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With the WGA strike over, streaming turns to an uncertain future

Article

The news: The **Writers Guild of America** (WGA) and the **Association of Motion Picture and Television Producers** (AMPTP) have announced a tentative deal that could put an end to the union's 146-day strike as soon as today.

- WGA leaders spoke very favorably of the deal, calling it “exceptional, with meaningful gains and protections for writers in every sector of the membership” in a statement to union members.
- The **Screen Actors Guild** is still on strike, but the WGA deal makes one for actors highly likely.

Forced to the table: After nearly five straight months of striking, AMPTP members began to significantly feel the brunt of production standstills.

- The strike kicked off at the start of the 2023 Upfront season, forcing networks and streamers to negotiate with advertisers without guarantees of new content to spend against.
- That had a significant effect on revenues: **Warner Bros. Discovery** recently disclosed that it expects the strikes to cost it up to $500 million this year, and companies like **Netflix** lowered CPMs significantly.
- A crucial fall TV production window has nearly closed, meaning that a no-deal outcome would force studios to go back to the table at 2024 Upfronts just as empty handed as they were a year ago—an especially tough prospect for companies like Netflix and **Disney** that are newer to the streaming advertising scene and working to build long lasting relationships.

What the future holds: The exact terms of the WGA/AMPTP agreement have yet to be revealed at the time of this writing, but it likely includes serious concessions from studios around the union's key concerns: writer compensation and artificial intelligence.

- The deal will seriously cut into the ability of AMPTP members, who are under enormous pressure to reduce spending and crank up revenues, to lower labor costs through AI. That means cuts and new revenues will have to come from elsewhere.
- One likely outcome will be further price hikes. Most streaming services have already increased prices this year, with Disney, **Hulu**, and **Amazon** jumping higher than others, showing they aren't afraid to turn the dial when the pressure is on.
- CPMs (the cost to reach 1,000 viewers) could also jump significantly during 2024 Upfronts—but only if streamers have the content to back them. Streaming services burst into last year's Upfronts asking for historically high CPMs. Demands have decreased since then (Netflix is charging around $39 CPMs, down from $55 last year), but the need for greater revenues could see advertising costs go up once again.

Our take: The outcome of Hollywood strikes isn't just about actor and writer compensation but about rethinking the existing streaming business model. With labor costs unlikely to go down, weaker streaming competitors may have to [reexamine their paths to profitability]() and could tap back into licensing to increase revenues.