

The Reasons and Consequences of Disney's Acquisition of Marvel

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Abstract: The buyout of Marvel Entertainment by The Walt Disney Company in 2009 can be considered an important occurrence in the entertainment industry as it redefined the possibilities for content producers and consumers. This research uses the qualitative analysis method to discuss the key strategic motives for the merger and possible financial consequences and issues concerning the incorporation of Marvel IPs into Disney's vast library. Thus, the analysis is centered on the Disney's motivation to acquire Marvel, the financial implications of this integration and the brand influence in terms of culture. The study helps to explain large scale mergers and acquisitions of corporations and their impact on the entertainment business. Thus, the paper is relevant because it provides a historical analysis of the Disney-Marvel merger and considers possible future developments on the topic. The research provides information on the significance of integration and gives recommendations for policies to the investors and the heads of industries.

Keywords: Disney Acquisition, Marvel Entertainment, Strategic Merger, Entertainment Industry, Intellectual Property Integration.

1. Introduction

Walt Disney together with his brother, Roy came up with Disney Brothers Studio in the 1920s, which was later on transformed into Walt Disney Productions. First triumph was achieved with Mickey Mouse in 1928 and then the discovery of the series "Steamboat Willie" in the same year of 1929. Disney also opened the first theme park of Disney called Disneyland in the 1950s and launched a television program such as The Mickey Mouse Club, The Wonderful World of Disney and so on. Besides by the late of the 1980, Disney extends its media communication and information through the cable television by starting up the Disney channel and ESPN [1]. The decade of the nineties could be considered as the period of active development with such purchase of the company Pixar Animation Studios and the launch of the second park Disney World on Florida. Skip to 2009, Disney bought Marvel Entertainment meaning that most of the Marvel characters became a Disney property. It was then succeeded by MCU which has taken the world by storm and earns billions of dollars from the movies, series, shows, and merchandising. Disney's success story is an example one because of the company's ability to transform from a company that produced animation films into a company that is into the production of films and programming as well as operations of theme parks all over the world. The acquisition between the mega entertainment company The Walt Disney Company and Marvel entertainment company defines a turning point in the entertainment company [2].

Consequently, the purpose of this paper is to critically discuss the motives for acquisition, consequences in terms of money, and the problems of incorporating Marvel's IP into the Disney kingdom. This paper seeks to analyze the strategic reasons why Disney merged with Fox, the firm's position within the market after the merger, and its effects on the entertainment market. The relevance of this research is that it addresses specific large corporations, their acquisitions, and their impact on content generation and users' interaction. The following sections of this paper are organized as follows: Section 2 goes further in explaining the parameters of strategic rationale for the merger and the financial perspectives of the deal; Section 3 will explore the concepts related to the integration and influence of Marvel's IP; and Section 4 will provide conclusion and policy implication of the research paper.

2. Motivation

2.1. Divestment and Innovation in operation areas

2.1.1. Complete Business Map

The Disney Group established in America engages in various product lines and business segments among which are; The theme parks which are famous globally, A strong media network with cable channel companies like ESPN and Disney Channel, film studios that have an animated and live-action were, numerous characters and franchises, products and license consumer products, and now the upcoming Disney+ [3]. Nonetheless, before Disney also bought Marvel Entertainment, the company had limited comic hero properties, which was a clear deficiency in Disney's content distribution channel, as it did not have the similar type of population base or a set of successful comic hero films to strengthen its market positioning. Disney's acquisition of Marvel as a strategic move makes perfect sense due to the fact that Disney already has a tapestry of its very own characters which the Pixar, and Disney parks and Resorts of the magical kingdom, they just wanted to acquire more belts for the fantastic federal crown [2]. The expression of Marvel's vast comic character repertoire, which has transformed from source material and that was already integrated part of pop culture was a great managerial decision on the part of Disney expanding its market primarily on the maturing superhero and fantasy film genres associated with it [4].

2.1.2. Strategic Rationale

The strategic rationale behind this expansion was clear: with regard to reap the growing global appreciation of Marvel's characters, which had been fairly adapted into a series of money making movies and television dramas [2]. Disney is not so short-sighted it purchased Marvel just to have more content for the streaming service; it aimed at shifting to the new storytelling paradigm popular with the generation and capable of creating new myths [4]. Such a transition from more simple, plot-based movies as 'Indiana Jones' and 'Star Wars' to more compound, character-studies ones was a direct reaction to the shift in the readership's preferences towards superheroes and the cinematic universes they form[3]

<https://www.statista.com/statistics/323886/marvel-comics-films-production-costs-box-office-revenue/>

2.1.3. Financial Synergy

On the financial aspect of the synergy the costs of the acquisition were rather high. Over the years, valuations of Marvel and its stock have fluctuated with analysts and stock-brokers placing the company's worth at well over billion of stock. The actual values that comprise the different

components may vary from time to time due to different performance indicators, as well as conditions in the market and offers to buy the company [5]. A famed example includes Disney's valuation where Marvel was acquired at about 4 billion US dollars in the year 2009. The current assessment report for this kind of acquisition was done by Disney's financial sectors without engaging third party evaluator but the personal assessment done at Disney consist of assessment on assets possessed by Marvel and the probable opportunities available in the market. Concerning the valuation of Marvel's main competitors, such numbers are not often published because the figures are not only obtained through business transactions behind closed doors but does not actually apply the Disney-Marvel fee [6]. Other rivalry-players in the industry of superhero entertainment, like Warner Brothers and DC Comic characters, are also appraised from within by their owning companies. The acquisition of Twenty Four billion was actually a major bet by Disney but this was a bet that Disney knew would pay off big (Disney, 2019). The largest deal was joining with Marvel with Disney aiming to broaden its revenue sources apart from relying much on theatrical films [6]. The deal also let Disney spread into the profitable area of comic book adaptations and make use of Marvel's massive licensing programmes, which ranged from toys to video games .

2.2. Capital Related Aspects of the Deal

Such mergers like the one that was realized between Disney and Marvel do have very profound implications on the size of the balance sheets. The taking over was reported to be for about \$4. 24 billion, a very large equity that Disney was willing to risk at Marvel [2]. That involves exchanging \$3 billion in cash for shares of Marvel and the offer of 59 million new shares of Marvel to its shareholders was one of the most revealing strategies. This approach allowed Disney to keep financial control while it also received full control of Marvel [2]. From a feasibility perspective, integration has been good as Marvel icons have been assimilated in some of the most popular franchise making the MCU a money-spinning machine and a source of great income for Disney making the rationale of the merge from the financial view admissible.

The acquisition also affected the sources of revenue of Disney in a big way. Before any merger, the firm's revenue was from regular film selling and distribution as well as visitation to parks. The acquisition of Marvel intellectual property enabled Disney to expand the kind of revenues it was generating, of which a large portion came from licensing, merchandise, and digital [7] The change to the diversified revenue stream strategy has benefited Disney especially in managing with the risk of appearing too dependent on the box office results while at the same time positioning the company to take advantage of the upswing in the usage of streaming services Disney's revenue source is widespread but the most prominent is the revenue generated from its parks and resorts which forms a big part of Disney's earnings; The Media network is another big source of revenue encompassing the cable networks including ESPN and broadcast stations such as ABC, film, and television production through Disney studios among others are also other sources of revenue for Disney. Furthermore, the segment of consumer products and interactive media supports Disney's total revenue, as well as new prospects for direct to consumer/ streaming in the form of Disney +, Hulu, etc. [7].

3. Content and Social

3.1. Integration at Content and in Distribution

Marvel's IP integration into Disney Kingdom was an event that had many layers of implementation and it during the mission, proved to be effective [2]. Thus, what Disney utilized for Marvel was the high corporation/building organizational infrastructure, marketing leverage, and international operation to make Marvel more popular in tune with its mode [4]. For example, MCU is now

representative to Disney's content strategy, where much of the movie is establishing towards a grandiloquent cinematic experience that enshackles the entire world [2]. This global reach has been further improved by introducing Marvel characters in Disney parks where they have turned into icons and attractions for the fans and tourists. For instance, MCU stands for representative to Disney's content strategy in which large part of the movie is building up towards a grandiloquent cinematic experience that enshackles the entire world [2]. This global reach has been enhanced by the introduction of Marvel characters in Disney parks where they have transformed into billboard and tourist attraction for the fans and visitors [2]. This can be illustrated by the presence of Marvel characters in Disney parks for instance the Avengers Campus in Disney's Hollywood Studios [7].

3.2. Applicable social and sector related changes

In cultural terms, it is acknowledged that Marvel was the largest to date deal for the acquiring company [4]. Many characters in Marvel have transformed from just being cartoon characters into being representatives of the new wave of superheroes implicated in trends in the fashion industry, encouragement of coming up with merchandise, and as being acting as relays of popularity in civilization [8]. It can be safely said that not only has the MCU kept the genre of superheroes alive but also has gone on to become an example of how the storytelling universe can be a success in the entertainment industry [9]. On an industry-wide basis, it has been severe for values to alter in this respect consequent on merger and acquisition [4]. Ever since Disney bought Marvel, other companies have had to search for such realms, and competition and concern shifted significantly to items superhero [10]. The MCU has provided new paradigms on how the content development, exploitation and dissemination should be done for a worldwide public [11].

4. Conclusion

The Disney Marvel acquisition made a lot of sense and has indeed been very beneficial for Disney in terms of market dominance and entertainment industry frameworks. In this sense, the addition of Marvel's intellectual property to Disney's content database went beyond the direction toward the superhero and fantasy niches; it remapped the entertainment spectrum. The MCU has thus risen to be among the best models for content generation and marketing in the global market. Therefore, the Marvel purchase by Disney remains as a prime example of how the legacy of storytelling and influential characters remains to be the key to future's entertainment business development.

According to the conclusions of this paper, it is obvious that large gainings can be achieved not only in financial sense but also in terms of cultural change of companies in the entertainment industry through the implementation of strategic acquisitions. The actions that should be taken include making it advisable for companies to closely examine these strategic mergers' potential and focusing on the integration of the intellectual property to amplify their impact in the market and culture. All in all, the Disney-Marvel convergence is another exemplary lesson to be continued to be found in the annals of M&A strategic activities and synergy in content integration.

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