

The Metaverse Strategy of the Walt Disney Company

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Abstract. The Walt Disney Company has explored the potential of the metaverse as a future frontier for digital experiences and storytelling. With the digital advancements, especially in immersive technologies, Disney aimed to capitalize on its vast intellectual property (IP) portfolio and creative universe. However, despite early efforts, including collaborations with key players like Epic Games and Apple Vision Pro, Disney faced challenges, as seen in the dissolution of its metaverse division in early 2023. This paper explores the commercialization opportunities and business model innovations within the metaverse, analyzing Disney's strategic partnerships and distribution network. Through a SWOT framework, the analysis highlights the opportunities Disney has in leveraging its character library for immersive experiences while also addressing threats posed by emerging metaverse competitors. The research provides insights into the evolving digital landscape, offering a comprehensive understanding of Disney's strategic positioning in the metaverse and its implications for future growth and audience engagement.

Keywords: Metaverse; the Walt Disney Company; strategy; business model innovation.

1. Introduction

1.1. Background

The commercialization of virtual experiences can be traced back to the late 20th century, during the period of rapid information technology innovation. With the ongoing advancements in digital technology and the impact of the COVID-19 pandemic, which has constrained offline industries, the concept of the metaverse—viewed by some as the next frontier of a virtual world—has begun to attract significant attention from entrepreneurs exploring new opportunities.

A pivotal moment in the commercialization of the metaverse was Facebook's announcement in 2021 to rebrand itself as Meta, signaling a strategic shift towards developing a business model focused on the metaverse. This move prompted other companies, such as The Walt Disney Company, to invest in the metaverse as a potential avenue for future growth.

However, the concept of the metaverse remains ambiguous and lacks a clear framework for profitability, which could lead to potentially misleading business decisions. For instance, Disney's decision to dissolve its entire metaverse division just a year after its establishment reflects the uncertainties and challenges in navigating this new domain.

Despite these challenges, the need to identify viable commercialization pathways for the metaverse has become increasingly urgent and critical for ensuring sustainable development in this rapidly evolving field.

1.2. Related Research

Previous research reveals that the practical implementation of the metaverse depends on immersive interaction and collaborative environments, which are constructed through extended reality (XR) interfaces and blockchain technology, respectively.

1.2.1. Producing

Producing in the metaverse context involves creating content that is either immersive or community-shared. Dooley's study examines three immersive narrative works from Australia, exploring the role of users as "present active agents" within the context of 360-degree screen environments and media. It investigates how these contexts influence narrative structure, audience

adaptation, and attention guidance within immersive storytelling frameworks [1]. Additionally, "Geo-AR (augmented reality) Games" represent another form of interactive storytelling grounded in XR technology. Liu et al. dedicated to this subject address ongoing updates and efforts to ensure its sustainability [2].

Another group of researchers, Lee and Shen, responded to the motivation of non-fungible token (NFT) generators in shared communities. The results highlight the significance of artistic value, content richness, external rewards, internal rewards, self-image expression, and recognition in shaping NFT creation and community identity, as well as how these identities influence creative behavior [3].

1.2.2. Consuming

Similarly, the logic of consumption centers on new content and environments. Kalaiarasan et al. highlight the effects of XR technology on players, revealing that technology anxiety does not significantly influence their engagement [4].

Kang et al. investigated player decision-making and choice issues in user-generated content (UGC) platforms, such as Roblox. Based on indicators selected according to signal theory and using the Two-Stage Least Squares (2SLS) method for analysis, they concluded that creator profiles (such as the number of followers and limited-edition items) positively influence players' game choices [5].

1.2.3. Business Model

Effective commercialization relies on a deep understanding of market transformations. Li and Chen highlighted the transformative nature of property rights for virtual products through NFTs, emphasizing their pivotal role in driving business model innovation (BMI) [6]. Apart from that, game engine platforms and companies such as Epic Games and Unity warrant attention for their critical influence in advancing the metaverse, given their ability to drive technological development in this space [7].

The discussion on BMI is also a key focus of the research agenda. Mancuso et al. tried to interpret the mechanisms of value creation and capture within the context of virtual transformation through a multi-case study involving Gucci, Samsung, Hyundai, and Nike [8]. The platform model is one of the specific cases under consideration [9].

Sustainable development relies on protocols, ethics, and standards. Ansari et al. explored this area and concluded that implementing transparent policies and fostering a culture of trust is crucial for upholding data ethics and privacy, thus ensuring the sustainability of the business model [10].

1.3. Objects

A review of recent research highlights the present state of metaverse applications, revealing a significant gap in the development of a practical and widely applicable business model. Companies are currently in an exploratory phase as they navigate the potential of this emerging technology. This phase of experimentation is particularly relevant in industries centered on digital content creation and entertainment, where immersive experiences have become integral to audience engagement and business expansion.

As a dynamic entertainment conglomerate renowned for its creation of immersive narrative worlds and business prowess in the previous century, The Walt Disney Company presents a compelling case for in-depth academic exploration. Disney's extensive history of innovation, from pioneering animation techniques to establishing theme parks as immersive environments, positions it as a leading entity in the ongoing discourse around the metaverse. The company's ability to blend storytelling with cutting-edge technology makes it a relevant subject to study, especially in the context of how traditional entertainment companies might integrate or adapt to metaverse-based experiences. Understanding Disney's strategic decisions and adaptations can provide critical insights into the broader challenges and opportunities faced by similar corporations in this evolving digital landscape.

2. Metaverse

2.1. Development

The term "metaverse" originates from Neal Stephenson's 1992 science fiction novel *Snow Crash*, where it refers to a virtual world that people access using their avatars [11-12]. In the early 21st century, various immersive games like *Second Life*, *Roblox*, and *Fortnite* allowed users to create avatars and interact with others within their respective virtual environments, often seen as antecedents of the metaverse [13-15]. With the launch of Meta's Horizon Worlds in 2021, the concept of the metaverse evolved into an immersive ecosystem where users can seamlessly interact with simulated worlds, blurring the line between the real and virtual realms [16].

2.2. Page Numbers

Now the consensus on the definition of metaverse has yet to be achieved though, the article follows the study that refers to the metaverse as "the layer between you and reality", through which all behaviors are "carried out with the help of augmented and virtual reality services" [15].

The article explores the definition of the metaverse through three key dimensions: environment, interface, and interaction [16].

2.2.1. Integrated Environment

The simulated environment of the metaverse integrates real and virtual elements, creating diverse effects depending on their balance [16]. The logic of time, space, and physical laws can be selectively exaggerated or disregarded to suit specific needs. For instance, in a virtual classroom, students might interact with a lifelike teacher avatar while also using magic to teleport across the virtual campus.

2.2.2. Immersive Interface

The interface functions as the medium, either through software or hardware that facilitates communication between users and simulated environments, enabling users to exert influence or be influenced by these environments. Within the metaverse, immersion is a critical characteristic, manifesting through the faithful representation of users' sensory perceptions [17]. This immersion is commonly achieved through 3D graphical displays for visual engagement, surround sound for auditory experiences, and tactile feedback to simulate physical sensations [18-19].

2.2.3. Collaborative Interaction

In scholarly contexts, the term "interaction" emphasizes user-society relationships, whereas "interface" pertains to user-machine interactions. Beyond the simple conversations with well-designed non-player characters (NPCs) in video games, the earlier stage of the metaverse featured limited interactivity. However, the current frontier of metaverse development is characterized by collaboration [20]. This collaboration is reflected in multi-modal elements such as users' generated contents (UGCs), interoperable environments, social networks and multi-terminal support [21].

2.3. Applications

The practical applications of the metaverse can be categorized into two types based on their purpose: targets and tools [16]. The former refers to how the metaverse itself can be utilized for activities such as gaming, business, role-playing, and real estate. The latter pertains to how the metaverse can address real-world challenges and issues, including remote collaboration, social interactions, education, and healthcare.

3. Acts of the Walt Disney Company

3.1. The Overview of the Company

The Walt Disney Company, established in 1923, has grown from a small cartoon studio into a global entertainment giant. It is now structured into three key business segments: Entertainment, Sports, and Experiences. Disney's sustained investments in Disneyland, along with its acquisitions of American Broadcasting Company (ABC), Marvel, Lucas Films and 21st Century Fox, positioned the company as a prominent industry leader throughout the 2000s and 2010s.

Disney is still widely recognized as one of the companies best positioned to capitalize on the metaverse, given its expansive and creative universe of stories. However, the company's progress has faced challenges. In early 2023, Disney disbanded its entire next-generation storytelling division, originally created to lead its metaverse initiatives. Despite this setback, indicators of Disney's continued ambitions in this space persist. In November 2023, the company announced plans to develop Disney Pinnacle, an NFT platform, and in early 2024, it formalized partnerships with Epic Games and Apple Vision Pro, signaling ongoing efforts to engage with the metaverse.

3.2. Ecosystem: Collaboration and Integration

On February 7th, 2024, Disney announced a \$1.5 billion investment for equity stakes in Epic Games, signaling its commitment to expanding into the gaming industry. As Robert A. Iger, CEO of The Walt Disney Company, stated, "This represents Disney's most significant entry into the gaming industry to date." Epic Games is a crucial partner, largely due to its two flagship assets: Unreal Engine and Fortnite, which are widely regarded as prototypes for metaverse creation tools and products, aligning closely with the evolving vision of the metaverse.

Another significant collaboration in January of the same year was the integration of Disney+ with Apple's latest product, the Apple Vision Pro. This device offers one of the most advanced immersive interfaces to date, providing a fully digital environment and seamless interactive capabilities. The first content to be featured on this platform was new immersive the Marvel series *What If...?*, produced by ILM Immersive (affiliated with Lucas Films), demonstrating Disney's strategic utilization of emerging technologies to enhance content delivery and audience engagement in the evolving media landscape.

From the perspective of the article, these collaborations facilitated the production and consumption of metaverse content, thereby establishing a metaverse-facing ecosystem around the matrix of streaming gateway, with a particular emphasis on its core platform, Disney+.

On the one hand, Apple's new device offers simulated surrounding views and sounds, anticipated to enhance the expressiveness of content available on Disney+, thereby potentially integrating with other prominent channels. In addition to high-profile superhero productions, the nature documentaries produced by Disney's National Geographic, are also noteworthy. Moreover, the integration with this new terminal presents an ideal opportunity for Disney to promote the platformation of ESPN, the largest sports channel in the United States, aligning with the immersive interface to provide a highly engaging viewing experience.

On the other hand, the investment in Epic Games has the potential to expand Disney's gateway services. Currently, The Walt Disney Company's gateway matrix is primarily focused on streaming video content. However, through its collaboration with Epic Games, Disney could extend its reach into the realm of gaming, potentially creating immersive family experiences akin to those offered by Nintendo. This strategic move could diversify Disney's content offerings and enhance its engagement in the gaming sector.

3.3. NFTs: from Consignment to Flagship

Based on blockchain technology, NFTs represent a practical application of digital assets, securing property rights for digital entities. As a result, they are considered a critical concept for enabling real-world ownership and interaction within the metaverse era.

In November 2021, Disney introduced the Golden Moments collection on VeVe, a platform for trading NFTs of digital collectibles such as artworks and comic books. The collection was designed with varying levels of artificial scarcity, with the items categorized into four distinct ranks: Uncommon, Common, Rare, and Ultra Rare. These collectibles were made available through a blind box format, meaning buyers did not know which specific collectible they were purchasing until after the transaction was completed. The collectibles were also priced according to these rarity levels, creating a structured tier system for the distribution of the NFTs.

The subsequent releases, particularly the Star Wars collections, also garnered significant popularity. In response to this growing demand, Disney strategically decided to establish its own online flagship platform, Disney Pinnacle, to house future collections. Partnering with Dapper Labs, a leader in gamified trading platforms, Disney aimed to leverage its expertise to promote an exclusive marketplace centered on digital pins, integrating blockchain technology to create a unique and interactive trading experience.

4. Analysis based on the SWOT Framework

4.1. Metaverse: Opportunity for Future Storytelling

The metaverse, which promotes an interactive virtual environment and immersive experiences, represents a significant strategic opportunity for The Walt Disney Company. The technological transformations accompanying this shift provide a substantial opportunity to further leverage Disney's enduring strength: its vast and consistently popular character library. This digital frontier aligns seamlessly with Disney's expertise in storytelling and content creation, opening new pathways for audience engagement through advanced technological interfaces through the nonlinear stories or NFT collectibles. By capitalizing on its extensive intellectual property portfolio (e.g. Marvel, Star Wars, Disney Princesses, etc.), Disney is well-positioned to develop interactive experiences that resonate deeply with consumers, thereby strengthening its competitive advantage in an increasingly dynamic media landscape.

4.2. Emerging Products: Threats for established gateways in the New Era

A major threat to Disney's matrix of gateways is the proliferation of emerging metaverse entertainment products for gaming and social networking. Although practical implementations for monetizing this type of content have yet to be established, companies like Steam, TikTok, and Netflix have already emerged as notable competitors, increasingly rivaling Disney's traditional channels. Their strategic dynamic is clear: when a product or content attracts a substantial audience, it cultivates a dedicated user base and fosters a trusted entrance for audiences, capturing and maintaining audience attention. Netflix, for example, managed to significantly disrupt Disney's cinema and television outlets by leveraging its streaming services, ultimately capturing a substantial share of the market. Given the aging infrastructure of networks like ABC—an evident weakness amid ongoing technological evolution—Disney is increasingly vulnerable to such competitive pressures and cannot afford another disruption of a similar scale.

4.3. Disney+ for Metaverse: An Ingenious Strategy

Thus, the launch of Disney+ represents a commendable plan that strikes a subtle balance between addressing existing challenges and harnessing the potential of the company's strengths. This initiative could either provide a viable solution to current dilemmas or invigorate opportunities for growth within the organization.

In terms of its distribution network, Disney+ serves primarily as a competitive product aimed at capturing market share within the streaming industry, providing a platform for its extensive content library to be showcased. Moreover, it signifies a fundamental transformation in channels, shifting from traditional cable and cinema to digital platforms. The success of this application enables cross-

platform sales to be effectively integrated across Disney's diverse product offerings, catering to various genres (e.g., ESPN+ for sports) and age demographics (e.g., Hulu for young adults).

The concepts of digitalization and platformation extend beyond mere translation of the medium of the content; they signify a progression into the next stage of technological evolution. Digitalized channels imply that the interfaces between software and terminal devices are becoming increasingly integrated, thereby creating new possibilities for their convergence (e.g., the launch of Disney+ on Apple Vision Pro). This integration facilitates enhanced user experiences and broadens the scope of content accessibility. As a result, the new immersive version of Marvel's What if...? Was uploaded for experiment, calling for the rolling re-emergence of the vast character library and future collaboration with the game designers.

The role of Disney+ is vital. Firstly, by capitalizing on its remaining audience base, Disney was able to revitalize its potentially vulnerable legacy channels, successfully completing a comprehensive transformation of its old channels. This shift fortified the company against external threats. Additionally, Disney's rich portfolio of IP assets found new intersections with cutting-edge metaverse technologies through this platform, enabling continuous experimentation and the exploration of innovative revenue models for entertainment products, thus positioning Disney to capture the emerging opportunities presented by the metaverse.

5. Conclusion

This paper analyzed The Walt Disney Company's strategic approach to the metaverse, focusing on its integration of digital and immersive technologies into its storytelling and distribution models. By examining key partnerships, the role of NFTs, and Disney's expansion into virtual environments, the study explored both the opportunities and challenges the company faces in commercializing the metaverse.

In conclusion, two key strategies emerge as crucial to Disney's success in the metaverse era. One involves forming strategic partnerships with leading technology developers and hardware manufacturers, effectively streamlining the industry supply chain. The other strategy capitalizes on Disney's vast IP portfolio and extensive distribution networks to build a forward-looking media ecosystem, positioning the company as a leader in the evolving market.

Looking ahead, further research could focus on two important areas. Analyzing Disney's financial data in greater detail—especially its investment strategies and resource allocation—would provide valuable insights. This could be further explored using tools like the BCG matrix, alongside investor and market discussions. Additionally, the commercialization of metaverse technologies poses challenges that go beyond the scope of individual companies. Researchers could apply more holistic theories, such as service ecosystems and value co-creation, to investigate the future potential of metaverse commercialization.

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