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the Discovery merger, Warners launched "Project Popcorn," a sudden pivot during the COVID pandemic toward putting the studio's entire 2021 slate of movies on its streaming platform, HBO Max, the same day they would premiere in theaters. Where competitors made case-by-case, date-by-date calculations, trying to adjust for the differing impacts of COVID on different audiences, Warners went all-in on streaming. In this new world where movies on streamers were real movies (and not "made for TV" movies), Warners would also spend real money on those movies, bidding up budgets. To many at the time, that strategy seemed like self-sabotage: Warners was leaving hundreds of millions of dollars on the table by undercutting its theatrical releases. The huge bet on streaming also created distracting management difficulties for the studio: it enraged the talent—Christopher Nolan, who had worked with Warners for nearly twenty years, left the studio; it enraged its distribution partners, who proceeded to sue; and the sheer scale of the contractual mess eventually helped convince WarnerMedia's parent company, the telecom giant AT&T, to sell a controlling interest in the studio to the upstart reality TV company, Discovery.

The Discovery acquisition of WarnerMedia promised to end the long-running cultural clash between Hollywood and "the telephone people" of AT&T, but it created very familiar economic difficulties. The new company was saddled with enormous levels of debt in an economy that appeared to be sliding into recession and where renewed inflation and rising interest rates would complicate financial forecasting. Paring back expenses would be essential, and yet the company was—and still is—bound up in the fevered transition to streaming, a transition none of the legacy studios have yet managed to make profitable. Discovery CEO David Zaslav, now in charge of the combined WBD, promised to overhaul the straight-to-streaming strategy of the previous regime.

At the same time that it was outright canceling *Batgirl* and expensive projects such as J.J. Abrams' *Demimonde*, WBD was also quietly removing movies and series from HBO Max, including stalwarts such as *Westworld* and *Snowpiercer*, failed flagships such as Lena Dunham's *Camping* and the Ridley Scott-produced *Raised by Wolves*, and movies such as Seth Rogen's *An American Pickle*. Those titles would, in short order, and with very modest fanfare, appear on free, ad-supported platforms Tubi and Roku, where they would be available as linear channels—like conventional television—but not as on-demand options. What,

an HBO Max subscriber might wonder, was going on here?

3. COLLAPSING (AND EXPANDING) WINDOWS

This second mode of self-sabotage is part of an industry-wide reinstatement of windows—that is, the time periods in which different media can screen a movie. There have been four eras of this. In the first era, studio movies progressed through a relatively well-defined distribution sequence: beginning with a theatrical release, a film would move to airplanes, then to DVD, video on demand, premium cable, free TV, and so on until it became a "catalog title," available to anyone willing to pay the modest licensing fee. It might become a basic cable stalwart, whereby it seemed to be on all the time, or it might disappear into the vault, seemingly forever. There were always wrinkles to this basic pattern—indie films often followed different tracks, and it was less consistent outside the US—but the basic business principle was clear: the earlier you wanted to see something, the more you paid. Studios attempted to wring as much money out of audiences as possible by calibrating timing and price, and talent was paid more depending on how the film performed over time.

In the second era, Netflix began producing enormous amounts of original content. The streaming pioneer had been licensing all its content from other studios, but those titles were becoming more expensive, and Netflix could see a day when, for example, Disney might want to keep all the Marvel movies for itself. (Those licensed titles—such as *The Walking Dead*, *Bullet Train*, or even *Dragged Across Concrete*—still account for a huge portion of its viewership.) Now, Netflix wanted movies and series that it could own, ideally forever. To make that proposition attractive to creators, Netflix essentially overpaid by 30–40 percent: they bought out all the windows. If you were making a movie for Netflix, you would never have a theatrical run, a premium video run, significant DVD sales, or a lucrative long tail on cable—all that "back-end" revenue was gone, but that was alright because the upfront money was (plausibly) the same. For Netflix, this approach seemed necessary, but it was expensive. It was also manifestly inefficient, since Netflix was covering the revenue that a movie might earn in a country where Netflix was not even available (or where it was a minor player), and it was covering the revenue based on the assumption that every movie would be a hit, in part

to WBD and can be relicensed. We can expect more strange shifts, whereby a movie shows up on one streamer or another, without any obvious rhyme or reason, as companies attempt to monetize older catalog titles.

These new windows will never have the predictable regularity or clear progression of the old versions. Releases will be much more flexible: theatrical flops will be pulled and put on streaming more quickly; theatrical successes will be left to play out their runs for as long as possible (à la *Top Gun: Maverick*). There will certainly be day-and-date releases, where films hit theaters and streaming at the same time. But the basic business principle will return: titles will be shifted to wherever they might maximize their revenue. The days of brand-building at any cost are over.

4. VALUING REPUTATION

The crucial difference of the new windowing era is that this balance-sheet parkour is now bound up with unruly reputational concerns. In the old days, no one thought

any less of Warner Bros. when syndicated reruns of *Friends* appeared on a local independent TV station at 7 p.m. or when *The Matrix* was on a basic cable channel such as TNT all weekend long. Now, though, HBO Max subscribers, who are understandably unfamiliar with the way content can be licensed from one company to another and may not exist anywhere in perpetuity, have felt as though the product they're paying for is being cheapened.

For years, major media companies have spent wildly to cultivate the centrality of their streaming services—declaring them the home of unique content, building unique brands. At Disney, this was easier, because Disney had a stronger brand and because it had standout subsidiary brands (Pixar, Marvel, and Star Wars). At Universal (Peacock), Paramount (Paramount+), and Warners, where the brand identity is more diffuse, it has been more difficult. Who made *The Meg*? *A Star is Born*? *Pokémon: Detective Pikachu*? Warners made them all, and if they were trying to convince you to buy a movie ticket (or rent a DVD), you didn't need to know that. But if WBD is selling you a streaming service, it might be nice if you did. Studio brand-building is a heavy lift, but to the extent it has succeeded it has put studios in a perilous position: distribution decisions now have branding consequences. Canceling a project or making a deal to license a title may have immediate financial advantages for the company, even as it sabotages its streaming service's reputation.

It is hard to measure the cash value of "reputation," or "commitment" in business-school terms. Alternative accounts of economic behavior can make better sense of the attendant scenarios of sabotage. Within economic anthropology, rituals of gift exchange and, particularly, potlatch are useful analogies. In potlatch, competitive acquisition gives way to competitive dispensation. Chiefs who have (somehow) acquired too much wealth engage in rituals of disgorgement. They can exhibit their success by the extent and ease by which they can give away wealth. In ordinary times, those gifts create reciprocal obligations in their recipients; the society is bound more tightly; and all must produce more to generate the excess to drive the system forward. But in certain extraordinary instances, the big men of the tribe simply destroy their surplus possessions. What they receive in return is not a material obligation but "prestige." They are so successful that they can exhibit the destruction of their own wealth, which earns

this intangible awe. For French surrealist-turned-theorist Georges Bataille, "what is appropriated in the squander is the prestige it gives to the squanderer...; if it is ultimately a source of profit, the principle of it is nevertheless determined by a resolute squandering of resources that in theory could have been acquired."

"A resolute squandering" puts us in the realm of WBD's strategic turn, and though such rituals may seem disconnected from the financial machinations of the modern corporation, goodwill accounting principles have enshrined the prestige of strategy. WBD's florid destruction of value in the name of a newfound parsimony is a necessarily performative exhibition, carried out not just as part of a tax dodge but also as proof that they are committed to the strategy despite the obvious consequences. Indeed, the more obvious those consequences, the more committed, the more resolute the company will appear.

Performative exhibitions require performances. For executives, those may be as routine as quarterly earnings calls or as significant as expansive press events to relaunch the brand. Like all performances, they can go awry. Disney CEO Bob Chapek did such a bad job at one that the board turned on him and brought back his immediate predecessor, Bob Iger.

So it was with relatively high stakes that Zaslav and other WBD executives took the stage in April 2023 to finish rebooting the company's streaming strategy by rebranding HBO Max as just plain Max—and getting rid of the brand's ubiquitous purple color scheme. Beyond the name change, they touted an improved interface, new shows, and the company's competitive advantages: iconic brands, weekly releases, a focus on content. "We are not a giant, undifferentiated blob of programming," said one of the executives. Overall, the event would mark a pivot away from potlatch to a new era of growth. They did not mention licensing out older titles or new impairments or cancellations, because they did not need to. The window for tax-advantageous strategic change had closed. The commitment to bolstering the company's balance sheet was now baked in.

At the end of the dog-and-pony show, Zaslav returned to the stage and in his New York bluster summed up the corporate strategy: "We're gonna drive free cash flow, and we're gonna invest in great stories." In today's mediascape, these are not two distinct corporate goals. These are the same thing, and they know it. •

because the deal was struck at the beginning of the process, before a film's success could be determined and in part because Netflix never wanted to show its creators exactly how their movies performed. On the flip side, for audiences, the cost of every movie was hidden inside the subscription charge.

In the third step, coincident with COVID disruptions to the theatrical business, competing studios attempted to follow Netflix's lead. (Sony has been the one significant holdout.) As with "Project Popcorn," these studios broke the window system, bought out lots of back-end, and spent—and lost!—billions on direct-to-streaming original programming in an all-out effort to build their streaming brands. Now we find ourselves in the midst of the fourth step: the forced return of windowing. When WBD dumped huge amounts of "expensive" content from HBO Max onto Tubi and Roku, it was, however awkwardly, recreating a version of the basic cable window, where the titles are licensed for a time before they revert

Why would a media company in a brutal competition for streaming dominance with such deep-pocketed competitors as Netflix, Amazon, and Apple engage in that level of public self-sabotage?

1. SHELVING BATGIRL

Sitting on a set of secured hard drives somewhere at recently formed media conglomerate Warner Bros. Discovery (WBD) is a nearly finished *Batgirl* movie. It cost \$90 million or so to make and you will almost certainly never see it. Next to it—conceptually if not physically—sits *SCOOB!: Holiday Haunt*, which cost less, but which is just as buried.

These marquee productions have been locked away in a very public display of what WBD called “our leadership’s strategic shift as it relates to the DC Universe and HBO Max.” Scooby Doo stalwarts and fans of DC Comics who wanted to see more of its universe than just the big four of Batman, Superman, Wonder Woman, and Aquaman have alternated between being online-outraged at WBD for burying these movies and pleading for a chance to see them. You can imagine that the thousands of folks who worked on these movies might be more outraged, and to have the company representatives announce—after shelving the thing you had poured years of your creative labor into—that they are nevertheless “incredibly grateful to the filmmakers of *Batgirl* and *SCOOB!: Holiday Haunt* and their respective casts and [...] hope to collaborate

with everyone again in the near future,” might have been the most outrageous thing of all. In these nearly unprecedented film cancellations, WBD burned content and burned talent relationships at the same time. Why would a media company in a brutal competition for streaming dominance with such deep-pocketed competitors as Netflix, Amazon, and Apple engage in that level of public self-sabotage? If, like WBD, your competitive advantage lies in your reputation for being the most “talent-friendly” studio, why go out of your way to wreck that?

There is a deceptively simple answer: accounting. In the immediate aftermath of a merger, companies enjoy a brief window when they can reassess the value of their assets based on a change in corporate strategy. And strategy—as long as you publicly commit to it—is whatever you say it is. Whatever *Batgirl* and *SCOOB!: Holiday Haunt* might have been worth to the company’s previous regime, in WBD’s new strategy they are worth nothing, and to prove they are worth nothing, the company must not monetize them at all. Hence the swift, public action to shelve them.

2. SHIFTING STRATEGIES

Releasing a movie that flops at the box office counts against earnings in a fairly simple way and sends a market signal that the company’s movie business may be badly run. Even releasing a flop on a streaming service, where it is harder to know how it performed, still raises the overall content spend of the service without bringing in significant direct revenue. That sends a market signal that costs are out of control. But burying a movie as part of a change of strategy allows the company to move those costs out of the cash accounts on the balance sheet and sends a signal that the executives are serious about executing. In a given instance, the financial difference between a modest theatrical loss, a mediocre streaming run, and what is known as an asset “impairment” may be hard to distinguish. But at WBD, the strategic difference was decisive: they needed to be seen to be cutting costs, and they wrote down billions in content and development expenditure in 2022 to prove it. Shortly thereafter, they also changed the compensation structure for top executives so their bonuses were not tied to the stock price—which remains deeply depressed—but to “free cash flow,” which was directly improved by the decision to take impairments on these assets.

To be sure, WBD has dramatically changed its streaming strategy. Under Jason Kilar, who was the last WarnerMedia CEO before

