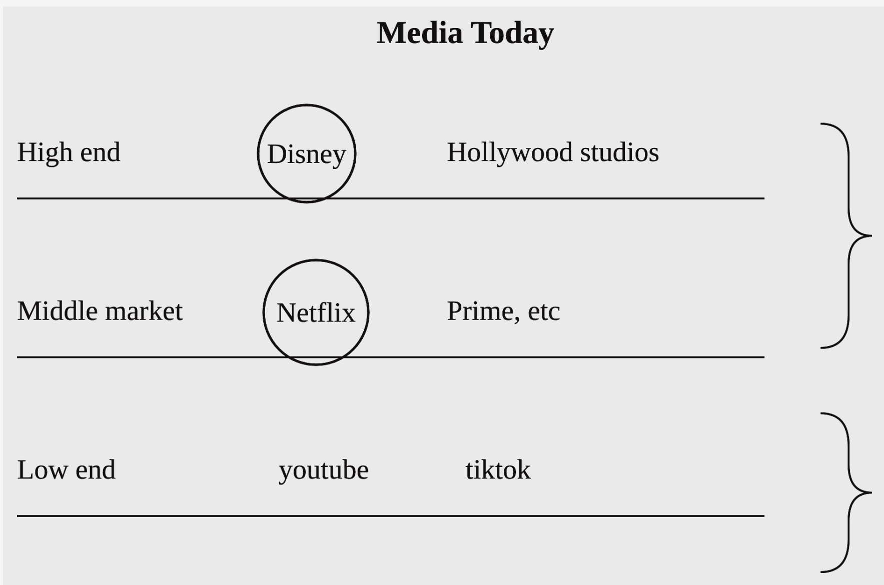
NO. 015

The Failure of Disney+: Monetizing Content in Unique Ways

Disney + & Movie Studios

AUGUST 12, 2026



Disney + & Movie Studios

Media is a messy industry, yet the incumbents are going strong in their own ways. The state of the industry is pretty much summed up in the sloppy graphic. Apparently Disney + should have ended Netflix, but by licensing content to Netflix, all the studios locked in Netflix's scale economies, enabling its position in the middle market. Disney + seems to me like this very expensive, yet unnecessary, failed experiment if we set the bar as unseating Netflix. But it has seen growth in subscriber count, yet clearly needs to become profitable; it is a case of poor capital allocation. The reason Disney could have continued to license content to Netflix, and be ok is because there profit engine is Parks; the actual content is rather an expensive way to acquire customers and use Parks as a way to extract lifetime value. Their supply was not being commoditized since their unique content still drives consumers to their parks.

Instead, they tried to build their own customer relationship, spending billions, only amassing 1/3 of the subscribers Netflix has. Disney would rather help Netflix as much as

Netflix would have helped them. Disney would be able to replace dying cable profits with Netflix's licensing fees, and Netflix could grow its subscribers and continue adding

first-party content. Disney being on Netflix does not stop people from going to parks; Disney's unique content allows both Netflix and Disney to operate as equals. Yet the power of Sunk costs is visible, and while Pixar, Marvel, and Lucasfilm could have been justified as furthering the fandom for Disney and their parks, the acquisition of 21rst century fox was a clear content roll-up, which after that they had no choice but to go direct no matter what. Then there is the cost they put into creating additional exclusives to lure more subscribers. All in all, who knows when they will break even on the 21st-century acquisition and the 11 billion in operating losses due to Disney +.

But the other Hollywood studios, which also helped entrench Netflix, could not be saved. Once they tried to move into Netflix's market as well, where economies of scale rule, they miserably failed and will have to undergo painful consolidation; their failure to move beyond just making box office hits has led them to this day. Although it will be interesting to see how regulation plays a role in that. So perhaps in the future there are a few large streaming giants, with Netflix poised at the top and studios building a hybrid model, nonethless they will make most of their profits through licensing, and will either need to consolidate to survive or become part of an insulated conglomerate.

Youtube & Tiktok

Netflix is overreacting to the threat it sees from YouTube. They have undergone a rapid consolidation of many media forms in an all-in-one-place strategy. While it may prove correct, it will not hurt YouTube, and YouTube itself is not an existential threat to Netflix. Because YouTube cannot go upmarket in streaming. For two reasons: firstly, that would create friction with their existing free supply of content, which is much better and capital-light; secondly, YouTube will likely not get the attention it deserves as a business from Alphabet, considering they cannot fight an expensive media content war amidst the capex spent on AI. A YouTube spin-off could be highly value-unlocking for all parties. Netflix's attempt to aggregate more users by bringing more diversified content could work, but it is unclear how many more people who are not subscribers today will become subscribers if their favorite podcast ends up on the platform.

TikTok faces battles for ad dollars from YouTube and Instagram, and wisely has been able to find another place for growth, which is e-commerce, with an in-app native experience, which somehow Meta and Alphabet failed to do. Obviously, the Chinese roots helped, but it just seems like a missed opportunity for the dominant U.S social networks. The US TikTok Shop reached sales of close to 16 billion in 2025, growing over 20% yoy. So TikTok is insulated from threats from YouTube and Meta. Meta captures high-margin ad dollars on specific first-party user data; YouTube monetizes through ads by leveraging the internet's premier place for free third-party content of virtually any kind.

Future

So do we even get cinema releases a decade from now? Undoubtedly so; the guaranteed hits will always be big box office hits, but for legacy studios, you either consolidate or die. Netflix will largely dominate streaming, as they continue to add more content to expand growth. Disney's corporate focus should be on making great IP that drives fans to their parks for generations, not trying to compete in markets where they are structurally disadvantaged.

A key idea is that if you can aggregate attention but can't monetize it as well as others, you have to innovate and drive the attention to other channels for better Monetization, such as Disney with parks and TikTok with e-commerce.

← No. 016 All studies No. 014 →