

Too much TV? Enter HBO Max, the latest streaming wannabe

May 27 2020, by Tali Arbel



This image released by HBO Max shows Drew Dixon, a collaborator on hit records by Method Man and Mary J. Blige, Estelle and Kanye West, and Whitney Houston, in a scene from the documentary "On the Record." (HBO Max via AP)

Is a pandemic the perfect time to launch a new and relatively expensive streaming service? AT&T sure hopes so.

The phone company is investing billions in HBO Max, its first big entertainment venture since it spent \$85 billion for Time Warner in 2018. The good news for its timing: millions are stuck at home, watching more video than ever. The bad news: many of them also out of work and carefully watching their incomes. The service launches Wednesday in the U.S.

"People are going to look at the price point first," said Steve Nason, research director at Parks Associates. HBO Max costs \$15, same as the HBO Now streaming service it's supposed to replace, with discounts after the launch limited to some AT&T customers as well as a one-week free trial. Other new streaming services such as Disney Plus and Quibi launched with cheaper prices and bigger discounts.

Entertainment companies like AT&T's WarnerMedia are broadly shifting to streaming video, following in Netflix' wake, as more people drop their traditional cable bundles. Disney launched Disney Plus and the sports-focused ESPN Plus and took control of Hulu from an industry joint venture. Comcast's NBCUniversal is launching Peacock widely this summer. ViacomCBS is redoing CBS All Access, pumping it up with more programming.

Even Fox Corp. has its Fox Nation app. Apple, a tech company, started a small service of its own. A short-video service targeted to cellphones, Quibi, also hopes to get in on the streaming pie; it extremely strong subscriber gains for this quarter.



This image released by Sesame Workshop shows muppet character Elmo, who will host a family friendly show called "The Not Too Late Show with Elmo." It begins streaming May 27 on HBO Max. (Richard Termine/Sesame Workshop via AP)

But people will have to decide if it's worth paying up for a new video service on top of the "foundational" services many already have: Netflix, the heaps of video that come with an Amazon Prime membership, Hulu and, increasingly, Disney Plus, Nason said.

The company has predicted 50 million U.S. subscribers by 2025, building on a base of 36 million current HBO customers, per research firm S&P Global. That number includes people who pay their cable company for the channel and the HBO Go app as well as those who

subscribe to the HBO Now standalone streaming service.

WarnerMedia would like to convert those users to HBO Max, but there are contract issues that muck it up and could potentially antagonize customers.

"The confusion point is one we've obsessed over for a year," said Andy Forssell, the general manager of WarnerMedia's direct-to-consumer arm.

It's easy to prompt HBO Now users to switch to Max if they signed up directly through HBO, and many big cable companies have agreed to promote HBO Max to their existing HBO customers. But there's no deal yet with Roku and Amazon, so people who signed up for HBO through them won't easily have access to Max on a TV.



In this Jan. 15, 2020, file photo, EVP of Content Acquisitions for TNT, TBS, truTV, HBO & HBO MAX Michael Quigley, from left, Chief Content Officer, HBO MAX and President, TNT, TBS, & truTV Kevin Reilly and Head of Original Content, HBO MAX Sarah Aubrey appear at the HBO Max Executive Sessions panel during the HBO TCA 2020 Winter Press Tour at the Langham Huntington in Pasadena, Calif. (Photo by Willy Sanjuan/Invision/AP, File)

That's likely to be resolved, Nason predicted.

Another weak point for WarnerMedia is that the coronavirus pandemic has shut down Hollywood productions, and that's expected to slow down the rollout of HBO Max's original productions, such as a highly anticipated "Friends" reunion special that was supposed to be ready for launch. But that impact will be felt more in 2021 than this year, Forssell said. Originals are important because they help bring on subscribers and get them to keep paying, month after month.

For AT&T, getting HBO Max right is critical. Its DirecTV satellite service is bleeding customers, and the traditional TV model is under threat from industry-wide cord-cutting and, recently, a coronavirus-related advertiser retreat. (AT&T owns TBS, TNT, CNN and other networks.)

Max also has the potential to entice wireless customers as AT&T offers it as part of a bundle. But the competition for customers' attention and dollars is fierce.

"They're going shoulder to shoulder with media titans," Fritzsche said. "They haven't played in that sandbox before."

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