

# THE VALLEY'S STREAMING WAR

## Three local movie studios plus Netflix battle for subscribers in entertainment's online frontier.

**By MARK R. MADLER** *Staff Reporter*

It is a war without a battlefield or weapons – but a war nonetheless.

The launch of streaming services HBO Max, Disney+ and Peacock has pitted three Valley movie studios against each other plus their common enemy **Netflix Inc.**, which plans to open an animation studio in Burbank.

**Bob Chapek**, chief executive of entertainment and media giant **Walt Disney Co.** in Burbank, said during a question-and-answer session at the Morgan Stanley Technology, Media and Telecommunications Conference on March 1 that he would challenge the idea about the streaming wars in the sense that there will emerge one winner.

"We think there's going to be multiple winners," Chapek said. "At the same time, though, we're highly confident that we're going to be one of them."

His confidence is well placed.

Disney+, the company's streamer that debuted in November 2019, had 95 million subscribers in the fiscal first quarter, compared to 27 million subscribers in the same period a year earlier.

The company had anticipated reaching the 90 million subscriber mark with all its streaming services, which also includes ESPN+ and Hulu, by 2024 but later increased that figure to 300 million to 350 million.

Netflix by comparison ended last year with a global subscriber base of 203 million.

**Todd Holmes**, assistant professor of entertainment media management in the department of cinema and television arts at **California State University – Northridge**, said that Disney is making a big push to catch up to Netflix's numbers.

"Their goal is to surpass Netflix by 2024," Holmes said. "We'll see if that happens. They have a way to go but they came out of the gate pretty quick."

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NoHo theaters struggle to stay alive.
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ENTERTAINMENT SPECIAL REPORT










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Attempts to reach executives with HBO Max, Disney+ and Peacock were not successful.

But in his comments at the Morgan Stanley event, Chapek was asked about the appeal of Disney+.

Chapek responded that it came down to the content offered. But he was most surprised by the number of subscribers – he put it at 50 percent – who do not have children.

"What we didn't realize was the non-family appeal that a service like Disney Plus would have," Chapek said. "In fact, over 50 percent of our global marketplace don't have kids, our subscribers don't have kids. And that is the big difference."

## Crowded marketplace

In addition to Disney+, the Valley hosts HBO Max from **Warner Bros. Entertainment** in Burbank, Peacock from **NBCUniversal** in Universal City and **Revry**, a Glendale-based streaming network for LGBTQ content. But the market also includes Amazon Prime from **Amazon.com Inc.**, Apple TV+ from **Apple Inc.**, Discovery+ from **Discovery Inc.** and Paramount+, which launched just this month as a rebranding of **ViacomCBS**' CBS All Access. Additional on-demand streaming services include Disney-owned Hulu and TubiTV.

There are many others on the internet as well, and it can all be daunting for a viewer.

**Paul Dergarabedian**, senior media analyst with **ComScore Inc.** in Sherman Oaks, said there are so many players in the streaming game that it is like the Wild West. Caught in the middle is the consumer, he said.

"They are left trying to juggle all this content, trying to figure out where everything is," Dergarabedian added. "It's like being in a grocery store that has an unlimited number of aisles."

Seeing the extensive list of streaming services raises the question of whether all are necessary.

Dergarabedian said they are for the companies behind them.

"Every company wants to have skin in the game of streaming; it offers a studio a place to put content and be in complete control," he said. "From a corporate perspective, I do not see anyone bowing out."

**Marty Shindler**, of Southern California media consultancy **Shindler Perspective Inc.**, said that yes, they are necessary as Disney+ is not going to show Warner Bros. movies and HBO Max is not going to show Paramount or Disney movies.

You would need to go back to the 1940s for something similar in the entertainment industry when movie studios owned their own theater chains, Shindler said. A consent decree from a case that was decided in 1948 by the U.S. Supreme Court put an end to that vertical monopoly system.

When Shindler joined the entertainment industry in 1979, there were about 17,000 movie screens in North America. Today, that number is between 37,000 and 40,000, he said.

"Your local AMC or Cinemark has 10 to 12 screens and on those screens might be two Disney movies, a Warner Bros. movie, a Neon movie, a couple of the other independents," he added.

But streaming services are all silos, similar to the situation prior to 1948.

"If you want to see 'Star Wars,' you'd better hook on to Disney+," Shindler said. "If you want to see the DC universe, you'd better sign up for HBO Max."

CSUN's Holmes said these services are necessary but only if they can find a specific market.

"Streaming can benefit some of the smaller players if they can find the appropriate niche," Holmes said. "That is what it comes down too. The companies that have a deep well to draw from are going to do well."

That is why he thinks a streaming service like Discovery+, which launched in the U.S. in January with programing channels from Animal Planet, HGTV, Food Network and Travel Channel, can succeed.

"They may go with a smaller audience, but it might get a real passionate audience – an audience with an appetite for docu-series content or lifestyle content," Holmes said. "That kind of thing is really drawing people in."

## Yesteryear Hollywood

In the Golden Age of Hollywood, the studios differentiated themselves by the content they regularly produced. Warner Bros. had the tough guy and gangster niche; Universal Pictures made monster movies; MGM with its musicals; and Disney, of course, with family friendly animation.

Dergarabedian said that something similar can happen with a streaming service.

If a streamer gets a big showrunner or movie star involves with a project, it's like going back to the old studio system where they had stars and directors on contract that could reliably bring in the audience, he said, adding, "now it is less star-based and more content-based."

If you are a Disney and you have "Star Wars" and Marvel and those characters that live within those universes, that is a big draw. That makes people spend that money every month, Dergarabedian continued.

"Then it is about getting people to stay by developing and releasing content that will keep people coming back for more," Dergarabedian said.

**Richard Rushfield**, the brains behind "The Ankler" blog about Hollywood, said that Disney is the only streaming service that has really carved out a niche for itself with its family audience fare.

The rest seem to be following Netflix's lead and trying to cater to all tastes and demographics, he said.

"Netflix has this vast amount of money when they can continue to say they are making shows for everybody and the other streamers are chasing them," Rushfield continued. "It is a very unfocused strategy."

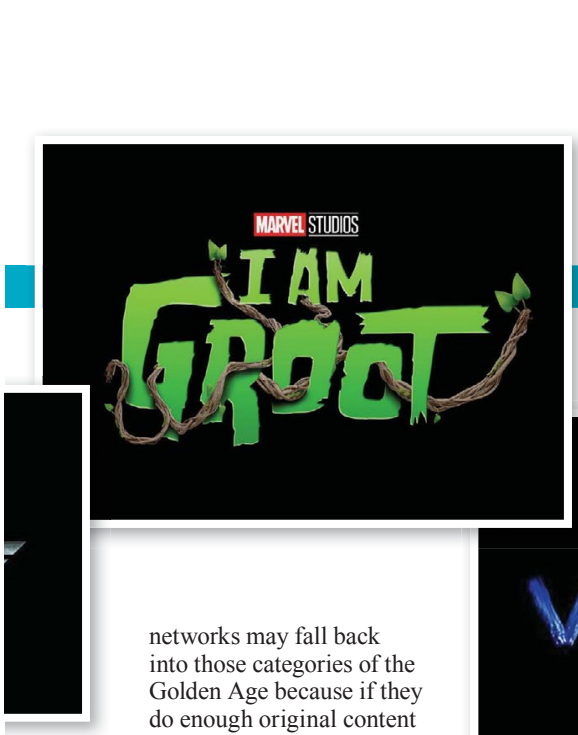
But ultimately, the studios behind the streaming





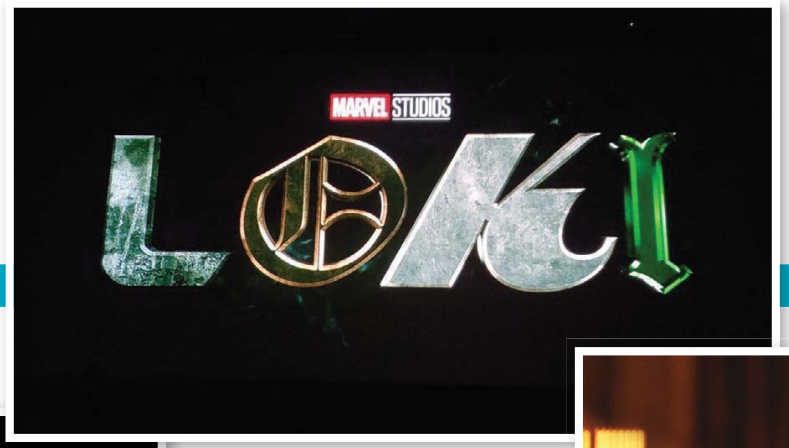
On Set: Kaley Cuoco, left, and Rosie Perez in HBO Max's 'The Flight Attendant.'

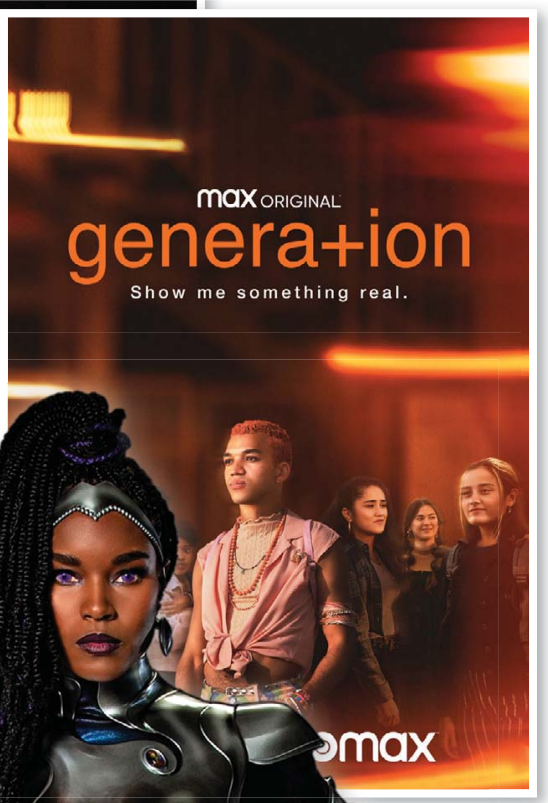
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**From Left: Proven Formats: Steve Carrell in Peacock's 'The Office' sitcom; logos from Disney's Star Wars and Marvel shows in development.**

networks may fall back into those categories of the Golden Age because if they do enough original content eventually they'll have hits and then they'll organize around the hits, Rushfield said.

Shindler, the consultant, was of the exact opposite opinion, saying that the old days are gone and are not coming back.

"They all have expanded the range of movies that they do," Shindler said.

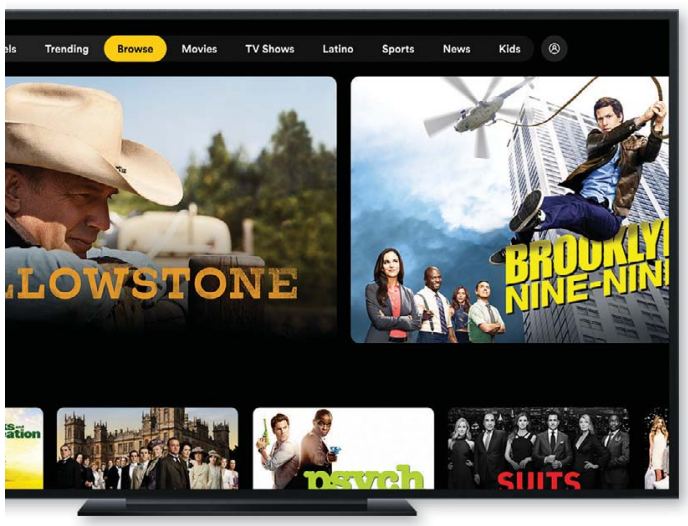
Nowadays nearly every studio does animation and horror films. They want to have a wide range of different movie because they know some are going to be big hits and others will not.

"When it's a good story idea that comes their way, they are going to pick it up and say, 'We can make this movie for X million dollars and I think we'll do it,'" Shindler said.

## Content production

To fill the streamer pipeline, Valley studios plan a floodtide of new programming.

Among the series showing on the HBO Max streamer are high school students exploring their sexuality in "Genera+ion"; **Kaley Cuoco**, of "Big Bang Theory" fame, in the title role of "The Flight Attendant"; and live action version of the DC Comic "Teen Titans," called simply "Titans."




**Landing Page: Peacock touts variety of its streaming content.**

Disney executives announced at the company's investor day in December that the studio would produce 10 new "Star Wars" series for the streaming network, including "Star Wars: Visions" and "Rangers of the New Republic" from the producers of the Disney+ hit "The Mandalorian."

Not to be outdone, Disney is also producing 10 Marvel series for the streamer, which includes the already announced "The Falcon and the Winter Soldier" coming this month; "Loki," coming in the summer; and a series of original shorts, "I Am Groot," starring everybody's favorite baby tree from the movie "Guardians of the Galaxy."

Peacock looks to bring in audiences with its combination of its own content from NBCUniversal and that which is acquired from other studios. It offers live news, sports, events and trending content from around the world. Its library offers many of the most iconic series, including comedies such as "The Office," "Everybody Loves Raymond," and "Parks and Recreation" plus dramas such as "Yellowstone" and "Law & Order: SVU."

Netflix, for its part, is betting big on animation.

It has leased 171,000 square feet at Burbank Empire Center, located next to Hollywood Burbank Airport at 2300 W. Empire Ave., for its first animation studio. Life insurance company **New York Life**, which owns Burbank Empire Center, will benefit as Netflix takes on 150,000 square feet up front at the property, with a 21,000 square-foot expansion later on.

## Measuring success

For theatrically released movies, gauging success is transparent.

Every Monday (pre-pandemic), the box office totals would be released from the Hollywood studios showing how much new and existing films earned during the weekend and previous week.

But with streaming, it is not so transparent as every service defines success differently.

"Here, it is limited data and differing goals, so it is hard to determine," said Rushfield.

"Gauging the success of streaming is more about gauging the number of people who subscribe rather than the individual performance of a piece of content," Dergarabedian added.

The streaming services know if a viewer has watched a full episode of a series or a movie. They even know who within a family household is watching what programs, Shindler said.

"They have access to all that data, and they crunch it," he added. "If no one is watching any of their horror movies, they'll think 'Maybe there is something wrong with this particular movie and maybe we shouldn't make any more of that genre.'"

## Post-pandemic bubble?

Holmes called the current environment an exciting time for entertainment and foresees the trend continuing for a couple more years.

"The streaming wars were already heating up and the pandemic just pushed it further in terms of getting the older demographic into doing more streaming because they were home more, and it caused more people to drop their cable subscriptions," Holmes said.

In the long run, he asked, you have to wonder how many streaming services people can afford.

"Right now, it is thought that most people max out at about four," Holmes added. "But we'll see moving forward."

Shindler, too, questioned how many services the average consumer can pay for. The industry looks at streaming as being a gold mine right now because so many people are on board with it. But will that persist? Shindler asked.

"We don't really know," he said. "It was induced because of the pandemic but that may not continue. Three months from now as more and more people are vaccinated, will they continue to pay for it or how fast will it drop off?"

**Youth Demographic: Above, HBO Max series 'Genera+ion'; left, Blackfire character of the Teen Titans on HBO Max's show 'Titans.'**

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