

The Walt Disney Company: Connecting the Portfolio, Choosing the Growth Priority

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Decision scope: How Disney should prioritize the next phase of consumer integration and growth across entertainment, sports and Experiences

Case convention: Public facts are distinguished from the hypothetical classroom assignment. No private deliberations or management intentions beyond public statements are represented.

The decision

In September 2026, Disney named Adam Smith chairman of Direct-to-Consumer within Disney Entertainment. The announcement described U.S. Disney+ bundle subscribers as able to stream Hulu and ESPN content in the Disney+ app. This was the latest step in a broader reorganization: streaming, film, television, games and digital entertainment had been placed under unified Entertainment leadership, and Josh D'Amaro had become chief executive in March. D'Amaro had described a goal of bringing the company together as “one Disney” to create connected, personalized and immersive experiences. [S4]-[S7]

The product and leadership changes raised a question for the new CEO: how far should Disney coordinate its portfolio around a shared consumer relationship, and where should it retain distinct products, distribution choices and operating priorities? Streaming, sports, parks, cruises, theatrical releases and consumer products could reinforce one another. They also had different customer propositions, cost structures, partners and investment horizons. The public record did not show whether app integration was increasing paid retention, cross-service use, park visits or profit.

Assignment: Assume D'Amaro asks the executive team to recommend the next phase of Disney's growth strategy. Should the company make Disney+ a more central gateway across its portfolio, preserve distinct product and distribution choices with selective coordination, or stage integration while giving Experiences execution priority? Recommend an operating posture, the evidence and measures needed to assess it, and conditions for changing course. This is a hypothetical classroom assignment; it does not describe an actual management request or board discussion.

Three businesses, different measures

Disney's fiscal third quarter ended June 27, 2026. Its Form 10-Q reported quarterly revenue and segment operating income (SOI) for three reportable segments: Entertainment, Sports and Experiences. Entertainment included \$159 million of consolidation eliminations in its \$11.345 billion revenue figure. The company also publishes a supplemental Entertainment subscription-video-on-demand (SVOD) measure. [S1], [S2]

Exhibit 1. Q3 fiscal 2026 operating snapshot

Measure	Q3 FY2026	Year-earlier quarter	Scope
Entertainment revenue	\$11.345bn	-	Includes \$159m of eliminations; not streaming-only
Entertainment segment operating income	\$1.680bn	\$1.022bn	Reported segment measure; multiple businesses
Sports revenue / segment operating income	\$4.500bn / \$858m	\$4.308bn / \$1.037bn	ESPN and other sports operations, not ESPN DTC alone
Experiences revenue / segment operating income	\$9.968bn / \$3.017bn	\$9.086bn / \$2.516bn	Includes Parks & Experiences and Consumer Products
Entertainment SVOD operating income	\$712m	\$329m	Company-defined, supplemental non-GAAP measure
Entertainment SVOD operating margin	12.9%	-	SVOD operating income divided by SVOD revenue; supplemental non-GAAP

Sources: Disney Q3 FY2026 Form 10-Q, Note 10, pp. 10-11; Q3 non-GAAP reconciliation, p. 5. [S1], [S2]. Dashes mean a comparison is not shown in this exhibit. Segment SOI is not consolidated GAAP operating income. “Entertainment SVOD” includes Disney+, Hulu SVOD and legacy Disney+ Hotstar through November 14, 2024; it excludes Hulu Live TV and Fubo virtual multichannel services. It is not a standalone reportable segment, and it should not be compared directly with differently defined peer measures.

Entertainment segment results spanned streaming as well as other businesses. The SVOD measure's perimeter was narrower: Disney+, Hulu's on-demand subscription service and, historically, Hotstar. The 12.9% margin therefore did not describe all of Entertainment, ESPN's full operation, or the return on integrating the Disney+ app. The filing did not provide current comparable paid-subscriber cohorts, churn, acquisition cost or cross-business purchase measures that could isolate integration's contribution. [S1], [S2]

Sports illustrated another set of trade-offs. Revenue rose from \$4.308 billion to \$4.500 billion, while segment operating income fell from \$1.037 billion to \$858 million. Disney attributed the decline to programming and production costs that more than offset higher subscription and affiliate fees. Those reported numbers covered a wider sports operation than ESPN's direct-to-consumer offer. [S1]

Experiences: scale with capacity and execution choices

Experiences produced \$9.968 billion of revenue and \$3.017 billion of segment operating income in Q3, including consumer products. Within Parks & Experiences, revenue was \$8.903 billion, up from \$8.094 billion. Domestic revenue was \$7.116 billion and international revenue \$1.787 billion. Domestic Parks & Experiences operating income increased 27% to \$2.088 billion; international operating income declined 13% to \$369 million. These quarterly results are business-level measures, not returns on any single resort, attraction or ship. [S1]

Disney attributed the 10% Parks & Experiences revenue increase to six percentage points of higher volume and three points of higher guest spending. Separately, its “Global guests” measure rose 4%. The company defines Global guests as theme park attendance plus passenger cruise days, where a passenger cruise day counts a passenger for each voyage day. It is not a count of unique people or park attendance alone. The growth decomposition is management's explanation, not an independent causal estimate. [S1]

Disney forecast approximately \$9 billion of FY2026 capital expenditures, compared with \$8 billion in FY2025, primarily reflecting park and resort expansion and attractions, partly offset by lower cruise-ship fleet expansion. This was a forecast for physical Experiences investment, not a disclosed pool that could be reassigned between parks and streaming. Programming and production expenses were measured separately. The capex forecast did not provide project-level returns or establish that an expansion was more attractive than app integration. [S1]

A connected portfolio or distinct propositions?

Disney's owned intellectual property and direct channels give it opportunities to connect story worlds, services, products and physical experiences. A customer may encounter a title through streaming, a theatrical release, a sports broadcast, licensed merchandise or a park attraction. Disney's March leadership changes and September DTC appointment provided organizational and product evidence of coordination. The company had not disclosed causal evidence that those changes produced incremental retention, spending or profit. [S4]-[S7]

Research on streaming distribution offers a reason to consider both expansion and substitution. Schauerte and coauthors studied the launch of Disney+ in Germany. In their short-run sample, 1,180 respondents were observed; 187 had Disney+ access at the first post-launch wave, while the rest did not. Access was not the same as paid adoption: 114 respondents in the access group subscribed themselves, directly or through a bundle. Their analysis associated access with a larger share of viewing time going to subscription streaming and less time to incumbent services and free television. The outcome was relative viewing time, not customer spending, profit or service cancellations. The study concerned a launch in Germany, not Disney's current U.S. integrated app. [A1]

Other research highlights the limits of assuming that a larger portfolio automatically creates platform economics. Streaming services depend on content, rights, production and distribution choices that differ from those of general-purpose marketplaces. A catalogue study of 41 global Disney+ original feature films found that 63.4% reused existing intellectual property; more than 60% of those recycled titles drew on IP elsewhere in Disney's portfolio. The study classified a small film sample through 2024. It did not estimate audience response, creative quality or financial returns and did not include series, which are central to streaming engagement. [A2], [A3]

These findings leave open whether portfolio breadth creates useful discovery and repeat engagement, or whether coordination costs and repeated IP use narrow distinct customer propositions. The economics may differ by title, audience, geography and window. External distribution and bundles may extend reach, while direct access may provide more control over product and customer data. The evidence in the case does not establish that one channel should replace the other.

Leadership and resource allocation

D'Amaro took over as CEO on March 18, after leading Experiences. Thomas Mazloum succeeded him as Experiences chairman. Disney simultaneously announced unified Entertainment leadership and later a dedicated DTC chairman. These changes gave leadership an opportunity to coordinate across units, but also created execution demands during a handoff. The management statements about a “one Disney” experience are aspirations, not measured outcomes. [S4]-[S7]

The public information does not show a single discretionary budget spanning the app, content, sports rights, parks and cruises. It also does not identify the marginal return on the next dollar in each area. A strategy recommendation therefore needs to state what leadership attention and coordination should change, where investment decisions should remain distinct, and how learning can precede larger commitments.

Decision memo

Recommend one of the following postures, or a clearly specified combination:

1. **Make Disney+ a more central gateway.** Deepen cross-service discovery, bundles and personalization across Disney+, Hulu and ESPN, and test whether easier access improves paid retention, service attachment or downstream activity. Consider risks of price dilution, confusing distinct propositions, technology and marketing costs, and shifting viewing without increasing contribution.
2. **Preserve distinct product and distribution choices.** Let services and segments tailor pricing, rights, release windows and partnerships; coordinate where an evidenced customer journey or title strategy warrants it. Consider the cost of fragmented discovery, weaker direct learning and missed cross-business demand.
3. **Stage integration and prioritize Experiences execution.** Continue necessary app and identity integration, but set near-term leadership priorities and growth gates around parks, resorts, ships and guest experience. Consider irreversible capacity commitments, travel and demand cycles, and whether streaming integration gets enough attention to generate useful learning.

These are strategic postures, not proof that Disney can freely reallocate announced capital or that the choices are mutually exclusive. The recommendation should identify the customer or portfolio problem it addresses, the relevant decision rights, a small set of measurable tests and a condition that would trigger a change in course.

Discussion questions

1. What does “one Disney” mean as an operating strategy? Which customer benefits and economic mechanisms should it produce?
2. How much should Disney+ serve as a portfolio gateway? Which products or distribution relationships should remain distinct, and why?
3. What can Q3 results establish about the opportunity? Which reported measures have different scopes and cannot be compared directly?
4. Should Experiences receive priority in the next phase? How should leadership distinguish capacity growth, guest spending and operating performance from project returns?
5. What experiments and scorecard would help Disney learn whether integration creates incremental value? What result would cause you to revise your recommendation?

Sources and conventions

All company facts are limited to information public by October 2, 2026, 4:00 p.m. ET. Q3 FY2026 means the 13 weeks ended June 27, 2026; comparison periods are the corresponding 13 weeks ended June 28, 2025. All currency is nominal U.S. dollars. “Global guests” follows Disney's defined composite measure; it does not mean unique people. Segment operating income and Entertainment SVOD are not interchangeable measures.

[S1] Disney, [Form 10-Q for the quarter ended June 27, 2026](#), filed Aug. 5, 2026. Note 10, pp. 10-11; MD&A pp. 39-41 and 50.

[S2] Disney, [Q3 FY2026 non-GAAP reconciliations](#), Aug. 5, 2026, p. 5.

[S3] Disney, [Q3 FY2026 results page](#), Aug. 5, 2026. Used to identify official release materials; figures above are cited to the filed report and reconciliation.

[S4] The Walt Disney Company, [Josh D'Amato named next CEO](#), Feb. 3, 2026; effective date March 18.

[S5] The Walt Disney Company, [Expanded Disney Entertainment leadership team](#), Mar. 16, 2026.

[S6] The Walt Disney Company, [2026 Annual Meeting remarks](#), Mar. 18, 2026.

[S7] Disney Investor Relations, [Adam Smith named Chairman, Direct-to-Consumer](#), Sept. 17, 2026.

[A1] Schauerte, N., Schauerte, R., Becker, M., and Hennig-Thurau, T. (2024). “Making new enemies: How suppliers' digital disintermediation strategy shifts consumers' use of incumbent offerings.” *Journal of the Academy of Marketing Science*, 52, 672-694. [Full text](#), especially pp. 679-685, 688-694.

[A2] Chalaby, J. K. (2024). “The streaming industry and the platform economy: An analysis.” *Media, Culture & Society*, 46(3), 552-571. [Full text](#).

[A3] Cuelenaere, E. (2026). “Recycling as ‘IP extractivism’ in the age of platformization: A comparative analysis of Netflix, Amazon Prime video, and Disney+.” *Convergence*. [Full text](#), methods, results and sample notes.