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Consumers are concerned about HBO Max's new direction

Article

The news: Before it had the chance to share its Q2 results Thursday, **HBO Max** and parent company **Warner Bros. Discovery** were the subject of widespread criticism from consumers worried about the service's new direction.

HBO's drama: Prompted by the sudden cancellation of the (nearly completed) "**Batgirl**" film, fans worried about the future of HBO Max after discovering the streamer had been quietly removing shows and films for over a month.

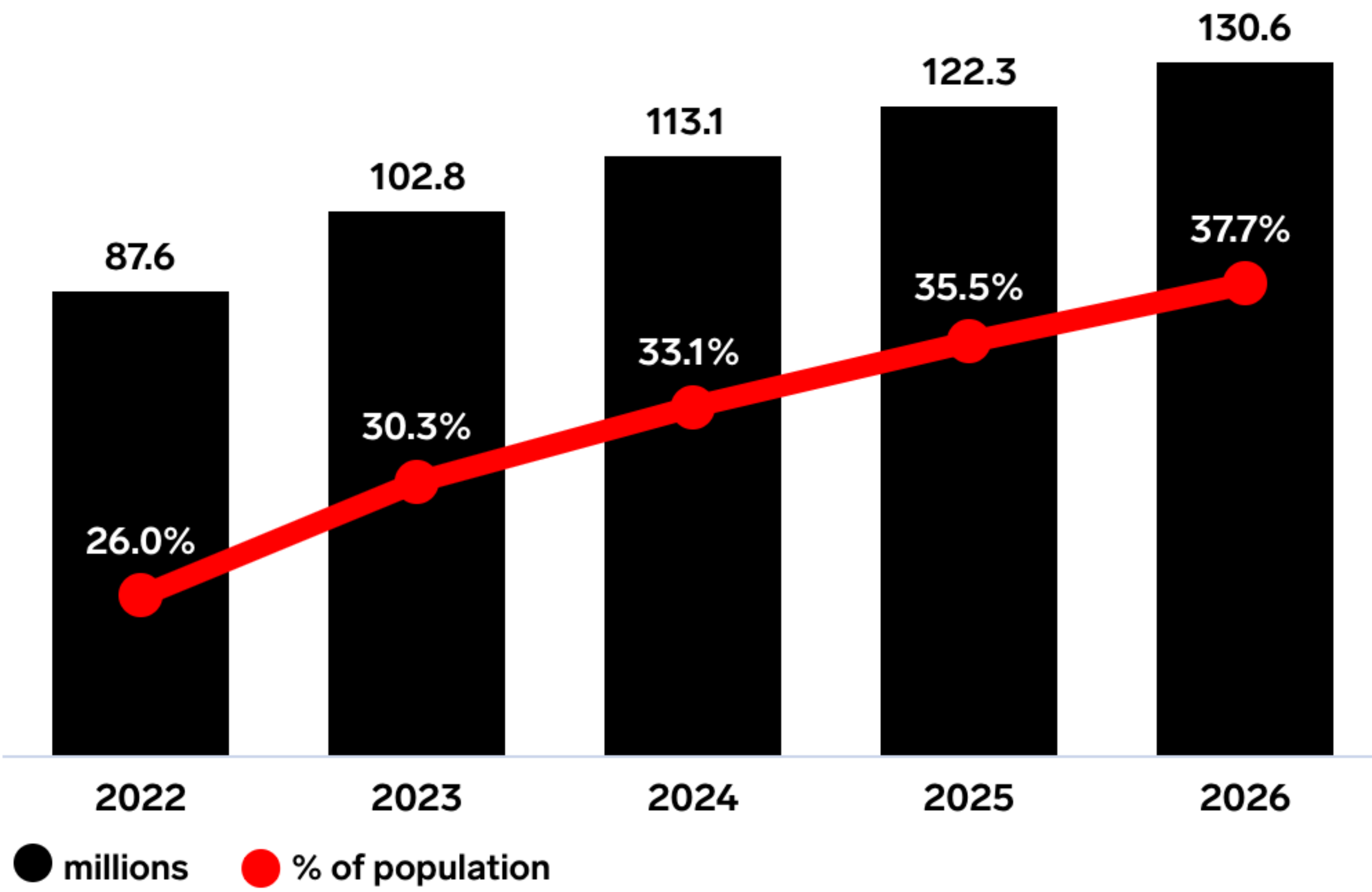
- The Wrap reported that Warner Bros. Discovery would **lay off as much as 70%** of its development business, with a focus on HBO Max as the streaming service merges with **Discovery+.**
- The report also cited sources who said that HBO would move away from scripted “originals” and begin increasing unscripted content offerings—a move **Netflix** made years ago.
- Those changes and layoffs went mostly unmentioned in the company's earning call. Instead, Zaslav praised HBO's leadership—a sign that the streaming service might be spared at least somewhat from major layoffs.

Slasher film: There’s a simple explanation for the dramatic changes: Warner Bros. Discovery is under an intense debt load and CEO **David Zaslav** needs to find ways to cut costs.

- Streaming-exclusive “Batgirl” had already cost about **$90 million** and was nearly done, so why was it canceled? For the same reason other originals are disappearing from the service: tax write-downs. Like when **CNN+** was gutted just after its launch, Zaslav is looking to eliminate expenses early on if they won't contribute to the company's long-term growth.
- The merger between Warner Bros. and Discovery came with a **$50 billion debt load** that’s already taken a toll on headcount; in June, the company laid off 1,000 ad sales employees as part of its goal to cut annual costs by $3 billion.
- Warner Bros. Discovery missed expectations in in its Q2 earnings and warned that streaming losses are expected to peak this year, which means more aggressive cost cutting could come to help meet that goal.

HBO Max Viewers

US, 2022-2026



Source: eMarketer, February 2022

eMarketer | InsiderIntelligence.com

Cutting costs has a cost: Dramatic negative responses on social media should make it clear that HBO Max is regarded highly by many consumers. Zaslav's methods may be effective at saving money, but they could alienate users and tarnish HBO's hard-earned reputation.

- HBO hasn't just survived the transition from linear to digital—it's thrived. Its expansive catalog of old HBO shows, foreign films, and heavily curated originals have earned it a reputation as having some of the best original content on offer—the envy of streamers like **Peacock** and even Netflix.

- Unscripted reality series have been a boon for Netflix, but are relatively untapped ground for HBO. The new format may produce cheaper content that boosts watch time, but it could also make HBO less distinct from streaming competitors with a similar strategy.
- Focusing less on carefully chosen scripted series and more on broadening its range of content could be a play to appeal to advertisers. Netflix and **Disney+** have attracted hefty advertiser interest thanks to their broad content catalogs that span age demographics.

The big takeaway: A distinct reputation for high-quality originals is crucial as uncertain economic times push consumers to cut video streaming costs. Warner Media has a mountain of debt to summit, but doing so at the cost of HBO's reputation could harm its long-term growth.

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