Walt Disney Company.

We are, I think, hopefully in the final chapter of these strikes that have brought Hollywood to a standstill.

I hope the writers get higher pay.

I hope non A-list actors get higher pay.

I hope that the richest of Hollywood helped to make life a little easier for the folks in this business who aren't stars.

But I also think that zooming out of the labor strikes because this podcast is not about the strikes themselves.

If we're looking at the big picture, the strikes are only a small part of the crisis that has inflamed

[Transcript] Plain English with Derek Thompson / Disney's Downfall: The Rise and Fall of an Entertainment Giant

entertainment.

The writers are rightfully fighting over their slice of the pie.

But the biggest story in this industry is about the size of that pie.

And it's getting smaller.

As I said in a podcast on this topic a few weeks ago, total profits in Hollywood have been decimated by the rise of streaming.

As the cost of building direct to consumer businesses rose, and talking about, you know, your Disney Plus and your Max,

and the number of original series and films increased, and the price of all these services did not rise as much,

consumers got a relatively cheap bonanza of entertainment.

And much of it, let's be honest, was not very good entertainment, but it was all got at the expense of studio profits.

At Disney, Warner Brothers Discovery, Paramount, and Sony, I find this unbelievable, profits on TV, film, and streaming went from 23 billion in 2013 to about zero last year.

Zero includes some debt from the Warner Brothers Discovery merger, and adjusting for that makes for some fuzzy math.

Basically, in the last 10 years, the 10-year-old story here is that the entertainment industry has gone very much from boom to bust.

And nothing tells this story more clearly than a brief history of Disney.

In the early 2000s, Disney, under CEO Bob Iger, went on one of the most extraordinary runs in modern business history.

They had ESPN, the most valuable network in the cable bundle.

They acquired Pixar, Marvel, Lucasfilms, Fox, and the company, as it shifted to streaming, was getting my attention because I was like, it seems like they're set up to lap Netflix on our television screens

and also eat the box office at the same time.

Today, however, Disney's stock is at a nine-year low.

Operating margins are down 75%.

Disney Plus lost \$4 billion last year.

What happened?

Answering that question, what happened to Disney, is the subject of this podcast.

But I want to do a quick aside to help frame the discussion we're about to have.

10 years ago, in 2013, I was starting to get really interested in media economics.

I had been for the Atlantic, a general economic writer for a bit.

I wrote about employment and the deficit and government spending,

and I was starting to get more interested in business itself, business models.

And in 2013, it seemed to me that one of the most important and most interesting business stories in the world was ESPN.

Because the worldwide leader in sports wasn't just the most valuable sports media brand in the US.

It was the most valuable channel on cable TV, which was at the time the best business model in media.

It was a jewel within a jewel.

[Transcript] Plain English with Derek Thompson / Disney's Downfall: The Rise and Fall of an Entertainment Giant

So I wanted to know more about ESPN and the story behind that company's dominance. And to report on a column for the Atlantic, I went to ESPN headquarters.

This is still in 2013.

And I met this guy named Artie Baldwin.

Artie Baldwin was a longtime employee there.

He was ESPN's director of research.

I think that was his title.

And we were sitting in an office, me and Artie, in New York City.

And he's got this iPad in his hands with all of the survey data.

I mean, just pages and pages of charts and figures and lines going up.

And I say, you know, make this simple for me.

What's the money chart?

And he flips through his iPad and he shows me what he considers the single most important fact about ESPN in his entire research corpus.

And here's what he says to me verbatim, quote,

men have named us their favorite channel for 14 straight years.

Other networks need to create hits.

We don't.

We are a destination network, not a network with destination programming.

People tune in to ESPN without even knowing what's on.

End quote.

That is a great line.

And it is a great test of market power, whether you're talking in 2013 or 2023.

The money question is, do people tune into you without even knowing what's on?

70 years ago, people went to the movies without knowing what was playing at the movies.

It was just a habit.

1940s, 1950s, they just went to the movies.

20 years ago, people tuned into their TV without knowing what was on.

Cable bundle, open it up, see what's going on.

10 years ago, people went to ESPN without knowing what was on.

What about now?

What do people tune into now without even knowing what's on?

It's not TV.

It's not ESPN.

It's the platforms.

It's Instagram, or Facebook, or TikTok, which reportedly commands more than 90 minutes of user attention every day.

That's one and a half sports centers.

The writer Scott Galloway reported on a poll that asked people under 25,

if they prefer TikTok versus all streaming media,

and two thirds of Gen Z respondents said they preferred TikTok over everything that Hollywood is spending tens of billions of dollars a year creating.

Little surprise then that TikTok's valuation is roughly equal to Disney and Netflix combined.

[Transcript] Plain English with Derek Thompson / Disney's Downfall: The Rise and Fall of an Entertainment Giant

What do you pay attention to when nothing currently has your attention?

That was the question where Disney used to dominate,

but now it's the question where tech dominates.

It's the question where platforms dominate,

and Disney and all of Hollywood and media are desperate to change the answer.

So to discuss the rise and fall of Disney in the 21st century

and to put that story in the broader context of the rise and fall of Hollywood,

the entertainment industry in the 21st century, we have two excellent guests.

Two excellent return guests, Julia Alexander,

a writer of strategy for parrot analytics and a writer with puck news,

and Matthew Ball, a great writer and investor and author of the book, The Metaverse.

I'm Derek Thompson. This is Plain English.

Matt Boll, welcome back to the podcast.

I'm excited to be here. Good to see you.

Julia Alexander, welcome back to the show.

Thank you so much for having me.

Matt, let's start with you.

I think a really good way to understand what's happened to the entertainment business in the last 20 years is to trace the story of the Walt Disney Company in this century.

So let's go back, let's wind the clock back to Bob Iger's first tenure,

which I think is rightly considered one of the most successful CEO spans

of any major entertainment executive in the last few decades.

What did Iger do in his first regime and what did he get right?

So there were a few things and that relates to both the active decisions that he had made,

as well as the ways in which the Walt Disney Company was specifically arranged

to reap the benefits of those decisions.

The first was that Iger was really the first to understand the potency

and the overall market shift towards what I call sequels, franchises, blockbusters, and IP.

We look back and we often make the argument that he spotted the value in Lucasfilm,

that he was first to recognize the criticality of the Marvel IP.

But the truth is in the mid to late 2000s,

he was really the only one running these big motion picture studios

to say the future of the business is not a diversified portfolio.

It is a concentrated one of not 20 to 30 films per year.

It's 10 to 15 and all of which can appeal to all four quadrants.

That's men and women above and below 25.

And the best way to do that are with sequels, franchises, blockbuster, and IP.

That was supported with remarkable creative execution.

Back in the 2000s and 2010s,

the average studio would aspire for 50% of their films achieving a A- or better cinema score.

That's an audience evaluation.

And they would hope that half of their portfolio was achieving profitability.

Pixar has gone now 25 films with an A- or better.

[Transcript] Plain English with Derek Thompson / Disney's Downfall: The Rise and Fall of an Entertainment Giant

Marvel went close to 20 with an A- or better.
For a number of years, 100% of Disney's films were seeing profitability.
100% of them were achieving all different elements of success.
Creative success defined by commercial support,
creative success defined by critic response,
and creative success defined by audience scores.
And so we had that first, that strategy, then we had the execution.
Then we had the two things that were underpinning that.
One was the theme park division.
We often think of Disney as having a flywheel of all different components,
merchandise, theme parks, TV, motion pictures.
That's true.
But close to two-thirds of Disney's cash flow last decade
was coming from its theme park division.
And that was because as successful as the films were,
they were primarily monetizing through those parks.
And so as we saw all of that IP, both built into the parks,
obviously they didn't have a strong Marvel presence pre-acquisition.
They didn't have a strong Star Wars presence pre-acquisition.
There was this parallel period of investment in the parks
and exploitation in the most mass market medium globally
in the theme park that drove remarkable success.
And to put this into perspective, 2019,
the high point of the Walt Disney Company,
they had eight of the 10 biggest films of the year.
They had three times as much revenue as the number two player
and three times the margin.
So nine times the profit.
And then lastly, they had ESPN,
which though not core to Disney as we think about it,
it was the primary beneficiary
of one of the best business models of all time, the cable bundle.
And so we see everything.
We see two core assets in the parks and ESPN.
We see strategy and then we see execution.
You want to talk about a company that excels for two decades.
You want to talk about an extraordinary tenure as a leader.
That's it right there.
I think it's so important to emphasize
that Disney's success in the first 19 years of this century
were not just a function of great execution,
but great execution matched up with, as you said,
Disney's perfect opportunity to seize

[Transcript] Plain English with Derek Thompson / Disney's Downfall: The Rise and Fall of an Entertainment Giant

on what was the going business model of entertainment at the time.

People were going to see sequels, adaptations and reboots over and over.

Many of them were at least until the last few years, last decade, maybe subscribed to the cable bundle from which Disney was reaping an enormous amount of money.

Julia, I want to go to you here because, you know, a really important piece of Disney's golden age was the strength of its TD business.

So for shits and giggles, I took a look at Disney's 2011 annual report.

I just kind of picked that number.

I just wanted to pick an annual report from about a decade ago and see exactly how big the TV business was.

That is the affiliate fees plus the advertising.

In 2011, they made \$40 billion in overall revenue.

Media networks, that is essentially the cable bundle, most of which was ESPN or much of which was ESPN, was \$19 billion of that \$40 billion.

So almost 50% of revenue was coming from the cable bundle.

If you look at operating income,

so revenue minus operating expenses,

total operating income in 2011 for Disney was \$8 billion.

Media networks, that's the cable bundle, was \$6 billion.

75% of operating income.

I don't think most people understand the degree to which Disney in the early 2010s was a TV business if you were just looking at operating income.

And TV, traditional TV, that is the cable bundle,

has just had a horrible, horrible decade in terms of growth.

So fold into the story that Matt is telling,

what happened to the TV business in the last decade?

Well, I think, and also specifically with Disney,

there's two parts of the story that are inherently interesting.

But if we look at what you were just saying about the revenue and the operating income of Disney alone,

in the last quarter, Disney saw its operating income within the media networks division drop about 23% to about \$1.9 billion.

Revenues sitting at, I believe, about just around \$7 billion for the media networks.

Really concerning, if you are an investor in the Walt Disney

[Transcript] Plain English with Derek Thompson / Disney's Downfall: The Rise and Fall of an Entertainment Giant

Company and a big portion of where they were seeing the revenue come from in the media network side was from the cable bundle, that, as Matt pointed out, was one of the greatest inventions in kind of capitalism history, I would argue, this kind of beautiful democratic or socialistic experiment that we really saw play out where Disney was able to reign supreme because it had the most valuable part of the pay TV bundle, which was ESPN, and then ESPN2, and ESPN3, and the Disney Channel, and all these other networks that they forced the cable carriers to carry in order to have access to ESPN.

We saw this play out a little bit recently with the Disney Charter Deal, and although that went in a different direction, and I'm sure we'll get into it, it kind of really centered around this idea of how valuable is ESPN.

But what I think is really interesting about Disney, and Hollywood as a whole, is that Hollywood is a system that is built on acquisition, right?

They don't build as much.

You kind of look at what happened with television and cable within Disney.

Disney looked at Capital Cities and ABC and said, we need to acquire, we need to really take control of this company, so that way we have a distribution front. We are a great content supplier at this point with the films.

We want to be within TV, and we have the parks business, which is really growing this love for our content.

But we're looking at Blockbuster coming into play and straight to video films, and we're looking at this new way to monetize attention, to monetize that consumer relationship.

And so they acquire not just the company, but they acquire Bob Iger, right?

So Bob Iger comes into the fold via that direction, and then when we look at what the cable business allowed Disney to do, to what Matt was saying about all these great films and sequels and franchises, they were able to acquire Marvel, and they were able to acquire Lucasfilm, and really build out these worlds beyond even,

[Transcript] Plain English with Derek Thompson / Disney's Downfall: The Rise and Fall of an Entertainment Giant

I would imagine, George Lucas or Stan Lee's Greatest Visions, but they were able to do so via acquisition.

And what's interesting about this current moment of television is that as all of these companies have tried to figure out what the next direction is, and they've all kind of collectively said it's direct to consumer, it's streaming, it really marks, in my opinion, the real, the first hurdle that Hollywood is encountering that they cannot necessarily just acquire their way into, although Disney acquired BamTech, which was then used to create Disney Plus and its own streaming services, and although Disney acquired Hulu and aspects of this, Disney cannot acquire its biggest competitors going forward, which in my opinion are Google or Alphabet and Amazon and Apple.

So it's this really interesting moment for Disney, which relied on the television business.

It then decimated its own business by pivoting to direct to consumer in many ways and kind of neglecting the bundle.

That was already slipping away.

We could see that the attention from younger audiences was really no longer within this pay-to-be bundle as they were moving towards streaming.

But now they're faced with this next question of, well, how do we compete with companies that have an insane amount of cash flow and opportunity compared to ourselves?

Matt, back to you.

I want to talk about what mistakes you think Disney made, and later we're going to sort of zoom out and look at the degree to which those mistakes are reflective of the entire industry's mistakes made in the last few years.

Let's look at streaming specifically.

I think if you take a pure, quantitative, short-term analysis approach to Disney's strategy, you would say, Disney made a mistake.

Disney had a successful and profitable cable business and a successful and profitable film industry, and it has funneled a lot of that business into Disney Plus,

[Transcript] Plain English with Derek Thompson / Disney's Downfall: The Rise and Fall of an Entertainment Giant

which is now losing \$4 billion a year.
Short-term, quantitatively, that is a mistake.
Do you believe that medium-term, long-term,
the aggressiveness with which Disney has pursued
the Disney Plus strategy will be seen as a mistake?
I don't, but I think the challenge here,
and this is why it's a good conversation
in why there's differing shareholder assessment,
is it comes down to nuance.
For example, if you take a look at the primary critique
that's being levied, it's not necessarily
that Disney Plus itself was a good foray.
It is the expansiveness of their direct-to-consumer strategy.
They acquired Fox for \$70-plus billion
to go after general entertainment.
This is a category that Bob Iger himself has said
and now worries about their ability
to stand out in undifferentiated general entertainment.
We think of the Walt Disney Company,
and we don't usually think of general entertainment fair.
We think of that in the brands of FX,
which they acquired, but a relatively smaller player
in adult entertainment or HBO Showtime.
That is not the core of their business.
They also made a large and expensive foray into India
with their Hot Star acquisition.
That is not just general entertainment.
That is sports outside of their core market
and that has been a leader for five decades.
And then lastly, just to give a sense of this,
the ambitions that were held back in 2018 and 2019
included the acquisition or the effort to acquire Sky in the UK,
which eventually went to Comcast,
and Comcast has written a quarter down up.
And so there is an aspect of this strategy
that seems focused on not Disney Plus as an idea,
but being Netflix through Disney Plus.
And that seems to be something that Bob Iger is pulling back on.
Now, there is certainly validity to the argument
that rather than invest in losses, invest in BAMTech,
which they spent three plus billion on,
they could have just taken risk-free profits
from licensing to Amazon and Netflix.

[Transcript] Plain English with Derek Thompson / Disney's Downfall: The Rise and Fall of an Entertainment Giant

That's a valid argument.

They probably have given up even more losses because there's no cost against that, and those would have run for years.

The argument is whether or not their franchises, their customer relationships, their flywheel, and their theme park would have been advantaged not just by selling to third parties that ram their content in a tile beside every rival franchise in a generic user interface with almost no detailed information, let alone identity,

whether or not they'd have been better served there.

Jury's out on that one.

But the number of mistakes that span from COVID-related decisions are many.

And the biggest one is creative execution.

I mentioned earlier the remarkable run.

Let me put this in contrast.

Marvel, arguably their most important franchise, ran from 2011 through to 2021, as I mentioned with exclusively A- or better cinema scores.

And A- is about 50th percentile.

They went, in other words, 22 straight films without anything under an A-.

Since 2021, they have put out eight films.

Four of them have been B- or worse.

Two have been Bs.

That's about a 30th percentile or less.

We also look at a massive volume increase.

They released 23 movies over a 15-year period.

Then in a two-year period, they released eight films and more than a dozen series, plus two specials.

And so we were seeing not just a massive surplus in content, but also an average decline in their commercial and critical and audience-related scores.

That mixed with losses is kind of a perfect storm of a problem to put aside the aforementioned problems

that Julia had mentioned

and the importance of ESPN itself upon.

Julia, I want to go to you

because I think there's a way in which what Matt just said actually serves as a really good meta-critique

of the entire entertainment industry in the last five to ten years,

[Transcript] Plain English with Derek Thompson / Disney's Downfall: The Rise and Fall of an Entertainment Giant

which is essentially that the entire entertainment industry got spooked by Netflix, not just Disney, not just Warner Brothers and Discovery, the entire entertainment industry.

They realized, like, wait, we have to build streaming companies, direct-to-consumer companies, with tons and tons of entertainment.

That entertainment costs billions and billions of dollars, and they didn't have the editorial infrastructure to ensure that it was good on a per-show or per-mini series or per-movie basis.

And as a result, I do think there's a way in which the quantitative problem that Hollywood is facing, which is that its work isn't profitable anymore, is somewhat related to the qualitative problem, which is a lot of people thinking that what they're seeing on streaming television is, like, sort of mediocre shit.

And it's that they felt like they had to pursue this, like, fire-ho strategy of media that isn't working out in terms of the numbers or in terms of consumer feedback.

Is that too simplistic an analysis?

Is there... What context am I missing there to suggest that that is a big picture explanation for what's going on with entertainment?

There was a fundamental misunderstanding of the power of scarcity and quality when delivered at a high-level scale.

So that is the idea that when Disney and NBCUni and Paramount and all these companies were delivering content to Netflix and collecting licensing dollars

and seeing Netflix business grow, the idea was that they all thought, we have to be a direct-to-consumer, which I don't disagree with to an extent.

I think they saw that the amount of younger people, the next generation of consumers, who are going to be fans of their content, were not necessarily paying attention to pay TV.

They weren't signing up for cable, et cetera, et cetera.

And so they said we have to be in this way.

What they took away from Netflix's success was that our content is differentiated on its own enough to then launch a direct-to-consumer platform.

[Transcript] Plain English with Derek Thompson / Disney's Downfall: The Rise and Fall of an Entertainment Giant

The lesson in that really was that scarcity is difficult to find in scarcity of quality content, and Netflix benefited from creating an ecosystem that was a one-click stop for everyone.

That's one.

Two, the interesting aspect of what Matt was saying about Marvel and looking at the amount of series that they have now have coming out and the amount of films that are seeing B, B minus, B plus to an extent, cinema scores, the issue is that we can actually draw it back to Marvel Comics circa 1994.

Part of the reason Marvel Comics went bankrupt was that there was this mania surrounding the comics division. And so what they did was they printed more comics to meet demand. They put in characters that people didn't really care about.

They made it more difficult for casual fans to really understand what was going on by interweaving more of these stories that people had to go and seek them out. And you get to a point where eventually that demand kind of diminishes and goes to find something else.

The other mystery that a lot of these companies had is that franchises will last for decades and decades and decades at scale when the vast majority of them will not.

And so if we actually look at Disney Plus, we look at a lot of Marvel and Star Wars, and those audiences may not necessarily be contracting, but they're not expanding. They're stagnant.

So if you're Disney, the core issue that you have is not trying to reach a level of scale that you as a niche platform, because Disney Plus's niche platform is going to try to do what you're trying to effectively accomplish is monetizing hardcore fans.

You're monetizing love at a high enough level that you can go from the red into the black.

But the problem there is that when you take back all of your content and you hoard it, and this was another big issue, they all hoarded their content. They stopped syndicating.

They stopped saying, we're going to give this away.

You cannot make the amount of revenue and then profitability that you need in order to maintain this business.

And the third biggest issue that I'll just say very quickly

[Transcript] Plain English with Derek Thompson / Disney's Downfall: The Rise and Fall of an Entertainment Giant

is that many of these content suppliers decided they wanted to be operators. And more importantly, they wanted to be global operators. The interesting aspect of being a global operator is that you do not compete to create global hits. You compete to monopolize different regions. And so what that means is that if you're Netflix, you have the monopoly on French entertainment in France. You have the monopoly on Spanish entertainment in Spain, and in order to become almost the most monopolistic presence from an entertainment standpoint within those regions, a lot of these companies aren't willing to be the operators there. They're not willing to do that level of an investment without seeing that the growth that they need, nor do they have the cash flow to do it. And so what happened was this misread that their content was differentiated when the vast majority of it was not, that consumers wanted more than one platform, which they really do not. It's why they pay for cable TV. It's why they like Netflix. And three was this idea that they could turn a demand for scarcity into a demand for almost infinite content, and they can't. And so now they're trying to say, well, how do we bring this back? And what Disney's biggest advantage is, and Matt, I'm sure we'll get into this a little bit later, is Parks really over its media divisions and its franchise IP as it currently stands. It's how do we use Parks to really create finite moments out of infinite content to really bring everything back? So that's the big advantage Disney has. The disadvantage is the amount that is acquired via Fox and all these other divisions that really don't make a huge difference to most consumers. Right. So in summarizing what both of you guys are saying, what happened to Disney? What happened to what just a decade ago seemed like the most successful entertainment company in the history of America? I'm hearing really three big themes. Number one, structural challenges. The rise of Netflix, the decline of cable TV, reduced profits from the cable bundle.

[Transcript] Plain English with Derek Thompson / Disney's Downfall: The Rise and Fall of an Entertainment Giant

Number two, the DTC cost crisis.

It was really, really expensive to build a direct-to-consumer business.

It's cost a ton of money.

Disney's lost money doing it.

Paramount's lost money doing it.

Peacock's lost money doing it.

HBO, Max, they've lost money doing it.

It's been really, really expensive to scale up to Netflix-level scale.

And then number three, this is really important, I think, because it's not just about business, it's about art.

It's about creative failures.

We have viewer feedback that suggests that the Marvel and Star Wars movies have gotten worse in the last five years.

And I think that's related to the fact that in the effort to produce all this content, there's been less high touch on each movie and on each show.

Matt, I know that you want to talk about one last bit, which is that it's not just about these structural stories.

It's not just about these business stories.

It's also about personalities.

I think that Bob Chapek, the guy who served as the CEO of Disney in the middle of the two Bob Iger regimes, made some very specific failures, some own goals.

What were those own goals?

It's common to hear a few critiques of the Chapek hero.

One is his highly publicized and ill-thought-out fight with Scarlett Johansson, which burned credibility with the agencies and talent.

He historically was not a creative-focused executive, not the way in which you want to start.

The second was the decision to shift Pixar's films direct to streaming.

Years later, as Pixar has shifted to theatrical first releases, there was a sense in the marketplace that the brand was tarnished, that it was moved down market, that it was no longer deserving of a theatrical release.

I think generally that has been overstated.

Again, you'll see that the critical and audience-related responses are not as high as they were pre-pandemic.

Even Bob Iger at Sun Valley said that, quote,

[Transcript] Plain English with Derek Thompson / Disney's Downfall: The Rise and Fall of an Entertainment Giant

you'd have to agree that there have been several creative misfires at Pixar. And so I think that that issue is actually overstated. The third is the fight with Governor DeSantis, that also cost him the support of many within Disney, as related to his support of LGBTQ plus community members, and frankly, the importance of speaking out against important social issues. But I think that it's often overlooked that Chapek also did something incredibly dangerous, which is he snatched success and turned it into a defeat. And we need to go back, because this really fleshes out the story of the streaming course. We've seen several that the future is less profitable than we hope, that you have to spend more than you thought, that churn is worse than you thought. You need to make more, that the quality goes down, that data leads to worse shows and unhappier audiences. The strike manifests many other challenges. But Disney should have been the outlier. In April of 2019, they said the service would launch that year and target 60 to 90 million subscribers by the end of 2024. Within 10 of that 62 month forecast, they hit 60 million. Reed Hastings said, and I quote, if you asked us a year ago, what are the odds that they're going to hit 60 million subscribers in the first year, I'd be like zero. I mean, how can that happen? It's been super impressive execution. It took Hulu years to reach 10 million subscribers. It took Netflix seven years to add 10 million in a year. Disney did it in a day and they had 60 within 10 months. Chapek's response two months later was to hike Disney's forecast to 230 to 260 by 2024. That's a 200 to 300% increase. And he argued it would require a comparatively modest 100% increase in streaming content spend. That moment in December 2020 felt like one of the greatest mic drops in blue chip history. You never see someone say we're going to double or triple our forecast one year into a five year plan. The company stock went from its then record of 160, Iger left around 140 up to 200 within days. It's biggest, most valuable period ever. The challenge with that was that with a 200 to 300% hike,

[Transcript] Plain English with Derek Thompson / Disney's Downfall: The Rise and Fall of an Entertainment Giant

they took off the table.
Any idea that that initial year was an achievement.
It looked easy. It looked like they sandbagged.
It also became impossible for Chapek to ever hike those forecasts again and to show the company is having over delivered.
Within the following months, investors started to have one of several concerns.
One was if they've already doubled or tripled the forecast.
What other potential is there?
So why should I hold the stock?
Could they possibly have 400%?
If not, I might as well trade off.
Because remember, shareholders are not looking for a successful company.
They're looking for a company that is more successful than people believed it was set to be.
Worse still, they started to fear that that forecast was not achievable.
Again, 200 to 300%.
Then some started to wonder whether or not it was possible to achieve it with profits that were even better than being half that size.
By mid 2022, this is before Bob Chapek was ousted, he reduced the forecast by 15%.
They started telling the market, maybe we're not going to buy the cricket rights that we needed to achieve our outcomes.
And so you all of a sudden start seeing this start tumbling.
Disney goes from December 2020 with a \$200, \$205 share price down to the low 100s.
It spends two years as the worst performer in the Dow 30.
It's underperforming nearly all of its comps despite its success.
And then by the time Bob Eiger has come back, they're sitting in the 80s.
They're down to 2014 prices before Disney Plus was even contemplated.
And so you see this whole narrative that I would say was turning a remarkable success.
One that their top competitor said, I wouldn't have bet on it.
And then turned it into a failure.
And that was probably nothing to do with structural economic challenges.
It was just one of expectations management.
There's probably an adult reality where they hiked it by 75%.
Then as they got there, we assessed whether or not there would be positive returns from further hikes.
And then got to come to the street and say, look, we're going to move the goalpost a little bit more and keep hitting those plots.
This episode is brought to you by Indeed.
Indeed is the hiring platform where you can attract, interview and hire all in one place.
Find top talent fast with Indeed's powerful suite of hiring tools like assessments, virtual interviews and matching.
With Indeed, you only pay for quality applications that match your must have job requirements.
Start hiring now at [indeed.com slash plain](https://indeed.com/slash/plain).

[Transcript] Plain English with Derek Thompson / Disney's Downfall: The Rise and Fall of an Entertainment Giant

Terms and conditions apply, cost for application pricing, not available for everyone.

Again, go to [indeed.com slash plain](https://indeed.com/slash/plain).

Need to hire? You need Indeed.

Tap the banner to get started.

This episode is brought to you by Simply Safe Home Security.

Well, it's hard to believe, but it's practically fall.

And with kids back at school, your home may be sitting empty for most of the day.

Consider protecting it with Simply Safe.

I'll tell you what I love about Simply Safe.

I love going out for a walk in the fall.

Bring the dog, bring the baby, walking under the crisp leaves, the crisp air.

You wonder, what's going on back at home?

Well, with Simply Safe Home Security cameras, I never have to worry.

I've got my phone with me and I can track everything that's happening at home, even while I'm ambling under the fall leaves.

With the new smart alarm wireless indoor camera, Simply Safe's professional monitoring agents can see, speak to and deter intruders in real time.

Plus, it's easy to set up.

You can do it yourself in about 30 minutes or have one of their experts install it for you.

For a limited time, get 20% off any new system when you sign up for fast protect monitoring at [SimplySafe.com slash English](https://SimplySafe.com/slash/English).

Again, that's [SimplySafe.com slash English](https://SimplySafe.com/slash/English).

There's no safe like Simply Safe.

Health Plan members are always on the go.

It's time to give them health care that keeps up.

MD Live is part of Ever North Health Services, offering the only nationwide digital first system, bringing together a full suite of virtual care services with physical, home and workplace care.

So whether your members are running meetings, running laps or running errands, they can access the high quality, whole person care they need, when and where they need it most.

More care for more members, more places, all for less.

That's the future of health care.

Learn how you can customize MD Live for your health plan and how they're transforming care to be more accessible, personal and affordable at [mdlive.com slash business](https://mdlive.com/slash/business).

Julia, the incredible, compelling story that Matt just told, its own kind of blockbuster potential, is a reflection of the fact that during the pandemic, it became a matter of conventional wisdom that COVID was pulling us into the future.

[Transcript] Plain English with Derek Thompson / Disney's Downfall: The Rise and Fall of an Entertainment Giant

It was an accelerator.

That's what people kept saying, an accelerator, an accelerator.

And I wondered the degree to which this theme of COVID's pulling us into the future got all these other entertainment companies to follow the Chepek model and say, let's spend as much money as possible.

Let's raise our spending.

Let's raise our costs.

Let's capture more of the market.

If it's this easy for Disney to get to 60 million, let's accelerate our own strategies.

Like, is there a way in which a lot of the place that the entertainment industry is in right now in 2023 is downstream of the fact that everyone kind of lost their minds in 2020 because they assumed that they could reach their 2030 goals in six months. It's really difficult, damn near impossible, to do strong analysis on skewed data.

It's even more difficult to do it on skewed consumer behavior.

And so the idea that COVID acted as an accelerant in the sense that it encouraged more people to adopt streaming platforms that, one, to Matt's point, we're just starting to come out.

We saw Apple TV Plus launch on November 1, 2019.

We see Disney Plus launch on November 12, 2019, kind of perfectly going into the pandemic.

We've got Hulu around, Netflix is around.

And so there was this attempt to say, hey, come and sign up for these streaming services. You might not have otherwise.

Also, broadcast television and cable television saw a huge decline in the amount of content, of new content, I should say, that it could bring out.

We had the NBA bubble kind of happening in the summer, but it was really difficult to turn on your pay-to-be system or your broadcast channels and really find something new.

So it was the only place where new content was really coming in from.

One of the most important moments for Disney Plus was the July 4th weekend of that year where they moved Hamilton to that platform.

And it was really important because it spoke to two interesting aspects that Disney, I think, is now realizing in full, or they should have under Chapek, but are realizing in full under Iger again, which was Hamilton brought in one of the highest number of new subscribers to Disney Plus at that time.

And two, that audience did not care about Star Wars and Marvel.

That was an audience that might have been better served on Hulu, so we can kind of get into the conversation of bundling a little bit down the line.

But it was this idea that there was another aspect of consumers

[Transcript] Plain English with Derek Thompson / Disney's Downfall: The Rise and Fall of an Entertainment Giant

who were still willing to sign up for new platforms who weren't interested in the original fare that we associate with a lot of these companies. I think the problem, and I kind of spoke about this with this idea of scarcity being really important versus the idea of infinite content, is this idea that we can see reflected in behavior today where we look at stocks or companies that are doing particularly well and we can see where these companies are putting investment in. The idea that Disney is committing to spending \$60 billion over the next 10 years on its parks, the idea that we're seeing huge numbers for concerts like Taylor Swift and Olivia Rodrigo and Bad Bunny, is this idea that people are desperate and willing to pay for experience. And I think a big part of this is not just because after COVID, they were spending years and months in their homes and they wanted something new. This idea that also accelerated during COVID was that your digital or virtual self was just as important and just as valuable to you socially and even from a career perspective as your real life self. So these kind of big events that turned a we as an audience into a me exploration of how can I post this and gain clout for my own following, for my own career, for my own social worth became really, really important and those became much more scarce because the cost increased. So people were willing to look at these events and say, this is where I want to spend some of my time. This is going to take away time from where I might be doing otherwise. And at the same time, the level of infinite content available to you on your mobile device, or on your laptop, or on your TV, continue to increase at an exceptional rate. Despite the fact that there was no longer much data supporting, there was that much interest in pure TV shows or pure film. Instead, which Matt has written brilliantly about, it was this idea that they wanted to spend time in Roblox or in Fortnite, plus watch some shows, plus watch some movies and then also go and have these experiences. So not only are you dealing with an infinite level of new content, you're dealing with an even more fractured attention ecosystem and trying to gain some level of dominant share within that attention ecosystem when you are playing an old school playbook and trying to reach new audiences or trying to capture the most of audience attention is really, really difficult. And I think there was this idea, as I spoke to earlier, that they looked at Netflix and conflated the value of a one-click platform that had most of what people wanted into creating systems that had some of what some wanted. And when you're going from the pay TV and broadcast system, that was delivering huge multiples on advertising revenue, on affiliate revenue, and looking at the level of content spend required, a big factor of that, even the cost of a series was much lower than the cost of a series is now. And now you're trying to be in this new world where you don't really have a stable foot in

[Transcript] Plain English with Derek Thompson / Disney's Downfall: The Rise and Fall of an Entertainment Giant

and you're paying to be an operator as well as a supplier. That gets to a point where you're operating off skewed data that people were going to do something because of the pandemic and continue to do so and not taking into account how humans actually behave. I think it's also important to recognize how much of this was just mania versus the right strategy following an earlier strategy. And by that, I mean, by the time that the pandemic started, everyone had announced their streaming services. Most had launched them. We had a five-year roadmap. The remarkable increase in subscriber activity surprised everyone. In their Q2 earnings, Netflix said in 2020, that they believed Q3 was going to see a pullback in additions because, and Reed said clearly, if you didn't add Netflix during the peak of the lockdown, you were unlikely to do so after. But what happened? Massive beats industry-wide, Q3, 20, Q4, 20, Q1, right through 21 and 22. If you can believe it, in 2021, more subscribers or streaming services added more subscribers in 21 than 17, 18, 19 combined. In 2022, they did more than 18, 19 and the first nine months of 2020. If you launched a streaming service and there was this activity going on, not just on engagement, not just on general demand, but actual settlement of subscribers. Taking a backseat was not a smart idea. Now, if you wanted to exit like Quibi did, sure, but if you were going to be a player, I would disagree that it made sense to ease back. The challenge is, of course, that everyone did this, that the economics were structurally flawed. But I also want to emphasize that streaming is actually an outlier. We talk about the COVID pull forward and now everyone talks about the COVID pullback. It just so happens that if you were to chart the share of retail spend in the United States that happens via digital channels or e-commerce as a share of total retail, and you plotted where we would be in 2023 back in 2019, you would see that in 2020, we were operating at where 2023 was set to be. But guess where we are in 2023, where 2023 was predicted to be. We have snapped back exactly to the pre-COVID trend line after spending three years way ahead. This is why we see such layoffs at Meta and Google and especially Shopify. Gaming revenues are down two consecutive years in a row. On an inflation-adjusted basis, they're down 22% from 2020. And so my point is, we talk about the COVID pull forward, but in contrast to nearly every other pulled forward category, Zoom, Peloton, Shopify, the entire streaming industry has more revenues, more subscribers, more engagement. Therefore, if you were going to be a participant, the rational move was to lean in. But none of that changes the actual underlying economics and the arguments that there are too many players underpricing by too much

[Transcript] Plain English with Derek Thompson / Disney's Downfall: The Rise and Fall of an Entertainment Giant

in a market that can't sustain the margins that we saw for 50 years.

I want to reserve the last few minutes that we have to talk a little bit about solutions.

And Matt, the writer, Ben Thompson, a friend of this show, a friend of Bill's show as well, has been singing a tune very similar to the musical number that Julia was hitting on.

He's written several articles about how there's a, you can imagine the kind of Taylor Swift model of entertainment that we're seeing in full bloom this past summer.

Taylor uses abundant platforms, platforms of cheap abundance like Spotify to drive audience, hundreds of millions of people listening to her music.

But how is she making tens, maybe hundreds of millions of dollars in the last few months?

Not with abundance, with scarcity.

She's monetizing with concerts, which has only a certain number of seats.

And eventually, I guess she's going to make a filmed concert.

She can release in theaters that will sell scarce seats as well.

It does kind of seem like maybe there's a model going forward in entertainment where abundance gets eyeballs, but it's scarcity that opens wallets.

And I can sort of imagine Disney pursuing this kind of strategy,

understanding that Disney Plus probably should be more expensive,

but really where a lot of their cash flow is going to come from is where scarcity lives, where they can really charge up, and that's in the parks.

Give me a sense of what you think Disney should do at the biggest picture level.

What makes Disney different than an illumination, right, is its parks,

is its ability to commoditize love across multiple generations in multiple different formats.

And so the beauty of the Disney flywheel to me is that you use the scarcity of the annual trip, or every two, three years, the trip to Disney World, the family, to then pour more love back into the franchise and merchandise, which makes them feel closer to the actual IP.

The thing that I think Disney really needs to focus on from a Disney Plus standpoint, because we could talk about Hulu, which is a big part of this conversation in ESPN, but as the crown jewel of its streaming future,

the level of growth that Disney is going to see out of its two main franchises,

Star Wars and Marvel, maybe out of Pixar at the kid level,

it gets really complicated because you have new challengers like YouTube, which are dominating kids' attention.

You have players like Netflix making strong plays with partnerships like Coco Melon from Moonbug, and so that's a really strong position for them in that market.

And kids aren't necessarily their sticky consumers, right?

They'll watch something over and over again, which is why we see the films on Disney Plus do exceptionally well in those rewatches.

But in terms of news series, it's not like this is the Disney Channel era of 2002, 2003, when we're looking at Hannah Montana and High School Musical and what that era really did for tween culture.

I think what Disney needs to realize is that they own an audience

[Transcript] Plain English with Derek Thompson / Disney's Downfall: The Rise and Fall of an Entertainment Giant

who is willing to pay quite a bit of money for access to their favorite platform to watch Star Wars series, to watch Marvel series.

They also need to realize that having more simply does not command more attention, nor does it command more fandom or command more love, which then you pour back into the parks, into the cruises and other avenues, catering to the creative expertise of the people working at that company and finding ways to move those franchises into a new world with other partnerships like gaming and VR and licensing additional characters to worlds like Roblox or Minecraft or wherever it might be where those kids are hanging out. That's going to create a level of necessity for access to those characters in those worlds that parents and consumers themselves are willing to pay extra for. So I think if you're Disney, and again, I think to Matt's point about JPEG, when you do these kind of projections based on an activity you're seeing at the time for no apparent reason other than what seems like an ego need to be better than the boss who hired you, who you allegedly had a lot of problems with and really prove that you can create this dominance globally.

I think the big question is, what has Disney always done well?

I think Disney 1 has excelled within the bundle

and I'm hoping to see more of that within the Disney Plus Hulu ESPN OTT bundle potentially.

I'm hoping to see them return to strategic licensing,

which is to say there's no reason to hoard the amount of content that they are hoarding when they can license partial seasons and when they can license series that don't actually lead to strong acquisition or retention on the ESPN VOD side or engagement on the AVOD side to really increase their revenue.

And three, I'm hoping that they really lean into this core love

and not abuse it or misalign it with the idea that quantity is ever going to take over quality.

And so that's what I think I would love to see them do going forward.

The last part that I'll add to this, and I think I mentioned this on your podcast last time,

is there's a really strong world coming up with AI and generative content

and creators' ability to make stuff that looks really good

that I think is going to play into potential fair use acts

and really get into complicated situations.

We see what's happening with YouTube and I think we're going to see this happen as phones get stronger

and people turn to their phones more to play games and do all these other things.

I would actually love to see Disney look into creating stronger partnerships

with top Disney creators who exist on YouTube and who are elsewhere

and who are creating content that is really interesting

and kind of benefiting from that.

Not in a maker studios way, which is a terrible kind of investment

which led to working with PewDiePie and those whole situations on YouTube.

But I do think there's an opportunity for Disney to appear in other verticals

and monetize those appearances and monetize its IP

[Transcript] Plain English with Derek Thompson / Disney's Downfall: The Rise and Fall of an Entertainment Giant

without having to put the total creative responsibility on their chief executive.

So I think that's something I'd also like to see going forward.

Matt, what does your memo to Uyghur look like?

Well, I would say that he's actually a bit underappreciated for how much he has done so quickly.

The challenge is that we're not seeing the returns from that because that takes years.

First and foremost, as early as January or February of this year,

he said we're done publicizing our forecasts externally

and then he officially yanked their forecast last month.

Secondly, he's committed to generating additional cash

to fund further investments in the parks announcing a \$60 billion reinvestment program

by saying that ABC, other linear networks, would be sold.

There are also plans to exit India,

probably the hardest of his many different initiatives.

We've also seen an announcement where they are licensing the ESPN brand

for a decade to Penn National Gaming generating \$2 billion in additional cash

and they're now looking to partner with Big Tech to use ESPN as a platform for their sports ambitions.

That is a Disney that is saying let's reconfigure our asset mix.

I mentioned at the start of this call, he redesigned Disney in the 2000s with new assets

and had complementary assets underneath.

We clearly see an Uyghur who says I need to do that again

through either divestitures or joint ventures.

He also has substantially reduced their content volumes

which should hopefully improve quality.

I mentioned that they were putting out five plus Marvel series per year,

up to five Marvel movies per year plus one to two specials.

We're now down to roughly two and a half movies per year and two and a half series per year,

a substantial reduction.

Most of the cutbacks have actually happened on adult oriented fare.

The types of shows that Julie was alluding to your Hamilton's

where they're saying the farther and farther away this is for what people think Disney Plus is for, the less interested and how does this all come together?

They're yanking forecasts and reducing their content breadth and depth

but guess what they're doing at the same time?

Disney Plus launched at \$699 four years ago.

It is now \$14 for that same service.

That's a hundred percent increase.

It's pretty rare to say we're going to make less in our top franchises.

We're going to make less overall and we're going to massively increase pricing

but that complements the yanking of the forecast.

That is him saying Disney is not for everyone.

We are not going to build a service that shape I can't imagine

that is going to conquer or match Netflix.

[Transcript] Plain English with Derek Thompson / Disney's Downfall: The Rise and Fall of an Entertainment Giant

We're going to make a darned good reliable important business to the families who should want and must have Disney. That kind of is scarcity not the same way but scarcity isn't just limiting supply. It is limiting your appeal and they are saying we're not for everyone but guess what if you have two kids under 16 that's roughly 30 million households in the United States you're going to pay a lot more than \$10 a month. You're certainly going to pay a lot more than \$7 a month and we don't need to produce every show under the sun to earn it. This following question is a bit of a coda to the entire conversation that we just had because we've been talking about the last 20 years of the entertainment industry and what companies like Disney should do in order to thrive in the next few years. I want to talk about something that's a little bit more larval and that is the metaverse. In February 2021 Bob Chapeck, the last CEO, set up a kind of metaverse division at Disney. That division has been almost entirely wound down. So on the one hand if you just look at Disney you could say there's a clear narrative of the metaverse arrow pointing straight down. On the other hand there are a few other developments happening in the metaverse space Meta's development conference, this very impressive interview between Mark Zuckerberg and Lex Friedman where their faces rendered in the metaverse with extraordinary verisimilitude. So this is a really interesting sort of intersection point for metaverse technology. Disney seeming to sell out of it while meta seems to have had some breakthroughs in it. Where do you think we are? Where do you think entertainment is when it comes to this subject so near and dear to your heart, the metaverse? So this is a great way to really understand the leadership styles of Chapeck and Iger as well as the relative state of the metaverse, its hype versus practical reality and long running investments in it. So yes, when Iger returns he very promptly shuts down this metaverse initiative. But I think it's important to recognize what that means and what it doesn't. The metaverse group was established by Chapeck as a centralized function for R&D in the metaverse, so to speak, next generation storyteller. Chapeck had another form of centralization called DMED with Kareem Daniels. This was a centralized function that would basically control green lights for all studios. This was the group that decided how many series did Lucasfilm need to make, what was their budget and which movies from Marvel went to streaming and which didn't.

[Transcript] Plain English with Derek Thompson / Disney's Downfall: The Rise and Fall of an Entertainment Giant

Very controversial because it disempowered all of the franchises in the BU's. When Iger came back his first move, day of, was to start disassembling DMED, dismissing its lead Kareem Daniels, long time number two to Bob Chapeck. Later he got rid of the metaverse division, but again this was a centralized function. We know that Iger does not like centralized roadmaps and mandates to his business units. Instead, he prefers to leave that R&D to the business units, to the franchises, to the P&L owners. And it's here where the full history of Disney is relevant. When you take a look at their groups, Disney's theme parks group has been deploying augmented reality, virtual reality and location based experiences for years. They will doubtlessly continue to do so and one can certainly make an argument they are better positioned to do so than a centralized bureau of R&D planners. Virtual production using the Unreal Engine was pioneered by the Lion King, then implemented with the Mandalorian to remarkable effect. Did not need a dikta from Central to do so. Pixar generated in 2014 what is now considered the HTML of the metaverse, so dubbed by Jensen Huang, the founder and CEO of NVIDIA. It is the primary standard for describing virtual worlds created by Pixar, open sourced in 2016 and just last month, Apple, Pixar, Epic, Adobe, Autodesk and Unity came together to create a foundation to steward that format. When you go across the entirety of the business, you see a long history of such investments. They were the first to license their IP on mass to Fortnite. Epic was in their accelerator program in 2016. And so that is to say, I see three things with Disney's metaverse initiatives. One, a long history. Two, a doubtlessly robust future. And three, Iger realizing that the best implementation was within product units that can actually apply R&D, actually know their own road. And this sits within that broader framework for the metaverse. Real-time 3D simulation has been growing for 80 years now. It is not something that suddenly is created today. The advancements we saw with Alex Friedman and Mark Zuckerberg span not just 11 years of R&D at Oculus, but the decades before that. They mature slowly. We are testing. Remarkable improvements are happening. But it's for that same reason that, you know, frankly, two dozen people inside of Burbank are probably not the best way to forge that plan. So, Julia, the final question to you is, when do you think the metaverse, virtual reality, whatever we're going to call it, when do you think it's going to become, if ever, a mainstream entertainment story? Well, what an honor to follow literally the author of the metaverse.

[Transcript] Plain English with Derek Thompson / Disney's Downfall: The Rise and Fall of an Entertainment Giant

The question about the metaverse.

But I won't ever try to best Matt's knowledge on this subject.

What I'll say in the way that I've been thinking about him,

I think Matt really hit on the first part of his answer.

We think about the times of real big innovation and entertainment.

You know, the idea of silent film into talking pictures, into television,

you know, from radio to television broadcast, into color on television.

You know, the idea that on 1980, CNN launches in between 1980 and, you know, 2011, 2012, the biggest moment in the history of entertainment at that time really was cable television.

What it was able to do for businesses.

I think the most formative moment for the future of our entertainment really spans

between 2006-2008 with the launch of the iPhone and the App Store,

which is not to say that Apple controls the future in terms of how we think of entertainment.

But what that did for a bunch of industries, including entertainment,

when we think about the Netflix launching its streaming service

and really looking at the iPad and saying this is going to be really big for us

because people can watch quality content on the go.

The thing about the metaverse going forward in terms of entertainment is that,

well, there's a lot of opportunities for individuals to find ways to socialize with friends and play games with friends.

What's not going to become less valuable is concrete IP

and for entertainment companies to say that this is where we are going to effectively exist within.

I think if we look at the Vision Pro, Apple's new VR headset,

when they brought Bob Iger out and they said,

here's you watching an NBA game on ESPN in VR,

the ability to see what's happening on the court from a bird's eye view.

I'm a massive football fan, right?

The idea of being in the stands, watching Aaron Rodgers go down with the Jets,

like something like that with a bunch of other people in VR

and seeing people's reactions in real time is really, really interesting.

I think to what Matt was saying about all the barriers,

which very true the idea of putting on goggles that hurt your neck.

I wear over-the-ear headphones quite often,

and after four or five hours, it really starts to hurt my ears,

and that's an issue with those types of headphones, and I still wear them.

I think the consumer demand will eventually catch up to the technology

as the technology gets sleeker,

as innovation comes in from companies like Apple that hyper-focus on this,

as Meta continues to invest in it and just disclaimer,

my partner is an employee at Meta,

and so as these really start to happen and I watch them take meetings in VR,

there is a demand that comes with it as they figure out what they can do

within what works for them and their behavior and what they really like.

[Transcript] Plain English with Derek Thompson / Disney's Downfall: The Rise and Fall of an Entertainment Giant

I think aside from gaming, if I'm a company like Disney or Paramount or Comcast, there is this natural desire from Hollywood to be late to technology and then also say how can we again acquire our way into it, and I think if we've learned anything from streaming in the early years of the Metaverse, you need the type of people working on innovation, so how can we really materialize this within our theme parks? How can we figure out a way to bring this technology as it finds its consumer demand and make sure we're not late to that party? Much like when William S. Paley at CBS had people who were working on the idea of a VCR or the idea of a color television before they were really available, and I think on the other side of it, the lesson from streaming is how much do we not have to be in it? How much can we just license our networks and our IP to Meta and to Epic Games and to Apple or whoever it is and really just monopolize and really monetize our consumers that way and monopolize their attention in that same category. So I think there's two aspects of it. One is an investment in innovation at a lower rate than what we're seeing with company like Meta do, but also really understanding and formulating that love for IP and able to license that at extremely high rates. You know, by way of summing up here, I think the frontier of technology is really interesting. I am just inherently interested in what's coming next and what is new. And at the same time, I do think that it's deeply rich and fascinating that the most expensive investment of the latest Tiger regime is not necessarily in the newest technology. It's in like the oldest thing. It's parks. Well, maybe not the oldest thing because they were a movie company before they were a parks company in the 1950s. But talk about an OG technology, you know, rides and roller coasters and funnel cakes. And so here really is a company, I think, that understands sometimes that what's old is what needs to be new again. Julia, Matt, thank you so very much. Thank you. Plain English was hosted and reported by me, Derek Thompson, and produced by Devon Manzi. We'll see you back here every Tuesday for a brand new episode. Have a great day. Thank you.