

HBO

Situation **Analysis**

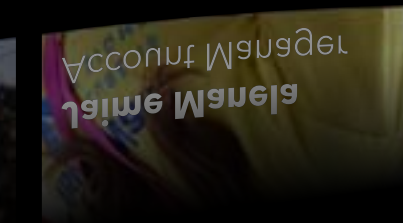
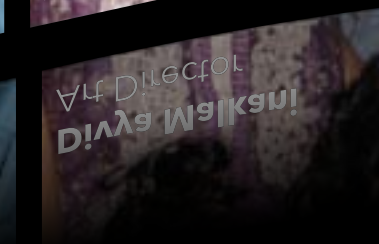
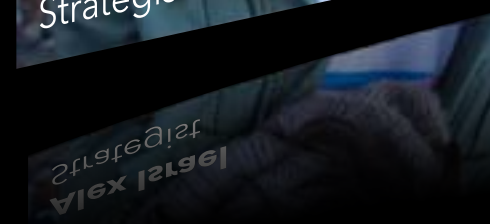
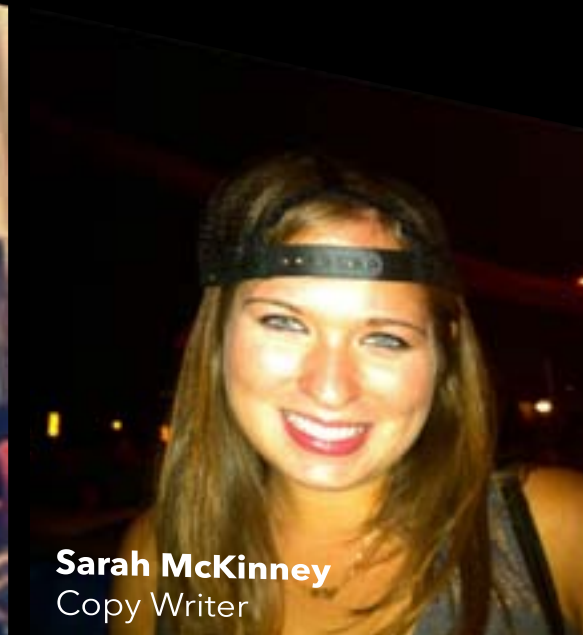


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Meet the Cast



Introduction

Launched in the early 1970s, the Home Box Office, or HBO, began as a premium cable television channel that delivered uncut and commercial-free movies to its subscribers. Since then, in addition to its unparalleled library of cinema, HBO has grown into a source for critically-acclaimed original, superior, and cutting-edge programming. HBO has defined its product category and remains its leader.

The most prestigious and most well-known of the premium cable entertainment channels, HBO still ranks in the highest viewer numbers annually compared to other pay channels. The HBO brand strives to create what will continuously “redefine expectations.” As a result, shows such as *The Sopranos*, *Game of Thrones*, and *Sex and the City* have generated communities of loyal and remarkably dedicated fans. New technologies now allow current users to view this content on the go, via computer, tablet, mobile device, and digital media player.

The television and entertainment industry is more dynamic than ever, and HBO is finding itself at a threshold of how to maintain its place as number one. This situation analysis will serve as an in-depth understanding of this market and its users. Fully understanding the current landscape of this space will serve as the foundation of our research and insights and allow HBO to continue to innovate and lead the category.

Current Users

CURRENT HBO USERS BREAKDOWN:

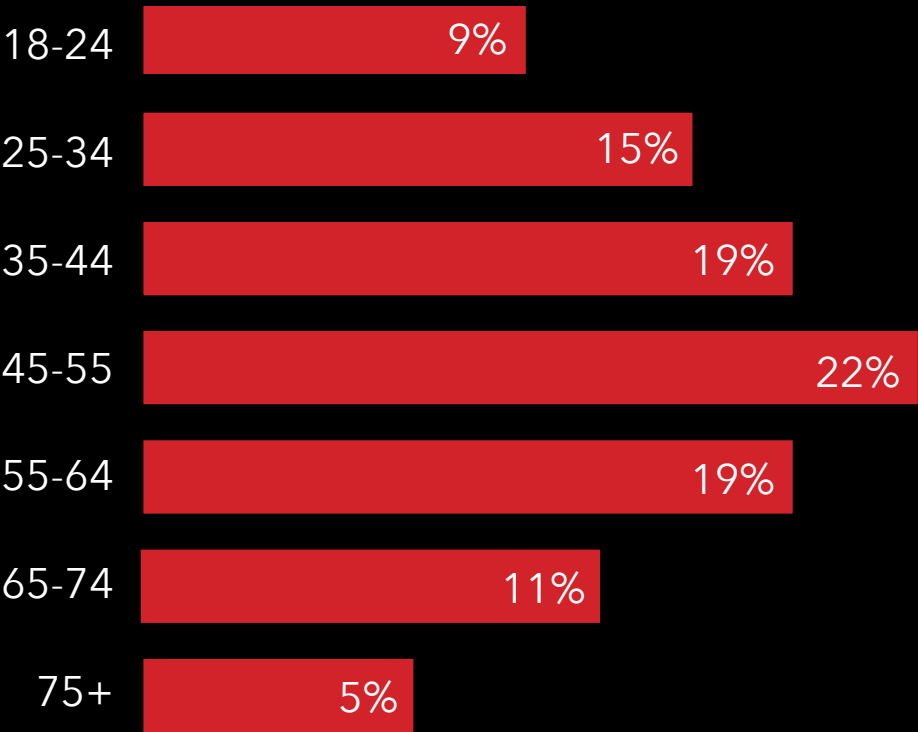
HBO’s current users are between the ages of **18 and 55**. However this range breaks down into two groups: Primarily **HBOGO users (18-24)** and more **classic HBO users (25-55)**. Although skewed male, the current users are both male and female. They are primarily white from the Northeast. The users are attending college, recently graduated, or working in a professional field having achieved at least an undergraduate degree. All of the users have an overall higher household income.

DEMOGRAPHICS

Age	18-55
Race	White
Region	Northeast
Education	Undergraduate Degree
HHI	\$75,000+

Source: Simmons

HBO Subscriber Breakdown by Age (2013)



Source: Mintel

PSYCHOGRAPHICS

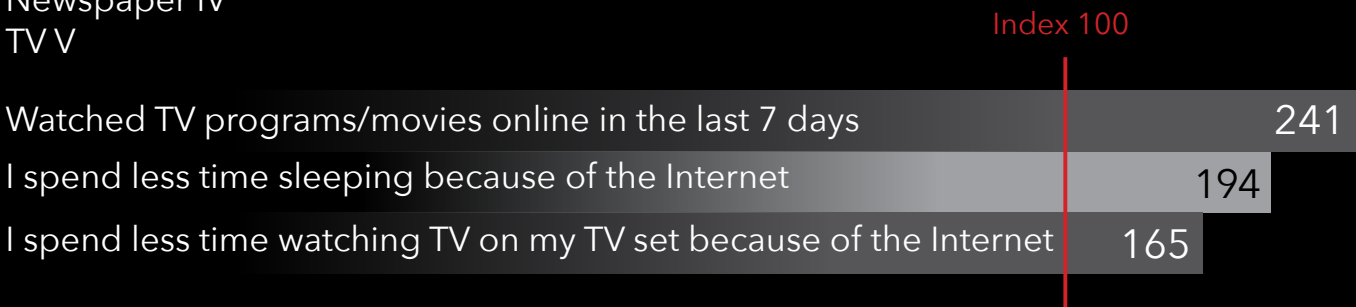
(18-24)

Who have watched HBO
in the last 7 days



Media Use

Internet I
Radio II
Magazines II
Newspaper IV
TV V



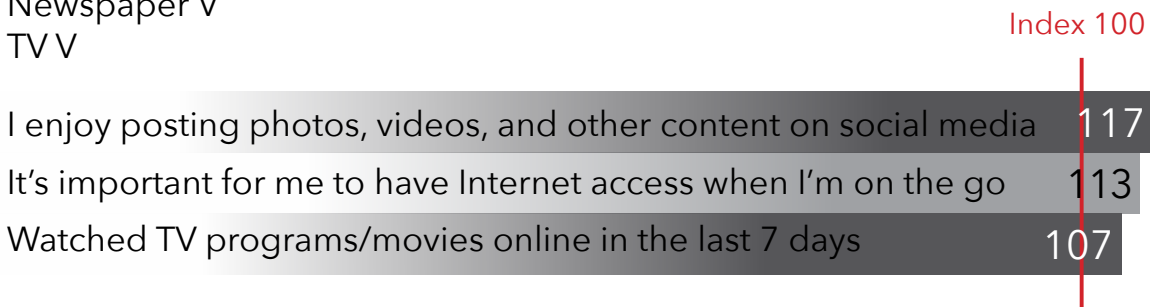
(25-55)

Who have watched HBO
in the last 7 days



Media Use

Magazines I
Radio I
Internet II
Newspaper V
TV V



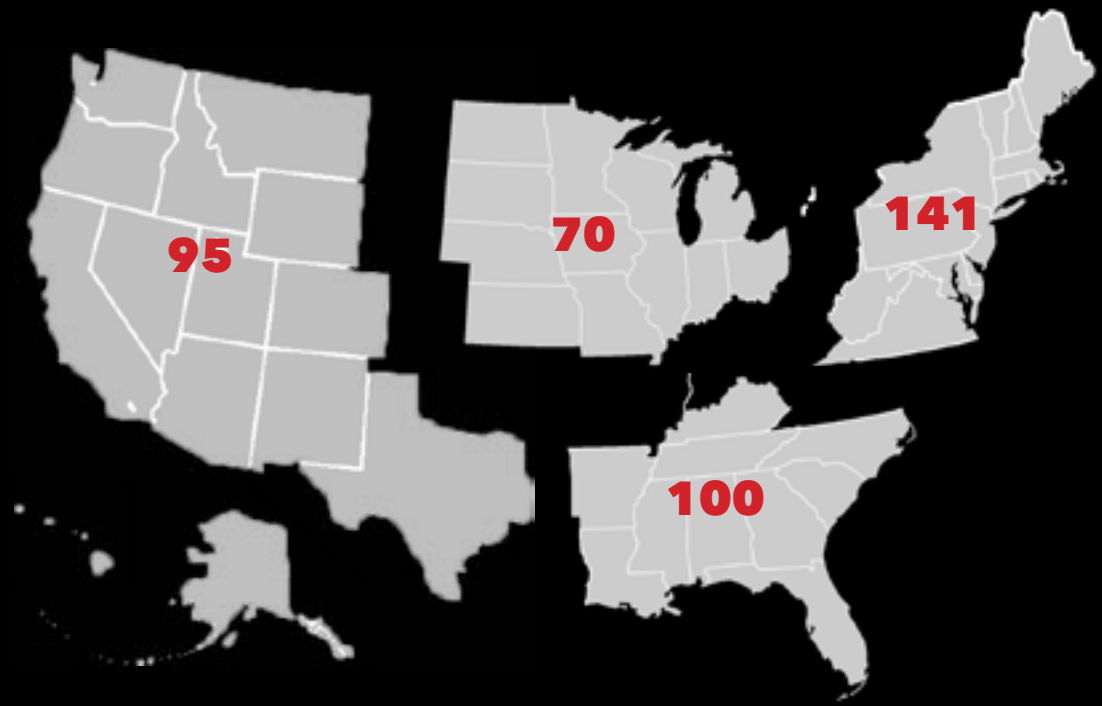
Source: MRI+

Geographics

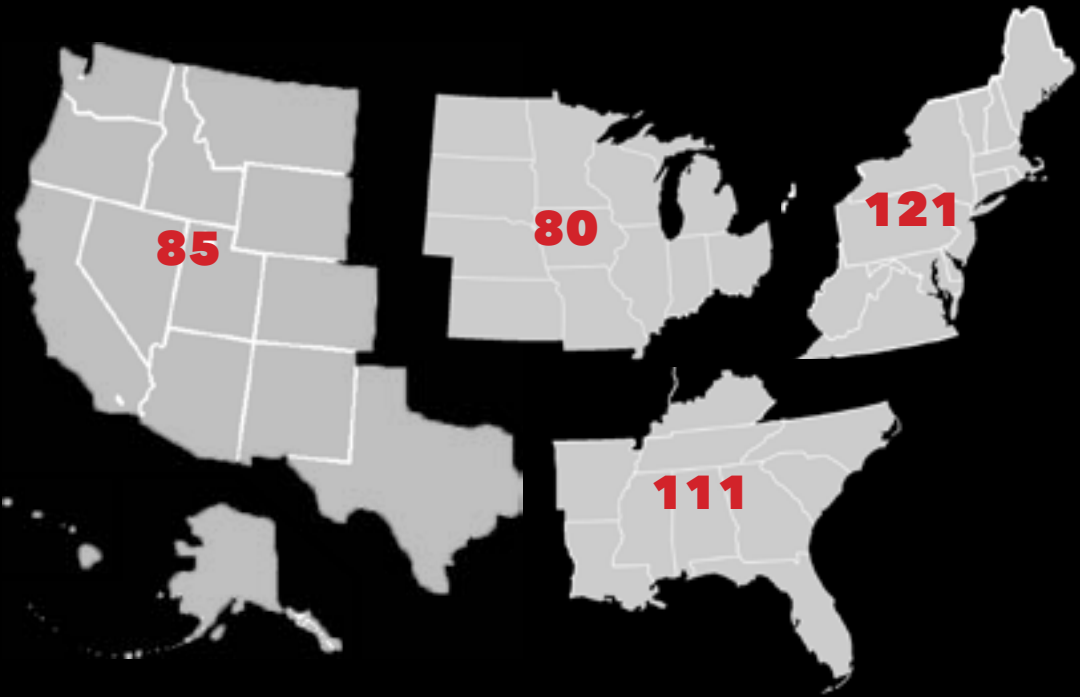
County Size	A	B	C	D
Watched HBOin the last 7 days (Index)	123	90	74	83
Currently has HBO (Index)	124	89	64	89

The county size data shows that people in larger county size areas (A is largest; D is smallest) may be more likely to currently have and watch HBO.

Source: Simmons



Source: Simmons



Source: Simmons

Seasonality

Seasons of HBO series typically are made up of 12 episodes. They have a much shorter timespan than seasons of network shows, which usually contain 22 to 24 episodes each. All HBO shows do not run in the same timeframe. Some programming runs throughout the summer/fall months, while some runs through the winter/spring months. Conversely, network programming runs continuously from autumn to spring. As a result, there is a significant portion of time where HBO may have other original programming running, but not TV series, its biggest draw to viewers. Thus, it would be beneficial for HBO to take advantage of this lull, per se, when viewers are thirsty for a new season to air. Those who have not watched will want to become a part of the group and catch up, and have the potential to be swayed to purchase the service.

Additionally, this desire can be capitalized on within the seasons themselves. Cable and satellite programming have set schedules, where a certain show generally airs the same time each week, Monday through Friday. So although users are anticipating the next episode the next week, they have other programming to flip through during the week. The majority of HBO original programming airs on Sunday evenings, which is exclusive in its own right, as no other basic cable shows air on the weekends.

Online streaming service Netflix releases all episodes of its original content at once, thus creating a "binge-watching" culture, which eliminates much of the chatter that is created between weekly airings. Though HBO is also motivated by subscriber growth and also does not include commercial breaks, it still makes viewers wait a week in between episodes. This weekly release schedule encourages everything from viewing parties to engaging conversations. HBO could capitalize on this engagement and advertise subscriptions between episodes when viewers are most excited about the anticipated release of a show's next installment.

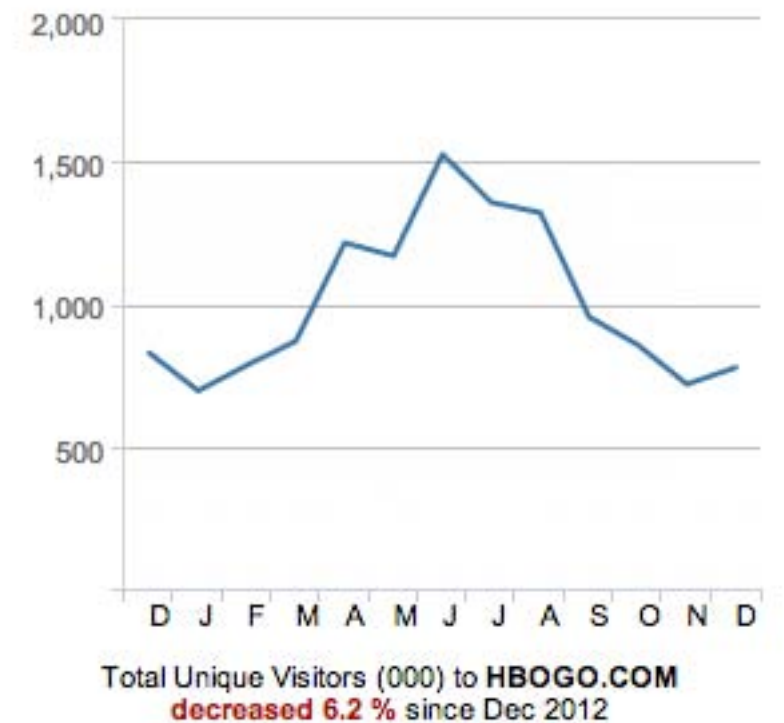
"They don't want to miss anything so feel the need to tune in when it airs."

- Sabrina Caluori, VP of Social Media, HBO

Total Unique Visitors (000) Trend

The chart illustrates the unique visitors per month to HBOGO.com in 2013. The amount of unique visitors to the site spikes in June and stays high through August, indicating that summer is the most popular season that current users watch HBO shows online. There is an opportunity for HBO to take advantage of its popularity in the summertime months by utilizing the dedication of its current viewers at that time to draw in their friends. There is also an opportunity to go strong on campaigning in the spring and winter seasons since there is clearly a bigger area of potential for more online viewership, and thus subscribers, during the off months.

Source: comScore



Purchase Cycle:

While there is no substantial data to determine when exactly people are making their first cable subscription purchases, it is clear when the cable providers offer the best deals. These savings and promotional deals mainly occur at the end of the year and the start of the next. This makes sense, because 73% of Americans spend more during the holiday season than at any other time of the year. This provides an opportunity in the cycle for HBO to reach potential upgraders and/or converts who might be willing to splurge when they're making their choices for the coming year.

Source: Mintel



Meet **Chris:**

Chris is a 22 year old from Upper Dublin, PA, 30 minutes outside of Philadelphia. He grew up the middle child of three. He was raised in a financially well off household, and followed in his older brother's footsteps to Penn State University. After graduating from PSU with a Degree in Marketing he moved to New York City. He now works in the Marketing department at Yahoo. He aspires to do well in his career, but being just out of college he does not feel totally financially secure. Still, he is willing to pay any amount for the technology he wants. He is single for now, and girls find his quirky demeanor amusing. He is social and enjoys spending time with friends at the bar on weekends and the occasional weekday happy hour with his co-workers. He feels his friends are more important than his family. He likes to unwind with binge watching Game of Thrones on his parents HBO GO account. He recently started watching Boardwalk Empire because he read about it on Vulture.com. He describes himself as a little bit enthusiastic, and is reasonably good at convincing others to try new things. He likes to think of himself as a trendsetter, and often is the first to have the latest technology, and he loves to explore new gadgets. He also likes to listen to his friends suggestions. He is liberal when it comes most current issues, but is not interested in religion or the environment. He is most focused on his career and independence.

Meet **Terry:**

Terry is Chris's Dad. He is 48 years old, originally from the city of Philadelphia. He has been married to his wife Karen 24 years. When they had children, he and Karen moved to the suburbs of Philadelphia, Upper Dublin Township, because the school systems were better. They have three children, Chris being the middle child. When Chris was in 6th grade Terry and Karen brought home the family's dog, a loyal black lab named Duke who is now a part of the family. Everyday Terry commutes to Philly for work. He is a CFO for a small Philadelphia-based pharmaceutical company. On the weekends he enjoys cooking for his family, listening to classic rock and reading Patterson books & news on his iPad. In his free time he enjoys golfing and vacationing to warmer climates with his family. Occasionally he visits his parents in Florida. Recently, he signed up for Facebook and has reconnected with old classmates from growing up. He also uses social media to discuss the weekly Boardwalk Empire and Newsroom episodes.



S.W.O.T Analysis

STRENGTHS

- 114 million customers worldwide
- Bring in nearly \$9 billion in subscription revenue annually
- Premium, award-winning content
- Can access both on TV, tablet, phone, and computer
- Demand for the content
- HBO connects with over 150 countries
- Not regulated by the FCC

OPPORTUNITIES

- Innovation in mobile and online media
- HBO Go
- Continue to develop content that pushes the envelope
- Crowdsourcing for original ideas

WEAKNESSES

- Cost
- Cable subscription required
- Censor boards have issues with content shown

THREATS

- Recent cable cord cutting
- Millennials desire for video immediately and online (competitors have easily available content online)

Competitive Sales



HBO - "It's HBO"

Prestigious, honored and most well-known of the premium cable entertainment channels. Still ranks the highest viewer numbers annually compared to other pay channels. Huge critical acclaim with The Sopranos, and more recently Game of Thrones, Veep, Behind the Candelabra.

(& **Cinemax** - "Max. In Movies")

Shows mainly films, along with original action series, softcore porn, documentaries and special behind-the-scenes features).



Netflix - "It just might bring everyone together"

Streams and produces online media. Has over 31 million subscribers in the U.S. It is not available in Asia, Africa, Australia and most of Europe. Releases entire seasons of TV shows, rather than weekly episodes.



Showtime - "Brace Yourself / Hold On Tight"

Many of the original shows revolve around complicated people (mainly women) surrounded with controversial issues. Smart subtleties, "real" situations & "real" people. Often a focus on the dysfunctional. Recent critical acclaim from Weeds, Dexter, Homeland.

(& **The Movie Channel** - "Movies for Movie Lovers").



Starz - "The Next Big Thing"

Rebranded recently to be about the large-scale, entertainment spectacle. Newcomer to original programming, began in 2005 looking to compete with front-runners Showtime & HBO.

(& **Encore** - "Playing Favorites").



YouTube - "Broadcast Yourself"

Video-sharing website owned by Google. It offers free videos with a wide array of content. Although these videos are not necessarily a part of a larger series, users look to YouTube for general entertainment. Additionally, YouTube has a library of movies and television shows that are available for purchase.



Hulu+ - "Anywhere, Anytime"

Online media streaming site with over 250 supported devices. There is also a free version with limited content.



Regular/Basic Cable Networks

Major (NBC, ABC, CBS, FOX) and speciality cable networks (AMC, FX) mostly all offer original programming, as well as reruns and movies formatted for television. Regular cable's major advantages include broadcast news programming and live sports programming.

Competitive Media



HBO- The Badass

The badass doesn't have to try, he's just cool. He is a culture guru and a rebel, constantly pushing the envelope like HBO. HBO is the industry leader in ground-breaking content so their media is all about the content. They advertise the shows because they speak for themselves, but when they do foray into brand advertising, it's dark and purposeful.



Hulu- The Nice Guy

The nice guy is often ignored. He is too nice so people overlook him like Hulu Plus. Hulu is mainstream and convenient with room for customization, but doesn't make the same initial impression as some of his peers. Hulu is home to a huge variety of movies and shows, perhaps the most versatile of all of it's peers. It's media conveys this by advertising these unexpected videos.



Netflix- The Popular Girl

Everybody knows the popular girl. She pretends she doesn't care what other people think. In secrecy she envies the badass's effortless coolness. She tries to mimic it, and perhaps one day she will be a badass too. Netflix is home to binge watching popular shows. Once you're hooked you don't have to wait because shows are released at one time. Netflix is creeping up on HBO, as their biggest competitor, and could potentially become the future hub of Internet TV.



Showtime- The Jock

The jock is both confident and well known. Showtime prides itself on its interactive TV, and like the jock, is constantly talking with his buddies, and cares about what they think. Showtime creates innovative digital media that people share and participate with.



Youtube- The Nerd

The nerd loves to bring people together through technology. Youtube was created with a purpose of connecting people so they can watch and share content together, even some that they've made themselves. Youtube's media is so powerful because it is viral and ever-changing.



Starz- The New Kid

The new kid in town, Starz, just began creating original content in 2005. They recently rebranded with a focus on content immersion. Like the new kid, they are trying to keep up with the badass and jock in their own way through interactive, mobile media executions.



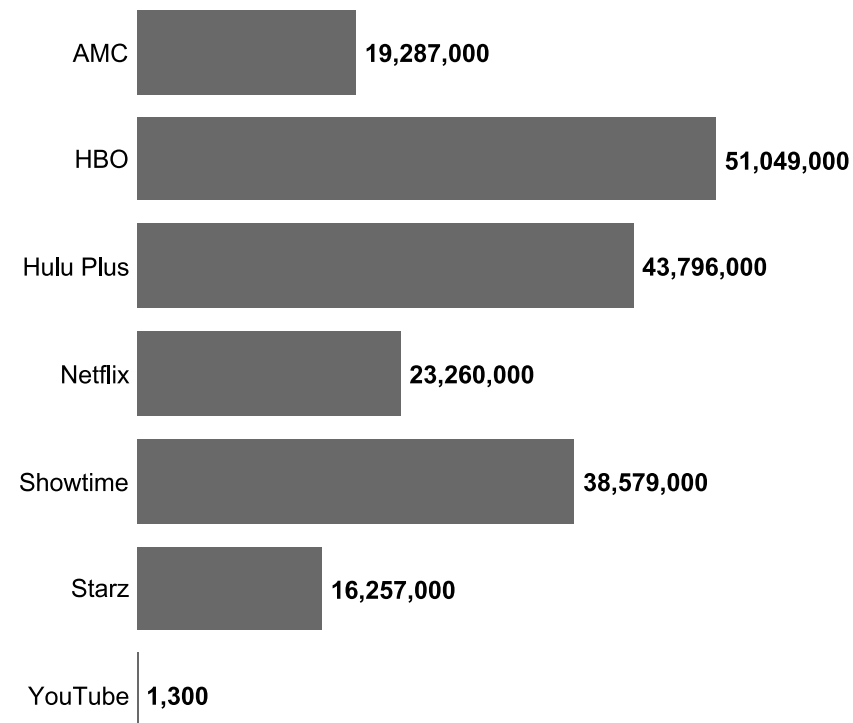
Network Cable Channels

The Teacher's Pet

The teacher's pet is always there. They are always striving to be number 1, but maybe not the most popular among their classmates. In fact, they can often get pretty annoying and repetitive. But, similarly to the network cable channels, there will always be people there to acknowledge them (despite being able to see right through them). Their media advertises their newest shows, and they will always be around even if they aren't everyone's favorite.

Media Spend

Advertising Spending in USD
(November 2012-2013)



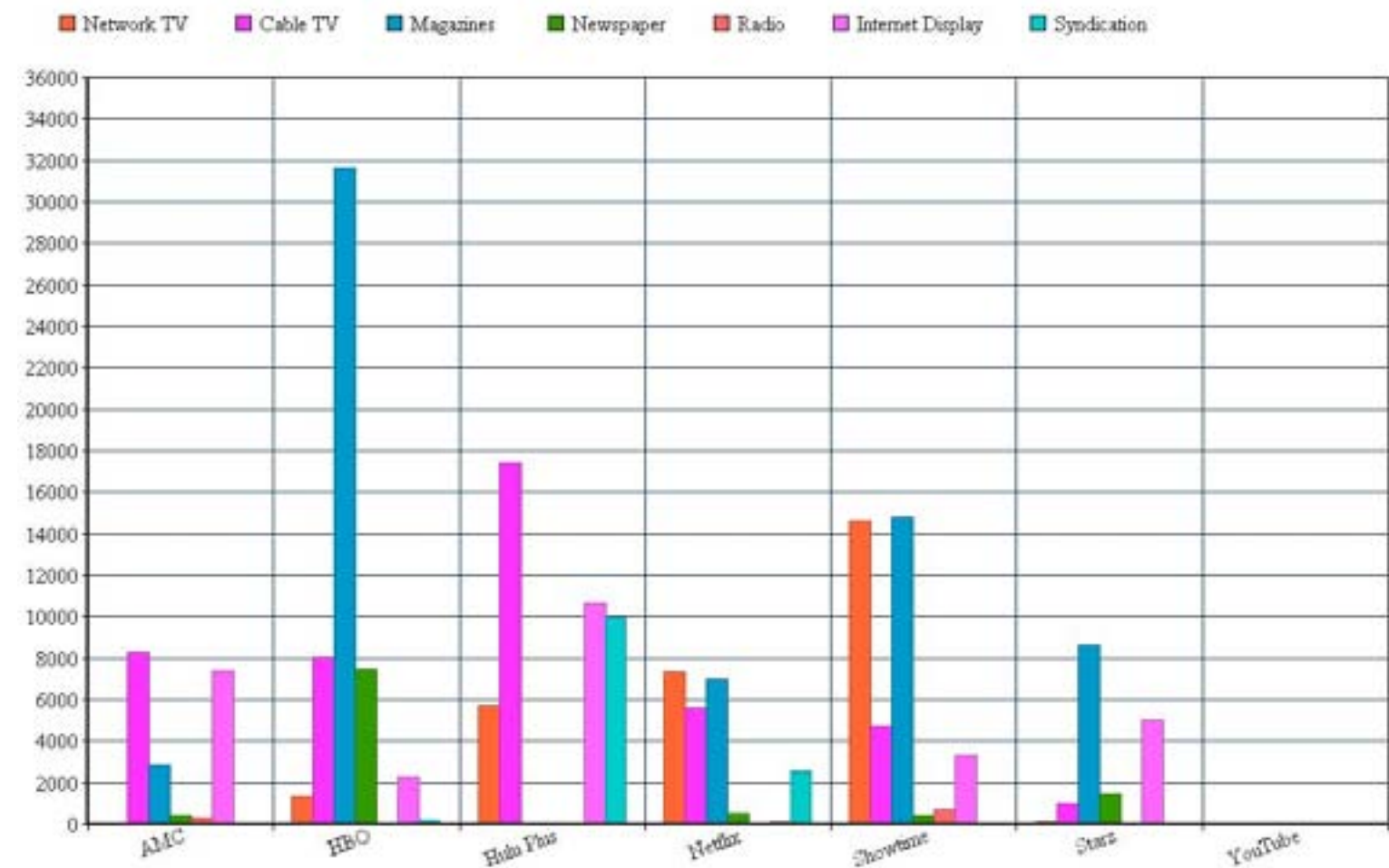
Between November 2012 and November 2013, HBO's media spending was significantly higher than its competitors. During this time, HBO spent a considerable amount of money on magazine, where as HBO GO focused solely on Internet display advertising. Print advertising allows HBO's messages to narrow in on a specific target. For HBO GO, online advertising is essential because it relates to their online platform and can key in on Millennials.

Among all competitors, most media spending is on magazines and cable television. Hulu Plus comes the closest to HBO in terms of spending, followed by Showtime.

Compared to media spending in 2010, the industry is now spending more. Past spending was significantly more focused on print media and had less variety in its media mix.

Source: Kantar Media Intelligence Ad\$

Spending 2012-2013 (USD 000)



Source: Kantar Media Intelligence Ad\$

Creative Requirements

Creative work should:

- be have a clear, bold, and badass voice
- advertise the brand itself more than show premieres
- maintain their position as the industry leader
- tell a story and call for people to tell their own stories
- be fully integrated, spanning all media
- have legs, be long lasting, and dynamic

Conclusion

HBO is the market leader when it comes to premium ground-breaking Television and Movies, but pressure has been building from its biggest competitor, Netflix. HBO has a unique approach to television, in that it calls for community involvement and discussing by spacing out show release dates. Netflix is the place to go for snow day binge watching shows. Element5's goal is to maintain HBO's position as the rebellious premium provider it is, and blow competition away by advertising the brand itself and all that it as to offer.





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