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The AT&T Warner Brothers HBO Max Thing is Suuuuuper Interesting: A Thread

Background: AT&T announced that all Warner blockbusters for 2021 will get day and date release on HBO Max, even (apparently) if theaters open up again. This includes Wonder Woman 1984, the Dune reboot, and the fourth Matrix.

What happened next was basically a rebellion, led by big directors, big actors, the big agencies and the big unions. The reason, of course, is the AT&T decision might cost them all big money.

A massive chunk of big talent compensation is dependent on box office receipts. Gross points and box office bonuses are part of the compensation package for big actors and big directors. It's a big part of their deals.

What happens when there's no box office? Take a wild guess. These are tentpole releases. High risk, high reward. The actors, directors and agents are going to take a big hit relative to their expectations.

Meanwhile, the same contracts that give out gross points and box office bonuses also say that Warner Bros can distribute the movie however they damn well please. The contracts also say that back end is speculative and not guaranteed.

However, all of this big talent signed their contracts on the assumption, borne out by a hundred years of trade practice, that these movies would see a theatrical release. One might argue, convincingly, that theatrical release was an implied term of their agreements.

Warners' logic is obvious. Tenet (another Warners tentpole) made almost no money in its theatrical release, so rather than go through that again why not drive a lot of paid subscriptions to HBO Max?

But compare what Warners did to what Disney did, though. Live action Mulan got a first window release on Disney+… but they charged $30 for it, even if you already subscribed to Disney+. That was box office-ish, and -ish enough that it didn't make much of a stink.

Disney also kept in mind that theaters might be open this summer, and made no widespread 2021 proclamations about first window streaming release. Warners, in contrast, just said all of its 2021 releases will be streaming first.

There are two ways to look at this: either AT&T fucked up, by not having a plan similar to Disney's, or they did this intentionally, knowing full well there would be blowback, making this the starting point for a big negotiation to follow.

I think they fucked up.

The agencies and the unions --not to mention a lot of the talent themselves-- all came out hard against the Warners plan.

AT&T stock jumped almost 10% on the first part of the news, then dropped right back down after the blowback intensified. In the same week, Disney stock went up like 30% or something.

What's at stake here? Probably a couple hundred million dollars for this slate --and billions more if AT&T's plan becomes the standard. It sounds like the agencies are suiting up for war, with the lawyers not far behind.

Theoretically, a streamer could create a profit pool for talent out of its total subscription revenue, and pay out portions of it relative to the percentage of plays attributable to a given movie --but who knows what this revenue share would look like in dollars.

Also, an arrangement like that would require a level of data transparency which, right now, is not something the streamers offer. Netflix famously doesn't share numbers. (It's a big tech mentality.) Box office receipts, on the other hand, have been transparent for a long time.

What does it all mean? In part it's the latest salvo in big tech's invasion of Hollywood, an invasion that began in the Moneyball era of the early aughts, and grew steadily after the dawn of the cord cutter. Covid is just accelerating it, like it's accelerating a lot of things.