For legacy media studios, streaming has dried up revenue. Can they change the channel?

February 8 2024, by Joe Arney

Credit: Pixabay/CC0 Public Domain

The world's most successful entertainment companies are under economic siege from tech titans such as Netflix, Apple and Amazon, forcing traditional media players to make hard decisions about merging, selling assets or limiting production.

Ted Striphas has seen this movie before.

Striphas, associate professor and chair of the media studies department at the University of Colorado Boulder's College of Media, Communication and Information, studies the history of media and technology. By better understanding how people and cultures reacted to past innovations, he said, we can better navigate present-day disruptions—from social media to artificial intelligence.

In the case of how studios are losing ground to the tech industry, it's the case of a very old story—one Striphas traces back to RCA.

"The Radio Corporation of America produced radios, but they realized that unless you had something to listen to, no one would buy them," he said. "But at some point, the legacy media industries moved away from the device to focus entirely on content."

$5B in streaming losses

It was a lesson the tech industry paid close attention to when it came to devices like Amazon's Fire TV lineup or the Apple TV. Both companies launched original content to help their devices stand out in the market.

Meanwhile, Netflix's blend of original and licensed media offers a different kind of threat to the established players in this space, like Warner Brothers Discovery, Comcast, Paramount, and Disney. Building out their own streaming platforms led to a combined loss of $5 billion in 2023, according to a Financial Times report.

The sizable share of the linear TV audience that these companies hold makes them forces to be reckoned with, Striphas said. But as the future of television moves to an on-demand model, it's no surprise there's been so much chatter about the future of those studios: Early in the year, Warner Brothers Discovery and Paramount were said to be exploring mergers that would allow a combined entity to cut costs.

More recently, Paramount has suddenly become a darling, attracting interest from Skydance Media and, in late January, a $30 billion bid from Allen Media Group.

"When you look at the legacy media industry, this is what they've been doing for the past 40 years. Mergers are very much part of the playbook, so this is kind of an uninspired response," Striphas said.

But complicating this scenario is that the entertainment industry is being remade in the image of the tech industry, which has brought its "enough is never enough" ethos to entertainment. While legacy media studios created content to keep viewers happy and coming back for more, the tech titans want to sell more Echo and Roku devices.

Sumner Redstone, who grew Paramount's parent company into a behemoth, "famously said 'content is king,'" Striphas said. "It was absolutely correct when he said it. But it is absolutely the problem now because what the technology industry understands is the need to return to the old RCA model. If you really want to compete in today's marketplace, it's not enough simply to produce content. You need to be producing the hardware, as well."

"A merger is a boring solution, but I think it's the only move they have because the studios missed the boat on understanding the relationship between the device and the content."

If it's any consolation to the studios, they're hardly the first industry to find their business model upended by technology, and they certainly won't be the last to confront this threat. Whether the next industry target maintains its strength or goes the way of newspapers, taxicabs, record stores, and bed-and-breakfasts will depend on leadership and legislators.

"This is the story of the technologization of everything and the movement of computing technology into places where people didn't expect it to belong," he said. "An individual business can't stand against the tech industry's hunger. Whole industries are going to have to figure out how to resist this or how to flex their muscle in a way that the terms of surrender are not simply dictated to you by the technology industry."

A second storyline for businesses is the regulatory climate, which has been friendly to tech for a generation—but that may be changing.

"The regulatory environment probably has to change because it's just not doing the work that I think is most beneficial to the people who are consuming these products and experiences," Striphas said.

Provided by University of Colorado at Boulder