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Entertainment & Media Industries - Wednesday 4:55pm

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Home Box Office (HBO)

### **1. Executive Summary**

HBO remains a leader in the premium cable industry, creating original content, branching out into streaming with HBO GO, and partnering with several entertainment entities to gain exclusive distribution rights for its sports division. Under the leadership of Richard Plepler, HBO has extended its global reach, creating much more original content while exploring new ways to reach consumers in the digital age. To maintain its relevance in the entertainment industry, HBO recently launched a new, over the top streaming service called HBO Now, indicating the company's shift from premium cable to standalone entertainment creation by providing direct to consumer content. These shifts have paid off for the premium cable company, as HBO has experienced record growth despite the necessity to adapt to the new technological advancements shaping the entire entertainment industry, but more specifically the television sector.

Yet HBO still is not without its competitors both within its industry and in the broader entertainment industry. Among the company's top competition are Netflix, Disney, and Comcast. Despite the plethora of emerging streaming services like Hulu and Amazon Prime, Netflix remains the undisputed leader in the streaming sector, as its library of quality licensed and original content, its stark accessibility, and its massive investment into both the film and television sectors illustrate the streaming behemoth's popularity and vast resources in a dynamic industry. Disney's recent acquisition of 20th Century Fox furthers its continued consolidation of the entertainment industry following its acquisitions of Marvel, Lucasfilm, and Pixar. Alongside

its announcement to pull its content from other services and its launch of Disney+, the company is poised to remain a formidable force in entertainment not only in film and television, but in streaming now due to its massive catalogue of cinematic and short form content. Comcast's merger with NBCUniversal also positions the company to remain a large competitor in a cross-sector industry. Like Disney, the company's consolidation of fellow entertainment firms grants Comcast a large reservoir of programming and infrastructure to continue its aggressive ventures in the film, television (both broadcast and cable), and streaming sectors.

HBO's approach to technology and marketing have come hand in hand, as the company has leveraged its digital footprint to push and market its content through both social media and traditional advertising. By partnering with other media companies native to the digital space like music streaming platform Spotify and live-streaming platform Twitch, HBO was successful in marketing its newest seasons of hit shows like *Game of Thrones* and *Silicon Valley* by targeting its shows main demographics on platforms and sites frequented by these market segments. In its approach to adapting to new technology, HBO has leveraged these advancements by integrating them into its business strategy, particularly through its use of big data for market research and its use of social media for viral marketing campaigns. Despite this integration, the emergence of high tech production methods have also increased pressure for HBO to produce higher quality content, evident in the cinematography and special effects of *Game of Thrones*.

## **2. Background on Sector**

TV subscription services have been a new major driving force of the entertainment industry since the advancement of network through technology. At first, these services started with TV cable and satellite channels, but soon reemerged as online networks, becoming more popular.

Before TV subscription services became popular, films were the dominant form for entertainment. As TV subscriptions became profitable and impactful on society, more and more talents who previously considered TV as “low art” reversed their opinions and proceeded to work in these companies again. When films were more popular than television, people went to theaters to appreciate the artwork created by the directors (as conveyed in the popular “auteur theory”) which made entertainment quite formal. At that time, TV channels were short and amusing, but they hardly had purpose other than some light entertainment. Now, programs on subscription services are more film-like (sophisticated) than they were before due to their duration - some shows like *Game of Thrones* surpass one hour per episode - and production value, in which programs are becoming much more complex and expensive due to special effects, on location filming, and talent retention.

A TV program company such as HBO works quite differently than a film company. The audience plays a much more important role in the business, whereas some filmmakers create content that is “art for art’s sake.” The production period lasts longer and the network is constantly getting feedback from fan discussions. Furthermore, each company has to produce TV series that adhere to its brand in order to distinguish their programs from their competitors, so that loyal customers can maintain their subscriptions.

How a subscription service works differently from a public network also contributes significantly to its business model. Since the TV subscription services are paid-for, they are not

public commodities and therefore are not subjected to many of the laws and regulations that free public networks are required to adhere to. Therefore they have much more creative freedom as well as financial resources from the subscription, and they must use these resources and freedom because having unique content is the only way to attract more subscribers. Nowadays, all subscription services are accessible enough to the consumer that original, exclusive content becomes a primary reason to subscribe in the first place.

The popularity of TV subscriptions signals a change in the social culture of consumers. People previously watched films in public through theaters, but now prefer to watch TV individually or with family and friends in the comfort of home. This signals the transition of motion pictures from the public sphere to the private lives of the consumers. Because of this transition, the subject matter of the programs changes with its context. TV subscription programs provide “edgier” content from unique perspectives because subscriptions allow for more choice in content on the consumer side. However, mainstream and popular film still maintains its relevance at the box office and sustains its status within consumer culture as “blockbusters.”

Consumer engagement is also bolstered by the accessibility of TV programs due to an increased demand in thought-provoking content. Recently popular television genres are more intellectually demanding, such as the detective drama *Sherlock* (BBC) and the fantasy drama *Game of Thrones* (HBO). Many popular TV shows are one hour per episode, which is smaller in duration than a common film but more than a common television program. However, many consumers enjoy binge watching shows, in which episodes are watched consecutively. This is especially prevalent with suspenseful shows.

### **3. Overview of Company**

Home Box Office, referred to as HBO, was founded in 1972 in New York, NY and is currently a subsidiary of Warner Media. HBO also includes Cinemax and all of their content under the umbrella of HBO as a parent company. HBO is primarily a streaming service company with premium content that includes TV series, movies, sports and other content. The delivery method of the content has evolved over time, originally delivered exclusively through cable but more recently advancing to streaming through mobile devices, consoles and streaming players, such as a Google Chromecast, Apple TV Amazon Fire TV Stick. Driving this transition to content delivered through these internet-connected devices is the creation of HBO NOW, an application that gives HBO subscribers access to the company's whole digital content library from anywhere with internet connection. This availability of content has allowed for HBO to reach 40 million subscribers domestically and approximately 88 million international subscribers as of December 31, 2017 (Time Warner Media). Their portfolio of content includes primarily original programming and recent feature films. They are able to distribute these feature films through licensing agreements with major film studios, such as Warner Bros, and independent producers. Often these films are uncut and uncensored, providing its subscribers with premium and exclusive content that varies from what is readily available on the market. Original programming is something that HBO continues to invest in and succeeds in producing, as evidenced by the company's awards and critical acclaim. The shows have a lot of variety in genre, ranging from comedy in *Silicon Valley* to drama in *Game of Thrones*. They also produce talk shows and political satire, such as *Last Week Tonight with John Oliver* and *Real Time with Bill Maher*. Despite this success, HBO does not rest on its laurels; they are constantly adding new original shows to their roster, such as *The Young Pope*. In 2017, HBO received 29 Primetime Emmy Awards in addition to awards for other categories, such as their documentaries.

HBO's ability to consistently deliver premium content has cemented it as a major player in its industry that consumers are well aware of.

Customers of HBO have many options when it comes to subscription choices, allowing HBO to target a larger consumer base than it originally was able to. They offer their HBO NOW subscription in addition to basic and premium packages through cable. For larger customers, such as corporations or large households, HBO provides volume discounts or other performance-based discounts. The content distribution varies depending on the service provided. For example, HBO GO was available to customers in over 50 countries and territories as of December 31, 2017. However, they were able to distribute premium content to over 65 countries in Latin America, Europe, and Asia. HBO expects to continue increasing its distribution capabilities to reach even more audiences.

HBO has benefited financially from the recent strategic decisions that include the creation of HBO NOW. In 2017, HBO's revenue increased 7% to \$6.3 billion which was mostly helped by an 11% increase in subscription revenue, one of the highest yearly increases in recent company history (Bond). Their net income also grew to \$5.24 billion, representing an increase of 33% from the previous year. The overall growth of HBO demonstrates a capability to handle advancements in technology and changing consumer preferences for content consumption.

#### **4. Competitors in Industry**

HBO faces stiff competition from several different sectors of the entertainment industry, namely streaming, film, and television, because HBO is active in each of these sectors. Despite the potential for an exhaustive list of each firm qualified as competition, three main companies emerge as the most pressing competitors for HBO. Among the company's top competition are Netflix, Disney, and Comcast.

Despite the presence of other streaming services and platforms like Hulu and Amazon Prime, Netflix is still the undisputed leader in the streaming sector. Netflix commands this top spot because of its library of quality licensed and original content, its stark accessibility, and its massive investment into both the film and television sectors, which illustrate the streaming behemoth's popularity and vast resources in a dynamic industry. Starting out as a DVD rental service, Netflix's foray into streaming allowed the company to quietly pursue a vast arsenal of licensed content from traditional outlets, amassing enough capital to generate its own content starting at the beginning of the decade (Grover). Now, Netflix's collection is ever growing in thanks to its commitment to developing more original programming (Nocera). With a pledge to spend more than \$18 billion dollars in the next year solely for original content, Netflix boasts much more capital than HBO, The Walt Disney Company, or NBCUniversal are willing to spend for their own programming (Lee). Alongside this unparalleled capital is Netflix's uncanny accessibility. Virtually anyone with internet access can access Netflix and virtually everyone, especially younger demographics, maintain Netflix accounts due to their unmatched collection of shows and films, with 130 million paying customers as of September (Lee). These numbers indicate the immense market share Netflix commands. Yet the original content already mentioned is not just quantity over quality. The company earned 23 Emmy wins (tying with HBO) alongside several Oscar nominations, with a win in the "Best Documentary Feature" category for *Icarus* (Lee). These indicators underscore the quality of Netflix's content and illustrate why the streaming platform enjoys so much popularity.

The Walt Disney Company's multi-sector approach to entertainment allows the company to maintain its position as a leading entertainment brand, and qualifies it as a major competitor of HBO. Disney's recent acquisition of 20th Century Fox furthers its continued consolidation of the

entertainment industry following its acquisitions of Marvel, Lucasfilm, and Pixar. Alongside its announcement to pull its content from other services and its launch of Disney+, the company is poised to remain a formidable force in entertainment not only in film and television, but in streaming now due to its massive catalogue of cinematic and short form content (Katz). This entire move was to remain competitive against streaming companies like HBO, Netflix, and Hulu. Unlike other companies, Disney commands a large stock of recognizable brands and content that allows the company to privatize its collection and create its own platform.

Furthermore, Disney still records the highest performances at the box office, with this year's top three box office films being *Black Panther*, *Avengers: Infinity War*, and *Incredibles 2* (Box Office Mojo). Alongside *Ant-Man and The Wasp* and *Solo: A Star Wars Story*, Disney helmed five of the top ten films at the domestic box office (Box Office Mojo). The company also maintains a foothold in the television sector with its Disney brand networks and ABC, one of the three major broadcast networks. With its cross-sector approach and burgeoning streaming service, Disney still remains a top competitor for HBO not only the streaming sector, but in the television, film, and broader entertainment industry.

Comcast's merger with NBCUniversal also positions the company to remain a large competitor in a cross-sector industry. Like Disney, the company's consolidation of fellow entertainment firms grants Comcast a large reservoir of programming and infrastructure to continue its aggressive ventures in the film, television (both broadcast and cable), and streaming sectors (Reuters). Although fellow media conglomerate Viacom owns several cross-sector companies itself, counting Paramount and MTV among its assets, Comcast's unique acquisition unites the cable and broadcast networks for the first time (Arango). Additionally, Comcast's acquisition of Universal - and, in effect, animation studio Illumination Entertainment - allows the

company to enter and produce within the film industry, something the company has been successful in doing for almost a decade. With its blockbusters *Minions*, the *Despicable Me* franchise, and its most recent release *The Grinch*, Comcast's film division proves that the company is a successful cross-sector entertainment conglomerate and respected competitor to HBO (Cavna).

## **5. Executives in the Industry**

In order to run a company as successful as HBO, it is pertinent to have competent leaders who understand the in's and out's of the entertainment industry. In 2013, Richard Plepler was named the CEO of the world's most successful pay TV service, HBO. After graduating from Franklin and Marshall college, Plepler served as an aide for Connecticut congressman, but later moved to New York City and set up a public relations firm in 1984. By 1992, Plepler was hired as SVP of communications and advisor to the CEO of HBO (Ramsay). After serving as co-president where he pushed for the creation of original programming, Plepler worked his way up in the company and in 2013 he was appointed CEO of HBO. The majority of Plepler's work at HBO centered around addressing the threat of Netflix and setting up HBO's own streaming service. By focusing on expanding HBO's business and global reach, HBO's subscriber list has grown more in the last two-years than any other two-year period in the last 30 years (Mary).

Second in command at HBO are Len Amato and Casey Bloys. Len Amato began his career in the film industry as a Story Editor for Tribeca Productions. He then became President of Spring Creek Productions where he produced films such as *Rumor Has It* and *Analyze This*. Amato had a long relationship with HBO beginning in 1997 where he produced and starred in various original HBO movies. In 2008, Amato began his current position as President of HBO

films after serving as SVP of HBO films and as a program executive and executive producer for HBO. In his current position, he is responsible the development and production for all original programming at HBO films. Under Amato's leadership, HBO produced 43 Emmy awards and 12 Golden Globes from 2009 to 2015 (Carstons). Casey Bloys began his career in the entertainment industry as an executive assistant for a CBS executive in 1996. By 2004, he began his tenure at HBO as a director of development. He received multiple promotions becoming vice president of programming in 2013 and finally President of programming at HBO. In his current position, he oversees all the creative aspects of HBO's original output, ranging from documentaries to comedy series (Paul).

HBO's success has not come without fierce competition. One of the company's biggest competitors is the largest streaming platform in the world, Netflix. Reed Hastings began his career in technology. In 1991, he left his job at Adaptive Technology and founded his first company, Pure Software, producing products that troubleshoot software. After merging his company with Atria Software, Hastings left and founded Netflix with Marc Randolph in 1995. The company grew quickly and revolutionized the way we consume entertainment. Hastings now serves as CEO of Netflix where he oversees all business and expansion endeavors (Solis).

Netflix's second top leader is Ted Sarantos. Before joining Netflix, Sarantos was an executive at video distributor ETD and West Coast Video. Sarantos has also produced a number of award winning independent films and documentaries such as *Outrage* and *Tony Bennett: The Music Never Ends*. Satantos joined Netflix in 2000 where he lead content acquisition. In his current position as Chief Content Officer, he led the company into original streaming content launching shows like *House of Cards* and *Orange is the New Black*. At Netflix, Sarantos

oversees all the teams responsible for the acquisition and creation of original series and movies across the globe (Laughlin).

## **6. Effective Use of Marketing**

As a leader in the pay television sector, HBO is a master at gaining customers and using effective marketing techniques. Like the company's mantra says "It's not TV, it's HBO." From the onset of the company, HBO has strategically placed itself above normal cable television. HBO has asserted its uniqueness and otherness through somewhat controversial programming. The frequent nudity and profanity in its content serves as a topic for debate for many people. Although not everyone approves of their programming, from shows like *Game of Thrones* to *True Detective* everyone is talking about them. The sheer difference in what is offered on HBO versus cable programming creates a buzz and harnesses the power of controversy to engage new customers.

By being a pay for viewing service, HBO has created a sense of exclusivity for its consumers. This feeling of exclusivity makes viewers feel as if they are apart of a tight-knit community in which they feel prestige for being able to intelligently talk about HBO programming. In terms of content marketing, HBO has never shied away from bringing in big name celebrities to entice viewers. With Matthew McConaughey in *True Detective* and Reese Witherspoon and Nicole Kidman in *Big Little Lies*, HBO has proven its worth to consumers and brought in new viewers solely by using star power (Tran). HBO values its reputation for producing quality content. In contrast to Netflix, HBO puts quality over quantity and it shows in its intelligently written and directed programming and being able to sign big celebrities.

HBO has been able to effectively harness the power of social media to gain attention and viewers to its biggest shows like *Game of Thrones*. The season 6 premiere of *Game of Thrones* was watched by a total of 10.7 million viewers. The company used multiple marketing strategies to ensure the success of one of its most popular shows. In the weeks leading up to the premiere, HBO partnered with Spotify to create #SpotifyGameofThrones, which determined which character in the show each user was most similar to based on the songs in their playlists. HBO also invited five artists to recreate pivotal scenes from the show dubbed the Art of Thrones. The campaign garnered millions of views on YouTube and gave viewers a more artistic representation of the show. The company also hired celebrity chef Tom Colicchio to create a themed menu served at branded trucks in New York and LA. Customers were encouraged to share the meals on social media, garnering a total of 120 million impressions (Nguyen).

HBO took a different approach in promoting the second season of *Silicon Valley*, a show about a tech startup in California. With a decidedly different audience than *Game of Thrones*, HBO took a more technology and gamer focus on their promotional strategies for *Silicon Valley*. Utilizing an online gaming streaming website, Twitch, HBO conducted a live Q&A with members of the cast and had the stars play video games with the viewers. HBO took things even further with setting up a fake website for the company in the show, Pied Piper. The website offers fake products and services along with job opening ads and other faux content to engage the show's fans (McCarthy).

Recently, HBO has delved into the world of experiential marketing to drive more impressions and expand on its content in compelling ways. At the last SXSW, HBO built a reconstruction of the park from its popular sci-fi western show *Westworld*. The park included taverns, live music, horses, and a showdown reenactment (Monllos). The company has also

utilized experiential marketing in order to promote its collection of feature films. HBO partnered with Bumble, a lifestyle and dating app, to invite guests to its “Stay home to the movies” event. Guests visited a lavish apartment in New York where they took a personality quiz that matched them with the movie they were to watch. The six options included *Girls Trip*, *Back to the Future*, and *It* among others. In order to compete with Netflix and the rise of theater subscription services, HBO is promoting its selection of movies to offer customers. The event included “Instagrammable” rooms like a bathtub filled with yellow-candy wrappers and rubber ducks, in order to drive organic impressions to the brand (Monllos).

This past summer HBO released a campaign focused on the women behind the scenes of their most successful shows. The #BecauseofHer campaign shifts the focus from the talent featured to reveal the female talent that works behind the scenes. The spot features the director of *Ballers*, Chloe Domont, and Amy Aniobi, a writer on *Insecure*, among others. The campaign garnered over 2.5 million views across HBO’s social media platforms. The campaign comes after HBO released that they now have women and men of color and white women in over 55% of their director roles. The campaign highlights both the company’s diversity along with its appreciation of its female workforce (Diaz). As diversity is a hot-button issue currently and representation is necessary in all parts of the entertainment industry, HBO has become a leader in this front from their diverse cast in their shows and talent behind the scenes.

As an industry leader, HBO has mastered unique and diverse marketing efforts. HBO understands their consumers and the viewers of its original programming. In this fashion, they carefully craft their marketing campaigns to be relevant to the uniquely different viewers of their various shows. From their social media campaigns to their experiential marketing efforts, HBO proves that they cater their campaigns specifically for their shows and customers. HBO knows

their viewers and how to successfully market to them. As the threat of Netflix looms over them, HBO has taken many steps to keep viewers interested and entertained through intelligent programming and expert marketing.

## **7. Impact of Technology**

Technological advancement influences HBO's business model in various ways. From the company perspective, the value of a consumer change because of the prevalence of big data in virtually all industries, and the online forum creates a special space for a TV series to make it or break it. From the consumers' point of view, they demand higher quality television programs as well as accessibility that can rival HBO's competitors.

In the entertainment business, big data is a controversial topic. On the one hand, big data analysis in entertainment, especially subscription services, catches consumers in their "purest form" when they are at home, being themselves and watching what they are truly interested in. However, the entertainment industry is not defined upon meeting the need of the market, it is to create new needs and new trends in it. In 2017, the CEO of HBO's parent company Time Warner's says in an interview with Business Insider that he supports the comment of Logan's screenwriter Scott Frank that "if marketing completely rules the output of a studio, the movies start to become formulaic"<sup>1</sup>. At that time HBO insists not to create contents based on what the audience likes, which is on the opposite spectrum of Netflix who is infamous for using big data to get the audience what they want. However, recently at the end of 2018, HBO was acquired by AT&T, and their new plan is to be more like Netflix and venture into the big data field.

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<sup>1</sup> McAlone, Nathan. "Unlike Netflix, HBO Won't Let Big Data Decide Which TV Shows It Makes - Here's Why." *Business Insider*, Business Insider, 8 Mar. 2017, [www.businessinsider.com/time-warner-ceo-jeff-bewkes-wont-let-data-drive-programming-2017-3](http://www.businessinsider.com/time-warner-ceo-jeff-bewkes-wont-let-data-drive-programming-2017-3).

Nevertheless, it is no doubt that the advent of big data will advance the advertising business within the entertainment sector.

The rise of social media makes watching TV an activity that is more community driven, but in a different sense than how it was in the past. Back in the days when people go to theaters and on rare occasions gather up in the same house to watch TV, people watch TV with others of similar socioeconomic backgrounds, and the reactions and discussions around the film happen instantly. However, nowadays people engage in discussion with others from very different background, and they watch the programs, think about them through on their own, scroll through the online forums and finally voice their opinions. This means two things for HBO: firstly, HBO must encourage a loyal online fan base in order to maintain subscriptions and two, they must be politically sensitive for people watching the programs. For HBO, the issue of diversity of opinions is slightly less than with Netflix since HBO market their product at a higher price range and attracts people that are more wealthy and educated, but because of that their contents must generate more fervent and critical discussions. One of the most hated characters in the TV history is Hannah, the protagonist on HBO's show *Girls* because of the portrayal of a mundane white girl with no awareness of the world outside her own.

With the development of cinematography technology, the audience demands more technical things in the shows such as camerawork and visual effects. HBO is good at on-screen technologies since its business model supports the crews to make quality TV that does not look "cheap". HBO shows are very telling in cinematography, with appropriate and creative camera angles, lightings and techniques like that. Unlike its movie studio counterpart that create impressive and jarring visual effects, most HBO shows do not demand a ton of special effects because of the more casual contents that they create. However, the title sequences are usually

well-made, displaying their ability to do it well. In places where special effects are needed, such as the dragon and the ice wall in *Game of Thrones*, HBO goes for the natural look so that it looks realistic more than visually impressive.

In terms of accessibility through technology, HBO does not do as well in its online streaming service as well as its competitor Netflix, because they use less data analysis. Instead of recommending similar shows that the viewers are likely wanting to watch, the HBO Go service does not customize experience to individual users. Instead, when a user opens up the website, it just shows you the recent features and browses movie by genres. However, HBO does have a watchlist, which is largely useless. If HBO does choose to do more big data, customization is one of the things that they would consider. However, it can be argued that without customization, HBO customers can have their privacy while sharing their service with others.

Besides HBO's use of technology, its portrayal of technology is also worthy of discussion. In the entertainment industry, futuristic films had been the most popular genre for a while now. HBO's portrayal of technology, as well as its use of on-screen technology, is very naturalistic so there is not a huge awareness of existence even though it is there. The characters do not completely live in futuristic worlds, and HBO achieves this by putting technology as what drives the game. For example, its recent big hit *Westworld* is about high-tech robots that simulate the behavior of humans, but the majority of time on screen is spent inside the fictional part in an American midwest world. Similarly, HBO is about to release a new film called *Tomb Raider*, which is about adventure in a video game.

## **8. Future Trends**

Looking to the future, HBO must continue to address issues that affect its operations and competitive status in the industry. Some of its biggest competitors in the streaming industry are Netflix, Amazon and Hulu. These three companies have established themselves in a similar position to that of HBO, a streaming service with endless hours of entertainment that caters to as many audiences as they can. Netflix's impressive portfolio includes TV series like *Black Mirror*, documentaries like *Icarus*, and comedies like *Unbreakable Kimmy Schmidt*. Amazon's portfolio includes *The Man in the High Castle*, the documentary series *All or Nothing*, and dramas like *Tom Clancy's Jack Ryan*. Hulu's library of content includes dramas like *The Handmaid's Tale* and talk shows like *I Love You, America*. For the most part, the three streaming services have different libraries so each one provides a different user experience. Licensing relationships have now become crucial to winning the never-ending content wars and keeping users from switching to other streaming services. HBO must continue to deliver on their standard of premium content which potentially means identifying where competitors are not delivering, in terms of demand for content, and providing their subscribers with it to encourage consumers to switch to or stay with HBO. It could also be done by incorporating technological advancements into their ecosystem. For example, virtual reality with their content would provide customers a brand new experience, even if it is not VR for a full episode. A simple interactive clip, like a commercial, would be enough to entice customers and add to their experience. They could even follow Netflix's lead on making episodes of a TV show that is interactive, such as choosing your own ending (Shaw). The possibilities are endless and HBO should look to technological progressions to add to their customers' experience.

The main goal for expansion in the future will be increasing HBO's subscriber base and maintaining user engagement as its preferences shift with technological advances. Adding HBO

NOW and HBO GO allows HBO to target another consumer group while decreasing reliance on cable providers for subscribers. By essentially removing Comcast as a middle man, HBO is able to go directly to the consumer and in turn capture more of the profits. They are also able to capture those consumers who want premium content but have a lower willingness to pay or even those consumers who do not have a cable subscription. By expanding the targeted market segments, they are able to compete with Netflix and Hulu who offer low cost streaming packages relative to HBO. In the future, HBO might look to have the proportion of non-cable subscribers, like people with just HBO NOW, to cable subscribers, like the traditional Comcast model, swing to a reliance on non-cable subscribers, becoming more independent like Netflix in their subscription model. In expanding their consumer base, HBO must be cautious with diluting the premium brand value they have earned so far by emphasizing quality over quantity just like they are currently. A combination of quality content, addressing consumer content demand and expanding the consumer segment they target will help them address continuous expansion and keep them competitive in the future. With HBO recently being acquired by AT&T, the mission of expansion is even clearer and a bigger priority (Lee and Koblin). Stankey, who as chief executive of Warner Media oversees HBO, emphasized increasing hours of engagement, not just the subscriber base. He also mentioned adding other types of content as the amount of streaming companies will not grow that much more in the future. It is clear what the new leadership wants, how they get there is a different trend to look for. AT&T could possibly create packages with their cellular service or maybe create further discounts for DirecTV customers. Entering the AT&T U-Verse could have many different results and it will be interesting to see how the goals will converge.



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