

# Research on the Entertainment Marketing Challenge of HBO

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**Abstract.** With the development of the global entertainment industry, film and television productions are increasingly branded as commodities in today's cultural consumption market. Viewing film and television have become an important part of people's daily and cultural lives, it is particularly urgent to explore the development status and future trends of streaming brands. As a producer of mainstream film and television culture, HBO has grown across media and expanded its brand across the U.S. and international television landscape, where it is now a full-service content provider of original and iconic programming with a unique brand. Although it is generally believed that the birth of HBO changed the world, cable television has also changed how the network continues to shape popular culture and television industry, leading the way in reforming audiovisual consumption patterns, HBO is now facing increasingly serious challenges. This paper focuses on how HBO successfully promotes its programming, the problems that have arisen while expanding its brand in the U.S. and international television landscape and attempts to explore the optimization possibilities of its improvement policy and make recommendations.

## 1 INTRODUCTION

Programming featured on the network consists primarily of theatrically released motion pictures and original television programs as well as made-for-cable movies, documentaries, occasional comedy and concert specials, and periodic interstitial programs (including short films and documentary productions). HBO is the oldest and longest continuously operating subscription television service in the United States. The establishment of HBO in the early 1970 s, portend the future decades of television industry and technology change. HBO quickly became synonymous with subscription television and a dominant force in cable programming. in the mid-1980s, as the once-separate entertainment sectors of television, film and home video industries began to merge into a global entertainment industry, HBO also became involved in original television and film production, home video sales and international distribution. Today, it is now a full-service content provider with a unique brand of original program and signature program brand. In the Asian market, HBO launched in 1992 as a 24-hour, commercial-free movie channel, offering viewers in Asia more than 70 movie titles per month, at least 25 of which are first-run powerhouses. In addition, approximately 10% of HBO's programming is exclusive entertainment specials, including concerts, children's programming, comedy and documentaries. HBO, the movie channel, is available in 21 countries and territories in Asia, including Singapore, Malaysia, Hong Kong, China, Indonesia, Tahiti, the Philippines, Taiwan, China, Brunei, Thailand, Macau, China, Bangladesh, Papua New Guinea, and Nepal. In addition, HBO movie channels are also available in hotels

and foreign-integrated residences in mainland China. As the business continues to expand, it officially settled in 78 domestic cities where digital pay TV service is available, including Beijing and Shanghai, in 2005, broadcasting old episodes and movies with Chinese subtitles 24 hours a day.

HBO is facing a complex, changing environment with more innovative competitors than ever before. Though critically acclaimed, popular and profitable, HBO still needs to adapt to ensure that it keeps pace with the rapidly changing television entertainment marketplace. HBO needs to continue to attract new subscribers while keeping subscriber churn to a minimum.

## 2 Stressors contributing to HBO

Consumers have less spending power: The economy has taken a toll on the disposable income of millions of middle-class American households, making people less willing to pay for TV. According to the Economist article, the share of Americans who pay for television fell for the first time in 2010. Many Americans are doing everything they can to cut back, and cable TV (and especially premium subscriptions like HBO) is often at the top of the list for spending cuts.

The end of the "home box office?" Although HBO has become known for its award-winning original TV series in recent years, a large part of its programming schedule consists of broadcasting movies – hence the original "Home Box Office" name. But this movies-on-TV business model is under pressure in the age of Netflix instant video streaming and video-on-demand. People have more ways to watch movies than ever before, choices are coming faster after movies are released in theatres, and

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they don't need to subscribe to HBO to do it. We're reaching the point where everyone has the ability to create their own personal "home box office."

A new audience, new consumption habits: All content providers, such as Netflix and Amazon, have realized that content is the driver, and consumers don't want a platform that only shows movies and TV shows that have been repeated a million times. At the same time, a new viewing habit of "cruising" is taking place, where young people are used to fragmented viewing patterns on the Internet and YouTube, and, broadly speaking, this generation of young people is not willing to pay for content.

New competitors for premium TV: At the same time, HBO is facing intensifying competition in the original TV production business. Showtime and Starz also produce critically acclaimed shows like "Dexter" and "Weeds." AMC has launched hit shows like "Mad Men," "Breaking Bad" and "The Walking Dead." Even Netflix is preparing to release its own original series in 2012 called "House of Cards", starring Kevin Spacey and produced by David Fincher (director of the film "The Social Network") which won't really be on "TV" at all – it will be available to Netflix's instant streaming customers.

HBO still has a very strong brand. Movies and series are the main content support of HBO, which is most known for its originality and classics and is the most important part of the HBO brand. But "brand" alone is not enough to help companies overcome challenges. Brands will lose relevance to customers for a variety of reasons, which are often beyond the control of the brand managers.

The downside of a company's success is often that it sometimes relies too much on brand. The biggest mistake HBO can make is to think "we're HBO and no one can do it better than us". Because the truth is that trends in both technology and consumer behavior show that media channels are becoming more diverse, and consumers are more likely to get the content they want to watch when they want to watch it - without having to wait for HBO's schedule.

### **3 Brand Confusion and "Hodgepodge"**

HBO is facing brand confusion. People have been posting on forums and writing articles about how sloppy the branding of HBO's new streaming service has been[1]. The service mixes the old HBO series with a large extra library of movies and series. It is understandable that traditional studios are actively embracing streaming media, but there is a sense that HBO, which seems to have the most respect for cinemas and filmmakers, will be so radical. Numerous attempts have been made in the past to explain how HBO Max differs from the current versions of HBO Now and HBO Go—both of which it should replace for most HBO subscribers. However, due to the fact that the audience and users do not pay for HBO's behaviors, as well as the streaming media service provided by HBO Max is not perfect, the marketing situation of HBO Max has not been promising so far (Buoye et al, 2021) [2].

HBO is seen as a TV marketing master ahead of the

final season of Game of Thrones. HBO is well-known for its Bud Light Super Bowl commercials and international treasure hunts, branded Oreo biscuits and Adidas footwear, and blood drive for the Red Cross. Using all of these other brand connections and HBO's reputation as a high-end network, it was able to expand the reach of the hugely successful show.

Originally branded as offering only rich, fancy, and premium content, HBO has developed a tendency to dilute and divert. This is because ever since HBO Max was launched, it started to provide or borrow a hodgepodge of all kinds of TV shows - 'Friends,' 'The Big Bang Theory,' and so on. While this hodgepodge of content allows HBO to diversify its video offerings, HBO's uniqueness and quality are by no means guaranteed. In addition, in today's era, streaming media is no longer a new thing. In the case of the United States, it has become a saturated market. The explosion of "House of Cards" made everyone remember Netflix, and now Netflix has also developed into the world's largest streaming media broadcasting service provider and one of the most popular video websites in the United States. The secret of Netflix's success is Netflix's big data mining of its users. Netflix has mastered the viewing habits of all its users through its backend big data analysis, and the works it broadcasts perfectly match the tastes of its users[3]. Compared with Netflix, HBO is far behind in this point, HBO has not been able to keep pace with the Internet era. If HBO simply launches the streaming media platform without higher attraction in terms of content itself or price, it will be difficult to increase the number of subscribers. It can be said that the lack of original content and the possible delay in filming caused by the epidemic will be the Achilles' heel of HBO Max. After depleting its inventory of viewing enthusiasm, HBO Max may struggle to attract subscribers again. For a streaming platform to be successful, it only needs to provide users with two things: high-quality content that matches the subscription fee and a smooth experience that is compatible with multiple platforms and easy to watch anytime, anywhere. However, HBO Max has not been able to provide easy-to-understand answers to the two most basic and important questions for users, "What's on HBO Max" and "How to watch HBO Max", until the launch of HBO Max. Facts have proved that after HBO Max goes online, the number of subscribers is not considerable.

It is worth mentioning that in the early days of HBO's development, in addition to TV series, HBO did a lot of expansion in music, sports, talk shows, children's dramas and stage plays in order to diversify, but they were not very successful. Firstly, since these contents are easy to copy, for example, when HBO first started to broadcast talk shows, they were madly copied by other peers; secondly, on many programs, HBO faced the dilemma of no copyright. In addition, HBO's core users were meant to watch programs on its platform that were not seen on American public television, and too much expansion was not in line with user expectations; plus, in the early stages of development, HBO did not have much money, so this early diversification strategy was a failure.

The challenge comes down to an internal confusion in its own marketing and branding strategy - whether the

brand should be diverted to an encyclopaedia-like platform or stayed to its original brand image. In addition, there has been considerable customer confusion due to the numerous brand names used by HBO, such as HBO Now, HBO Go, and HBO Max. HBO Max is a separate service from HBO, HBO Now, and HBO Go, despite the name (Spangler & Schneider, 2020) [4]. If viewers want to watch HBO shows but do not have cable, they can do so through HBO Now, which is a stand-alone streaming service for people without cable. HBO Go, a new streaming service for cable users, requires users to use their provider's login credentials in order to watch. This division of media into multiple service platforms is well-intentioned, but not convenient for users.

## 4 Solution

During its Q2 earnings call, Warner Media's CEO Jason Kilar highlighted that the company's HBO Max streaming service had added 2.8 million new subscribers during the quarter, bringing its subscriber base to 47 million in the U.S. and 67 million worldwide ("HBO Max and HBO Gain 2.8 Million Subscribers in Q2, AT&T Raises Year-End Target for Streaming Service - Screendollars", 2021) [5]. In contrast, Netflix had more than 200 million paying users in the fourth quarter. The gap between the two is still large. In order to narrow this gap, the following suggestions can be taken into account.

First of all, HBO Max could be transformed into an integrated platform and compete with Netflix. It does not necessarily to stick to the original brand image (Aten, 2020) [6]. Firstly, it needs to integrate the names and platforms of HBO Now, HBO Go, and HBO Max. Too many names can be confusing to the audience and make it inconvenient to use, so the integration is imperative. It should integrate the functions of several sub-platforms, simplify the interface of the platform, and improve the user experience. As can be seen from the data below, ease of use is an important factor in attracting consumers. Secondly, in view of the hodgepodge of content, the HBO streaming media platform needs to simplify and categorize the content to make it large but organized and convenient for subscribers. HBO also needs to make further efforts in terms of content. The content of streaming media platforms cannot be the same as that on other platforms. HBO needs to make use of its early advantages in making TV videos to create original videos and attract subscribers with high-quality videos, rather than relying solely on the number of videos.

What factors attract consumers to streaming services?



Fig. 1. What factors attract consumers to streaming services (www.pwc.com, 2021)

HBO Max needs to create certain advantages in terms of internal capacity and affordable subscription price. In addition, the overall platform must have unique advantages that can attract audiences. For example, HBO can use its advantages to create more high-quality films and films that are exclusively available on its platform and available to subscribers for free. This irreplaceable high-quality film will undoubtedly yhbo's advantage is the film quality, so we should show this advantage unreservedly.

A good brand strategy ensures that potential customers and clients have a full understanding of the services and products provided by the company. There is no doubt in their minds about what a brand has to offer because of their familiarity with their brands and enterprises. This means that HBO needs to expand the publicity of the products and services it can provide so that its advantages can be explored by potential customers, such as high-quality homemade films, such as IP films, which is better than Netflix. Because most of Netflix's content is purchased from other film and television companies, it cannot match HBO in terms of originality or sustainable supply of works. As for Netflix, it's a no-brainer given its clear brand strategy. For the most part, people will grasp what you're giving without needing to read the FAQ.

Another suggestion is also important. According to the survey, there is a great difference in the proportion of viewers for content push and selection. Therefore, if HBO Max wants to maintain existing subscribers or attract potential users, it needs to incorporate big data to more accurately obtain the preferences of subscribers. Such as the browsing habits of some subscribers or the content publicly shared on some social platforms, to provide more personalized push to improve the user experience (pwc, 2021)

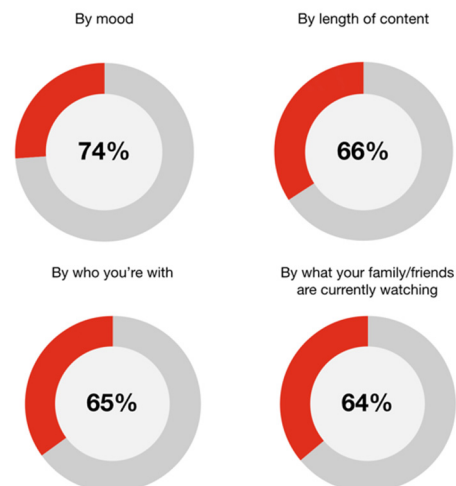


Figure2: Give me content on my mood, say consumers (www.pwc.com)

HBO is betting on HBO MAX members, who are drawn to the network's content and premium brand. It is a marketing truth that a brand's strength comes from the value it delivers to its customers. By the way, this applies to all businesses, including HBO. If HBO makes things too complicated, it will reflect poorly on its own brand. However, when they make things as simple as possible for your consumers, everyone benefits.

## 5 Conclusion

Nowadays, it is becoming increasingly obvious that both art and technology are constantly reshaping and redefining the world that we are living in. Due to the rapidness of technological advancement, the reimagination of what we know as real is now pushing our opinions and understandings of nature to the limits. Simultaneously, with new inventions and experiments, our physical body, our mind, our language, our society, as well as the world itself, are seeming to be making space for a completely different set of rules. Governed by new arts, aesthetics, science, and logic that are beyond our traditional belief, technology in arts challenges our perceptions and that is what creativity and science are all about. Technology is popular in arts since it often assists human beings in becoming more and more creative and proliferate. Instead of fearing technologies, we, as creators of them, ought to embrace the advent of multiple technologies and enjoy the benefits that are associated with them. In order to achieve this, we will have to learn the essence of technologies and take the responsibility for instructing our future generations on how to take advantage of technological innovations.

Digital marketing has evolved from a Marketing Department specialty to the largest and most influential tool marketers have for connecting with potential consumers. This is true for every industry, particularly for media and entertainment, which relies on the power of digital distribution to most effectively convey sight, sound, and motion, which are at the heart of how their products appeal to audiences. On the one hand, HBO must face the external challenge of competing with other streaming companies to continue to attract consumer subscriptions. On the other hand, HBO must face the internal challenge of reorganizing the company's internal strengths. Even though HBO enjoys a strong reputation in the entertainment industry, attracting millions of loyal viewers and regular fans, it still needs to adapt to ensure that it keeps pace with the rapidly changing television entertainment marketplace. As people have more and more choices, there are fewer and fewer shared experiences. People need a media space that can be tailored to their specific tastes and needs. HBO needs to

continue to attract new subscribers while keeping subscriber churn to a minimum and raising awareness of the product among potential consumers.

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