

# Studio System Under Strain

Media giants The Walt Disney Co. and Sony Pictures Entertainment issue major rounds of layoffs as film and TV production continue to adjust.

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The Walt Disney Co. and Sony Pictures Entertainment Inc. are trimming hundreds of jobs under new leadership, signaling that Hollywood's recovery from pandemic-era disruption still has a long way to go.

Josh D'Amaro ascended to chief executive of Disney in March, while Ravi Ahuja took the Sony helm at the start of the year. Announced consecutively over the last two weeks, the mass layoffs show that the new leaders face an industry still reeling from the impact of the Covid-19 pandemic, strikes and high costs of local productions.



J.J. Abrams



President and Chief Executive of Sony Pictures Entertainment Ravi Ahuja speaks during a Sony news conference at the Consumer Electronics Show (CES) in Las Vegas. (Photo by Ian Maule / AFP) (Photo by IAN MAULE/AFP via Getty Images)

Disney and Sony are by far not the only ones suffering from a cooling space: J.J. Abrams' Bad Robot Productions Inc. also announced the closure of its L.A. office early this month, with plans to move to New York City with a downsized team.

"Los Angeles was the home of Hollywood and the entertainment industry for decades, but now the world has changed, and it is easier to move opportunities to less

costly locations," said Michael Levine, founder of the Hollywood-based entertainment public relations firm Boundless Media.

Protecting their companies from potential economic and industry headwinds, as well as making strategic shifts, seems to be the motivations behind the cuts. In a memo to staff obtained by Variety, D'Amaro said the company will "streamline" its operations to ensure quality content, foster-



Lloyd Greif

ing “a more agile and technologically enabled workforce to meet tomorrow’s needs.”

Ahuja said Sony is “reducing roles in certain areas while increasing focus and investment in others that are most critical to our future,” according to an internal email obtained by Deadline.

By California’s Worker Adjustment and Retraining Notification Act, companies with more than 75 employees must provide 60 days’ advance notice to the California Employment Development Department if layoffs concern more than 50 people.

In an April 8 notice obtained by the Business Journal, Sony stated that most layoffs will take effect between June 12 and June 19. It puts the number at 133, with 111 of the positions at its Culver City headquarters. Disney had not filed a notice with the department by the Business Journal’s deadline on Thursday. In both

cases, the layoffs are leveraged across film, television and corporate departments, according to industry reports.

### **End of an era**

Disney may be responding to the challenges posed by artificial intelligence, and this round of layoffs signals the start of many to come, according to Levine.

“It’s a tough way to start (for D’Amaro), but it is a necessity. When a patient’s bleeding, you have no choice,” Levine said. “He is going to have to respond to the gravitational pull of the market.”

**Lloyd Greif, founder of downtown-based investment bank Greif & Co., further described L.A.’s entertainment landscape as “bleak.” Artificial intelligence will put more people out of work, and ancillary services will have an ongoing “fair amount of disruption,” he said. The golden age of Hollywood is gone.**

**“Hollywood has always been a bulwark of the Southern California economy and, unfortunately, it’s going to be less so, and that’s inevitable,” Greif said. “It’s hard to stand in the way of change, and we’re clearly facing that right now.”**

The industry seems to have become more risk averse with fewer theatrical releases. IMDb’s Box Office Mojo

reported that there were 669 domestic theatrical releases last year, 26% fewer than in pre-pandemic 2019. The market also seems to prefer a familiar, safe territory with existing intellectual property, said TD Cowen analyst Doug Creutz in a research report last March. Eight of the top 10 films in 2024 were “sequels, spinoffs, live-action reboots, or ‘universe’ extensions,” Creutz pointed out.

The desire to take a cautious approach down a safer, surer path to navigate the challenging environment is reflected in the layoffs. Sources told Deadline that the company is leaning into differentiated businesses and ROI drivers, such as Crunchyroll. PlayStation adaptations in film and television are also a priority.

Disney likewise targeted core units, trimming 8% of its Marvel team in Burbank and New York, according to the industry publication. A notable shift, given that Marvel has raked in more than \$30 billion since its 2009 acquisition, the highest-grossing film franchise in history.

**The magic has somewhat faded, on the other hand. Forbes reported that Disney was losing an estimated average of \$619 million in potential**



Disney Chief Executive Josh D'Amaro speaks during the inauguration of the expanded Disney Adventure World at Marne-la-Vallee, east of Paris. (Photo by Blanca CRUZ / AFP via Getty Images)

takings on each Marvel film from 2023 to 2025. The recent layoffs by the new chief were a move to restructure its “cash cow,” Greif said.

“They killed the golden goose in some respects; they churned out too much product in the Marvel Universe, to the point where the quality went down,” he said. “You’ve heard the phrase ‘too much of a good thing is a bad thing.’ That’s effectively what happened with the superhero movies from the Marvel Cinematic Universe.”

Greif added that the layoff on what seems to be an artery of the business reflects the general trend of lower theatrical output, both because of a cooling industry and of a strategic deliberation.

“They need to do a reset. They need to slow the pace of those films and see how they perform release-by-release,” he

said. “You’re not releasing as many films, so you don’t need as many people working on films. It’s just common sense.”

### **Stock market response and future outlook**

The stock market, however, does not seem to view the layoffs negatively. Since the Wall Street Journal first reported on April 8 that Disney may be considering layoffs, its stock price has risen about 5% to a high of \$104.53 per share on Thursday. Sony had a small bump from \$20.88 a share to a high of \$21.52.

“Disney is an intellectual property powerhouse, and they have so many different ways, including ESPN. They have so many different ways to exploit that intellectual property, leverage that proprietary content, that their model is a proven

success,” Greif said. “I would never sell Disney short.”

Looking ahead, the entertainment industry may shift its focus to live events like plays and musicals, he added, where artificial intelligence has yet to extend its reach.

“I think there’s going to be renewed emphasis on plays that are made from the IP that these studios have,” Greif said. “I think they’re going to rev up that engine, because that’s the one place where their star power will matter.”

Some in the industry have already sensed the opportunity. Last November, “Harry Potter and the Cursed Child” at New York’s Lyric Theatre featured actor Tom Felton’s Broadway debut as Draco Malfoy – a character he played as a teenager in the original film series. It drew \$2.97 million in a week, with tickets sold out, according to The Hollywood Reporter. It also climbed to the second-highest earner in the industry within that week, behind “Hamilton,” which earned \$3.7 million.