

# AT&T–Time Warner’s HBO MAX

## Expanding Operations in Norway

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## EXECUATIVE SUMMARY

AT&T's-Time Warner, HBO Max, will be the subject of this Global Business Plan. Releasing in 2020, HBO Max, a relatively new streaming platform, offers premium content from Time Warner's vast catalog of movies and tv shows. Notable collections include DC Comics, Adult Swim, and HBO titles like *Game of Thrones* or *West World*. Reported by WSJ, AT&T acquired Time Warner in June of 2018 for a whopping \$USD 85.4 billion. It was a push from the telecommunications giant to solidify its position in the MVPD and media creation industry after purchasing DirecTV in 2015 for \$66 billion. It could be argued that AT&T doubled down, to recoup its investments, by obtaining ownership and content distribution rights for Time Warner's catalog.

Trends show over the past years show streaming continues to grow in consumer popularity as well as competition. Owners of media and content creation are seeking ways to house their collection of content by developing their own platform. This has resulted in a competitive US market space that includes Netflix, Amazon Prime, Hulu, Disney Plus, Paramount Plus, & AppleTV+. For the AT&T Times-Warner merger to be profitable HBO Max needs to be successful not only in the United States but across the globe, and unfortunately AT&T will not be enjoying the outrageous premiums consumers paid for cable television. To get a return-on-investment AT&T-Time Warner should seek to expand its streaming platform HBO Max internationally. In the first year HBO Max saw a 20% subscription increase in their US. Market. Based off the success in the United States is it possible to rebrand the other HBO platforms?

When AT&T acquired Times Warner, the company took ownership over Home Box Office (HBO), Times Warner's subsidiary. These services span the globe in many different channels like HBO GO, HBO Nordic, HBO Europe, and HBO Asia. Discussed later, HBO Max needs to expand its service universally and create one indistinguishable brand. This paper aims to examine the profitability of HBO Max expansion that would not only strengthen the HBO Brand but help AT&T's bottom line.

# Planning the Global Business Enterprise:

## 1.1 Identifying Global Enterprise

An appropriate target region for HBO Max would be Western Europe because HBO creates titles for western taste. Max is still in its infancy moreover the company is producing content specific to the preference of US viewer, because as a late mover the company's goal is to gain market share promptly. Compared to a mature service like Netflix which is streamable in 190 countries and offers specific and diverse content to regions with different tastes. Unlike other countries in Africa or Asia, HBO Max does not have to create i.e., subtitle and lip dub an entire new collection of content to appease viewership. Instead, they can adapt and shuffle current titles to best match likes. As of 2018, Amazon Prime and Netflix accounted for roughly 80% of the entire European streaming market. Disney + and Apple TV+ were late arrivals to the market but have slowly gained share. In 2011, the total value of Europe's streaming industry was \$USD 468 million. In 2020, revenues almost 30X'ed grossing over \$USD 14 billion. In theory, MAX could capitalize on this expanding market while keeping costs minimized.

Using preliminary research, France and Norway were deemed potential locations for the arrival of MAX. After performing the country screening analysis, France and Norway received a total overall attractive score of 7.44 & 8.205, respectively. Norway's gross revenues topped over \$244 million and is expected to grow by 13.5% in 2021. This Global Plan aims to determine whether HBO MAX will be profitable in Norway, now, in the future, or never.

Norway is located on the western half of the Scandinavian peninsula and is lined with roughly 50,000 small islands and 20,000 km of coastline. Throughout the 20<sup>th</sup> century, the country established itself in the maritime, petroleum, and lumbar industries creating a wealthy nation. As of 2020, the GDP PC is \$68,177 and its GNI PC is \$USD \$82,500.00. The nation has developed a comprehensive welfare system with poverty rates less than 1%. According to the United Nations Development Program, Norway is ranked number one in Human Development Indicators. With strong government programs and intervention, the country has maintained relatively low inflation at 2.17% as of 2019. In general Norway is a wealthy industrialized country with an extremely high standard of living. That it why this country is viewed as the optimal place to expand. Discussed later in the paper, Norway will be able to lower associated risks and help lay the foundation for further global expansion.

## 1.2 Understanding International Competitors

Norway's streaming industry has many active competitors. As of 2020, Statista reports 84% of respondents used the service Netflix. This was followed by NRK TV with 68% of respondents using the service. The proceeding services were YouTube, TV2 Sumo, & Viaplay, 43%, 40%, and 30% respectively.

Netflix is the leading streaming service in the world and is active in 190 countries. Netflix has customized lists of Norwegian films and tv shows suited for the targeted audience. These title changes and customizations have played an integral role in Netflix's international success. Netflix's largest competitive advantage lies within its company structure. Over the last five years Netflix has taken a risk in creating its Netflix Specials. Using a vertically integrated structure Netflix has turned into one of the largest global media studios overnight. The risk paid off because in ownings its movies and tv collections the service has become more profitable and allowed for more creative direction producing movies for all regions of the world.

Norsk rikskringkasting or NRK is Norway's government-owned radio and public tv station. NRK founded in 1933, is the only public channel to be broadcasted on Norway's airwaves. Norwegian citizens that pay for cable are taxed involuntarily which helps fund NRK. The three channels consist of NRK1, NRK2, NRK3. NRK has an absolute advantage because the corporation only produces films and tv shows for a Norwegian audience. This allows the company to direct and produce films that would resonate most with the people of Norway. Consumer reach is another key advantage NRK holds because any Norwegian who owns a TV, paid cable subscriber or not, can view NRK 1-3. With maximum exposure the company can limit its direct need for marketing. NRK is a notable competitor that has unique advantages.

YouTube is a google owned subsidiary where content is created by individual content creators. This is a service that allows you to find all video on the topic of your choosing. The differences between YouTube US and Norway are slim to none because every consumer can find the same content in both countries. There are some exceptions as some videos are banned based off certain IP addresses. YouTube's presence in the streaming industry should not be overlooked. Its decentralized creation of content has created a profit puppy. YouTube has the luxury of not gambling on content unlike other services like Netflix and HBO Max. Instead, creators are paid only off the viewership one can attract. This monetization strategy has led to millions of hours of content being uploaded to the service daily. On YouTube a viewer can find ultra-specific content to appease taste which makes it a dangerous competitor.

HBO Nordic is the final competitor. Reported by Statista, 29% percent of respondents stated HBO Nordic was their main media service of choice. HBO Nordic became available to consumers on August 15, 2012 and was originally available for paying cable television subscribers. Since the launch HBO Nordic has created a separate portal for consumers who do not pay for cable tv

to use the service. As the name suggests, HBO Nordic services Norway, Sweden, Denmark, and Finland. The key difference between US's HBO Max and HBO Nordic is content and movie premiers. Max offers more movies and shows as it combines both HBO's and Time Warner's library. Only recently Max has begun to include tandem movie premiers for new releases like *Kong vs. Godzilla* or *Wonder Woman 1984*. HBO Nordic largest advantage in its market space is premium content. The company has proven to have box office hits that resonate with Norwegian viewers like *Game of Thrones* and *The Wire* but compared to the industry HBO Nordic lacks a comparative advantage. Lastly, HBO Nordic titles should not be seen as competition but rather the name itself, HBO Nordic.

HBO Max can learn and improve its services based off the competition's strategies and advantages. Competitor's competencies can be summarized into categories including content, low-cost, and monopolization. Obviously, Max will not be able to copy the monopolistic structure of NRK, but it can learn from their content creation as the company creates country specific media. To be more competitive the service needs more content. Combining Max and Nordic together create a powerful platform full of popular movies and tv shows that are suited for the Norwegian audience. HBO will not be able to be a low-cost leader of producing content like YouTube, but its strategic expansion should help mitigate risk and loss. In the end eliminating HBO Nordic and combining the libraries together into the streaming name HBO Max create an advantage that rivals competitors. HBO Max will offer more content for consumers and do it in a cost-effective manner. Max will also offer one distinct advantage that no other competitor mentioned has and that is synchronized movie premier releases. This combined with a deeper catalogue creates a competitive advantage that should result in more subscribers.

### **1.3 Economic-Geographic Environment**

Norway's economy is quite healthy. As of 2020, the GDP PC is \$68,1117 and the annual growth rate of household disposable income grew by .7%. According to Statista, as of 2020, the unemployment rate is 3.31%. Even with the Corona Virus pandemic the country has maintained steady employment rates. Reported in 2019, Norway has retained low inflation rates of 2.17%. The overall economy is export dependent. As of 2018, the total value of exports was \$USD 122,636,000 and imported were \$87,440,000. The top five exports of the country include petroleum oils, natural gas, crude oil, fish and seafood, and aluminum alloyed. The top five imports include automobiles, crude oil, structures, transmission parts, and nickel mattes. Notable countries Norway exported too include the UK, Germany, and France. Notable counties that Norway imported goods from include Sweden, China, and the US.

Petroleum and fossil fuels account for a large portion of the overall economy. It is estimated the oil industry contributes to 17% of the national GDP. Renewable energy is the main source of power in Norway. 98% of all power comes from renewable energy sources. The maritime

industry plays an integral role in the nations success. The county has established shipping and trade routes for over the last 160 years. The Shipowners' Association was founded in 1909 establishing a trade and employment organization. This association has helped to insure 33,000 vessels across the globe and establish Norway as one of the largest maritime exporters. The country has the 5<sup>th</sup> largest shipping fleet in the world and a coastline that measures well over 20,000 km. Other notable industries include FinTech, Edtech, and Medtech.

The nation's government is also a large player in Norway's economy. The state has direct oversight and ownership over 71 companies. This direct government intervention has helped to keep the Norwegian economy prosperous and healthy. Lastly, the countries infrastructure is well established ranking 21<sup>st</sup> out of 160 nations in the LPI index. A component of the LPI Index is infrastructure where Norway scored a 3.69. To put this into comparison the United States scored a 4.05 and the global average is 2.72. Other key metrics relating to infrastructure include fixed broadband subscriptions and individuals using the internet. According to The World Bank, 42.03 out of 100 Norwegians have a fixed broadband subscription. Broadband is a wide bandwidth data transmission over highspeed internet meaning folks can download and stream at faster rates. Another industry specific metric is 98% of Norwegians have access and are using the internet. Norway's overall infrastructure based off its ranking and access to internet should not pose any risk to HBO's expansion. All metrics mentioned regarding GDP to infrastructure, size Norway up to be an ideal destination for expansion.

#### **1.4 Social-Cultural Environment**

Norway has a rich culture tied with tradition and history. The official language is Norwegian, which is cousins to the Danish and Swedish language. Traditions in Norway range from eating brown cheese on waffles, viewing murder mysteries on easter, and enjoying tacos. Bunads the traditional wear of Norway can be seen worn on Norwegian Constitution Day or at memorable occasions. These garments can range anywhere from \$USD 45,000-55,000, if anything, the price tag shows the love and loyalty the people show for their history. The people in nature are against imposing themselves or will on someone or something. This leads to the people group coming off as shy or timid, through its hard to capture an entire people groups characteristic.

The country believes in democracy and equity which stems from the ideals of egalitarianism. Gender equality is a strong belief Norwegians hold. Having woman in business is seen as valuable as well as a duty because everyone deserves equal rights. These values have led social institutions to be continually active in the humanitarian effort both in and out of the country. In terms of beliefs influencing business Norway is quite conscious of its impact on the environment and people groups. The country stives to be as sustainable as possible in all practices. This results in business being conducted in an ethical manner that is beneficial for all stakeholders. If HBO Max expands into Norway, the only concern regarding the social and

cultural environment would be respect and follow through. Relations need to be built on a mutual understanding and respect as this is how any Norwegian would conduct themselves in business.

### **1.5 Political–Legal Environment**

It is hard not to discuss the politics of Norway in the economic and social environment because the government plays such an active role in both. The country is a constitutional hereditary monarchy. Currently the Chief of State or Monarch is King Harald V. The king's role is more symbolic but still holds influence over perceived national unity. Prime Minister Erna Solberg is the acting head of the government. The prime minister is appointed by the King and acts as the political leader of the country. The prime minister is supported by a political body of legislature named the Storting which is it the body that acts as the supreme legislature of Norway. Beyond the structure of the government Norway is a welfare state meaning it is the responsibility of the government to ensue basic needs of each citizen like education and health care.

There are few trade barriers in Norway as the country is a part of the European Free Trade Association (EFTA). EFTA members also take part in the European Union (EU) though Norway is not a direct member. Norway is a European Economic Area (EEA) signee, so the country has moved to standardize trade barriers that fall under EU classification. All products imported into Norway must be declared at customs based off the products combined nomenclature. In general, US exports entering Norway have tariffs of roughly 3%. Overall, the simple average on all products is roughly 3.51% and the trade weighted average is 3.2%. Norway is fairly lax when coming to formal trade barriers as the country is an advocate of free trade.

Norway does promote global business efforts. Invest in Norway is an investment promotion agency that aids foreign investors with foreign direct investment (FDI). In its key areas of the economy Norway does not allow foreign ownership in industries that include fishing, maritime, and road transport. This form of protectionism is an extension of nationalizing important industries. In general, foreign investors may be property owners but are prohibited from investing in certain assets. Foreign direct investors must acquire a concession to own forests, mines, tilled land, and waterfalls. If foreign investors wish to rent land in Norway than concessions are not needed if the contract does not exceed ten years.

As mentioned above Norway has effective legal and judicial systems in place to protect investors acquiring land, buildings, and houses. Norway is an active member in the world trade organization (WTO) and partakes in the Trade–Related Aspects of Intellectual Property Rights (TRIPS). Along with TRIPS, Norway abides by the international agreement for the protection of intellectual property rights (IPR).



All media ownership is regulated under the Media Ownership Act of 1997 and is enforced through the Norwegian Media Authority. Without a concession no individual or group can control 1/3<sup>rd</sup> of national medias including newspaper, radio, or television. Legal conflicts brew over media piracy through the internet although no formal laws have been enacted since discussions of piracy laws took place.

The country is ranked 7 out of 190 countries in the corruption index scoring an 84<sup>th</sup> out of 100 meaning the government runs operations “very clean” compared to “highly corrupt”. The legal cost index or the ease of doing ranks Norway 9<sup>th</sup> out of 190 meaning that regulations and laws are more favorable when creating a local firm. Key metrics that were used to formulate legal costs include starting a business, electricity, registering property, credit, paying taxes, and enforcing contracts are all, 25<sup>th</sup>, 22<sup>nd</sup>, 44<sup>th</sup>, 15<sup>th</sup>, 94<sup>th</sup>, 34<sup>th</sup>, and 3<sup>rd</sup> respectively. Outside the legal environment citizens personal income tax accounts for 10.4% of the country’s GDP which is roughly the same as the United States. The government is in direct ownership over 71 business and the country has nationalized many of its industries like energy and broadcasting services. Norway’s government accounts for 47.8% of the entire GDP meaning the government is highly involved in the economy and social programs.

Overall, the regulatory environment is inviting and has low entries to barriers as the country is apart of the EFTA, WTO, & EEA.

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## ***PHASE 2 – Organizing for Global Business Activities***

### **2.1 Global Company Structure**

AT&T’s HBO Max overarching goal is to observe if the service can add more subscriptions and keep viewers more engaged than their pervious platform, HBO Nordic. A successful launch in Norway would have served as a soft open for the Scandinavian countries and Max would launch in the remaining Nordic countries, more discussed in section 4. Currently, HBO Max offers hundreds of more titles that would be best suited for Norway’s audience. Content is king. The more content that is housed in a service the more likely customers are willing to subscribe and stay subscribed. Keeping in line with Norway’s cultural normal, HBO Max should be equal and fair, meaning its time to stop shorting customers of media they would otherwise consume. To reach these goals the company should adopt a transnational strategy to best meet the needs of customers. As defined in the McGraw Hill International Business textbook a transnational strategy involves building economics of scale and implementing learning effects in different geographic market. For each region, costs can be minimized through location economics and local responsiveness can be met. An important part of the transnational model is having the ability to meet local needs for different geographic regions. A transnational strategy is well

suitable for a streaming company because geographic regions can have similar tastes and lifestyles. This is seen in the Nordic countries as well as the EU, parts of Asia, & South America. Only a small team of five to ten people would be needed to service just Norway. Currently, 50 people work for HBO Nordic's team which services all the Scandinavian countries. Realistically, Norway needs on average about seven to ten employees. As AT&T looks to continue its expansion beyond Norway and into other geographical regions the company will have to evaluate personnel and create new bigger teams for geographic regions. A transnational strategy has a healthy mix of centralized and decentralized decision making. With an organizational structure Max will also need to have strategic alliances.

There is one major alliance Max must secure and that is with the government of Norway. The government is both active in the economy and in legislation. Therefore, within the borders of Norway Max needs to create a cordial and understanding relation. Adhering to data policies and laws regarding media and content distribution are critical. Norway's infrastructure and overall broad band capabilities are advanced but having extended conversations with officials would be advised. Beyond Max's relation with the state, hiring a Norwegian marketing team would be in Max's best interest. At the launch of the service the company will not have a fully developed organizational structure with a team ready to develop promotions for the regions. Based off research a top marketing agency out of Oslo is named Spoon. The company seems to have the capabilities to develop a promotional plan for the region.

HBO Max's goal is to increase its subscriber rate by bringing more content to Norway. By adopting a transnational strategy, the company should be able to continue its expansion beyond Norway by meeting local needs of different geographic regions while being guided through centralized planning. Key alliances are both with the government and marketing agency Spoon.

#### Sample Timeline:

June 1<sup>st</sup>, 2021: Finalize conversation with Norway to discuss legal costs and infrastructure capabilities.

June 15<sup>th</sup>, 2021: Formal statement removing HBO Nordic from Norway on June 30<sup>th</sup>.

June 15<sup>th</sup> – 30<sup>th</sup>, 2021: Marketing team Spoon begins to mass/target market arrival of HBO Max.

June 30<sup>th</sup>, 2021: HBO Max arrives, and HBO Nordic is no longer available in Norway.

September 1<sup>st</sup>, 2021: 3 months check in to evaluate subscriber performance compared to HBO Nordic.

September 25<sup>th</sup>, 2021: Based off findings, implement HBO Max throughout remaining Nordic countries.

December 1<sup>st</sup>, 2021: Transnational team manages Nordic countries. Continue Expansion.

## **2.2 Global Management Information System**

Data collection and analysis both play an important role in video streaming services. Data drives engagement as it is data that allows services to cater, adapt, and recommend new shows and movies to watch. HBO Max should adopt a CMS information system to operate service and store library. CMS or content management system is designed with the purpose of hosting and streaming video files. CMS main function include host, store, and organize video content. CMS allows a consumer to search for key terms and find related searches. Behind an unassuming search lies a system tuned like a fine clock. When video is uploaded to the CMS, files are sorted based on topic, file size, and video specifics. This in turn allows video libraries to be categorize by similarities which can then be searched by a subscriber. Beyond CMS ability to create and organize CMS possess the ability to analyze metadata and recommend content based off viewing history. Netflix has been a leader of this metadata collection and has used its own CMS to pioneer new shows based off viewer trends. This was seen with the Queens Gambit which became the number one watched show on the service. Metadata is a powerful tool that can help guide HBO's media creation to appease and match viewer tastes across the globe.

With anything there are low-cost and premium options. HBO Max based off its needs would need a premier service as these CMS offer unique benefits. One benefit is bulk upload which allows multiple video files to be uploaded in one go. This is a needed benefit as streaming services do not give access to their entire library but rather cycle through titles based on seasons and holidays. Advanced CMS allow for video library migration which is crucial for the combination of HBO Nordic and Max. Without a CMS that can handle library migration, transferring entire library's will be tedious and time consuming. Cloud transcoding is another key benefit as this automatically converts video files into the appropriate file size for viewers. Whether a viewer is watching on a TV, laptop, or smartphone file sizes need to support the device the consumer is watching on. Cloud transcoding automatically takes a file and adapts it to the devices suitable file size.

Smart playlists create automatic lists of movies and shows to watch based off viewers related searches. Finally, a CMS with security and DRM encryption is vital to protecting intellectual property. Lastly, CMS allows ownership to customize monetization strategies to best fit their needs. HBO Max will operate with a subscriber video on demand (SVOD) model. This allows customers to pay their subscription fees on a month-to-month or year-to-year bases. Based off preliminary research HBO Max should partner with Dacast because the CMS services offers all the benefits mentioned above. With a CMS HBO Max needs little to no external information because the system will collect metadata from subscribers. This metadata should help guide HBO Max when producing new shows or rotating through collections.

## **2.3 Identifying Human Resources for Global Business Activities**

As mentioned previously using a transnational strategy would best fit the operational needs of Max. Using a combination of centralized and decentralized decision making will prove to be the most effective strategy in meeting the needs of different geographic regions. HBO Max should use a polycentric staffing process which allows nationals of the host country to make strategic decisions on behalf of the parent company. Key positions HR should base its hiring process off include marketing, IT and technical support, and data analysis. Creating marketing teams for geographic regions will ensure advertisements and promotions connect with locals. IT and tech support will lend a hand to ensure CMS operate and perform tasks. Data analysts offer unique foresight into subscriber's metadata that will allow the company to make calculated decisions for marketing and finance.

Training and development will focus on working across international borders to develop cultural awareness. A pitfall to using a polycentric staffing process is lack of vision and communication across countries. Educating employees on the mission of the parent company and establishing procedures for communication will be essential. Technical and management skills should be vetted in the hiring process as HBO needs a team ready to hit the ground running. The team should be built around equality and equity as these are core principals to Norwegians. Compensation should be based off the standard of living as well as the quality of life. In terms of benefits health care is universally available for all Norwegian citizens so benefits should be focused around, maternity leave, retirement, and vacation time.

#### **2.4 International Financial and Business Risks**

In terms of reducing risk, Norway was selected specifically due to the fact Americans and Norwegians share similar tastes. Although English is not the primary language of the country most Norwegians are fluent or at least familiar with the language. This reduces associated costs with voice overs also known as dubbing. If Max were to enter a country like China almost every title would need to be dubbed costing millions more than entering a semi-fluent-English-speaking country. Associated risk with the government is slim as Norway holds true to agreements as the legal cost index indicates. Since HBO already has a Nordic version, many movies and tv shows have already been dubbed in Norwegian. This means HBO can choose selected titles, more likely popular films, from HBO Max to dub over reducing costs and risk.

Norway is a developed country and therefore foreign exchange rate risks are minimal. Although research indicated the Norwegian Krone appreciates against the US dollar. According American Express, author Frances Coppola writes, "When domestic interest rates are higher than international rates, banks fund in the international foreign exchange markets; conversely, when domestic rates are lower than international rates, banks fund in domestic krone markets." (Coppola, 2017).

The greatest risk would come from AT&T overextending itself with its HBO Max platform. Meaning the costs incurred to launch in Norway exceeds the return the company would receive from new subscribers. To overextend, Max would be spending millions of dollars on dubbing and subtitles without any sign of improvements in their subscriber ratio. Entering the market and slowly adapting the library based off results will prove the most cost-effective and risk evasive strategy.

As discussed in section 1.3, Norway has a strong economy with stable infrastructure and an inviting regulatory environment. Based upon research there is little to no evidence to support uncertainty in economic development, infrastructure, and changing economic conditions.

As discussed in section 1.4, Norway shares in the strong ideal of egalitarianism. Equity, fairness, and sustainability are values citizens of Norway strive for. Understanding country culture is important to building fruitful workplace relations. Beyond these values, there is little uncertainty that religion or family roles will effect HBO Max's launch in Norway.

As discussed in section 1.5, Norway's political system is quite strong ranking 7<sup>th</sup> out of 190 countries in the corruption index with a score of 84/100. Associated legal costs are low as Norway ranks 9<sup>th</sup> out of 190 countries in the legal cost index meaning that regulations and laws are more favorable when expanding into Norway's domestic market. Overall Norway has a strong political institution and there is little uncertainty this will change soon.

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## **Phase 3 – Implementing the Global Market Plan**

### **3.1 Product and Market Planning for Foreign Markets**

HBO Max offers premium content geared towards many different demographics. Attributes of Max are full title collections, competitive pricing, tandem movie premier releases, HD content, and multiple screen watching at one time. Due to cultural differences HBO Max will have to make some adaptations to best fit the needs of Norwegians. These adaptations can be grouped into two categories. One, movies will have to be dubbed in Norwegian, Two, subtitles will need to be added for movies that are not dubbed. The CMS should then be able to recommend shows to subscribers based of their viewing history. Adaptions based off economic factors include a one tier pricing strategy that will be discussed in 3.3.

The product life cycle of HBO Nordic is slowly reaching the point of maturity. As HBO Max takes the place of Nordic something unique happens to the platform. Instead of phasing out and into decline Max brings the product lifecycle back to the introductory phase. Max will already be getting a jump in its lifecycle as current subscribers will be rolled onto the new platform. Competitors have already begun to establish their presence in Norway's SVOD market, so

stages in the cycle need to be accelerated. Max needs to enter the market with a strong awareness to drive new subscribers to the platform and build growth.

Branding is one the primary reasons for this global expansion. Currently, HBO offers content globally across different HBO channels. Unifying the brand image under one name will help to reduce marketing costs and help to strengthen the brand image. HBO is branded as HBO Nordic, but it is well known in Norway, HBO Max offers more content and perks. Having this distinction could lead to dissatisfied customers as they know there is a better service. HBO Max offers an opportunity to build an image that blends into each culture like Netflix. Using the HBO Max name will be critical for the service to continue expanding operations beyond Norway. Any consumer around the globe should feel as if HBO Max was created for their country and their country alone. Having distinctions in services, again, can create a dissatisfied customer as they start to make comparisons in substitute services.

Media and video are an outlet that can be enjoyed amongst all ages. HBO Max's diverse selection of movies and content means there is something for everyone to watch.

### **3.2 Global Promotion Strategy**

The promotional goals of Max include, awareness, pricing, and more titles. Its time to ring the alarm and spread awareness that HBO Max is coming. Many citizens are already aware of HBO Nordic, so promotions need to be aimed at re-programming perceptions of the service. HBO Max is not HBO Nordic. HBO Max is its own new service! Promotions need to articulate this message to consumers – this is a standalone service outside of any HBO service before. Promotions need to bring awareness to pricing. Following the same pricing established in America (Pricing Strategy will be discussed later) promotions need to alert customers HBO Max is 124.45 Norwegian Krone or \$USD 15. This lets customers know HBO Max has competitive pricing with all other services. Finally, content, content, content. Consumers need to know HBO Max is not the old HBO Nordic with a new name but rather it is its own service that offers more movies and tv shows.

This promotional plan involves digital media including social media as well as print billboards. Using the tools of the internet our promoters can strategically market to consumers through Instagram, Facebook, and Twitter. All platforms offer different age demographics and lifestyles that can be directly marketed too. Knowing 99% of the population has access to the internet makes it a great destination to use website banners and top search result. Included in the medias used for advertising, YouTube will be a fantastic place to market to all demographics. These advertising dollars will be going directly to a competitor with the intention of capturing YouTube existing market share in the digital and streaming industry. Print media, specifically, billboards will be an excellent media to generate awareness. These billboards will be in Oslo and Bergen both the two largest cities and collectively house roughly 50% of the population.

HBO Max will need to use a push strategy to reinvigorate company image and bring awareness to its new service. The company cannot wait for customers to spread awareness through word of mouth. It needs to be generated through well placed ads and promotion. Eventually, promotions in the area will be eased and will rely on a hybrid pull–push strategy to take its place.

### **3.3 Selecting an International Pricing Strategy**

HBO Max will use competitive pricing where pricing aims to be relatively close to competition. Using Netflix as a benchmark, the company has three pricing structures including basic, standard, and premium, costing NOK89, NOK109, and NOK139. Unlike Netflix, Max will only have one price point at \$124.45 Norwegian Krone or \$15 United States Dollars offering its full services including, all content, multiple screens watching at the same time, and HD viewing. This strategy aims to undercut Netflix’s premium pricing to drive more subscribers to the service. HBO is a premium service and therefore needs to have a premium price tag. Offering basic and standard services could have the potential to detract from the overall brand image. Following Max’s precedent set in the US, paid Norwegian subscribers will be integrated onto the Max platform free of charge for the first month. Following this month subscribers will have to pay the full 124.45 NOK instead of 84 NOK. This gift to the current subscriber base is targeted at building more engagement and reoccurring customers whether this be through monthly or annual subscriptions. In conclusion, HBO Max will use a competitive pricing strategy that aims at being competitive with Netflix’s premium prices and increase profits through higher subscription prices.

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## **PHASE 4 – Implementing the Global Market Plan**

### **4.1 Determining Financial Results**

Financial estimations will be based off *AT&T Inc. Financial Review 2020* and D&B Hoovers *HBO Nordic Services Norway AS*, as D&B Hoovers has locally filed financial reports for HBO Nordic (*last filing 2019<sup>3)</sup>*, and Statista’s survey responses.

As of 2019, HBO Nordic AB’s total income grossed \$USD 274,600,000. HBO Nordic services Sweden, Denmark, Finland, Iceland, and Norway so it is hard to gauge exactly how many dollars are coming out of Norway. Using survey results it can be estimated that 29% of Norwegians use HBO Nordic or 1.545 million citizens. Not every citizen will be an annual subscriber so 1.545 will be divided by two (1.545/2) making half the population annual subscribers and half the population one–time monthly subscribers. Multiplying both halves by their weight, monthly and annual \$USD 10, \$USD 120 respectively we will get the total sales from Norway. This total comes out to roughly \$USD 100.433 million. These were the steps used to calculate total

income for Norway based off HBO Nordic total revenues. This will be used to make estimates with HBO Max.

HBO Max had an impressive launch in America improving subscription rates from 34.6 million to 41.5 million. This means the year-over-year change in subscriptions was 19.94% which is basically 20%. This should be the goal HBO Max strives to reach in Norway. An increase of 20% in subscriber growth would improve current subscription rates from 1.545 million to 1.854 million. If half the new subscribers paid for month long access while the remaining half bought yearlong access sales would increase by roughly \$USD 30.03 million.

Sales would see a substantial increase from Nordic subscribers who will be rolled over into HBO Max as well. Following the first month or until prior HBO Nordic subscription runs out subscribers will be required to pay the new service fee. In the best-case scenario meaning every current subscriber HBO Nordic has transitions to Max sales would see an increase of \$USD 92.70 million. Realistically, Max would see a figure closer to 65%, which would bring the total increase in sales down to \$USD 55.62 million.

Based off estimates of HBO Max U.S and current market conditions AT&T's HBO Max could see a profitable return if company planned to expand. In a generous sales forecast HBO Max could double sales revenues if there is 1. high subscriber engagement and 2. subscribers continue to renew their monthly or annual subscription.

Costs of this associated business plan are relatively low as the company will strive to keep costs standardized and like costs associated with HBO Nordic platform. According to D&B Hoovers it takes roughly 50 employees to run HBO Nordic division. Dividing the employees against all countries that are being served brings the employee to country ratio to 10. Meaning each country realistically needs 10 employees working to keep services operational. Keeping on par with the standard of living labor costs would be around one million dollars. Marketing and promotional plans will cost roughly 3 to 5 million. Lastly, 4-5 million will be spent on dubbing and subtitles, as only a handful of popular movies will be dubbed. AT&T could see a check total of about 10 million to expand and begin operation. As analysis demonstrated HBO Max could be very profitable.

#### **4.2 Measuring International Business Success**

Success will be measured in three metrics. First, is subscriber growth, which aims to look at how many new subscribers HBO Max can add in the first year. HBO Max goal should be to increase year-over-year subscriptions by 20% as this is the growth HBO Max US had in the first year. Second, subscriber engagement, which aims to analyze how long viewers use the service in one sitting. HBO Max needs to compare screen time to HBO Nordic to see if its better or worse. The last metric is net profit which looks to see if HBO Max's expansion is even making



money. If HBO Max is not profitable then then the company should not look to continue its expansion. If all three metrics perform well, HBO Max should look to continue its expansion into the remaining Nordic countries. The entire geographic region is rich with resources and maintains a high standard of living across the countries.

### **Conclusion & Recommendation:**

Overall, this research paper examined the profitability of HBO Max expanding into Norway. HBO Max has a unique opportunity to launch a new service in a time when people most want content. This paper has assessed the geographic, economic, social, and political environment of the country and found the conditions to be favorable. This paper has examined information systems, pricing strategies, and organizational structures that would best fit the expansion. In conclusion I believe that AT&T's HBO Max should expand into Norway as this country offers great prospects. Upon a successful launch Max should look to expand to the remaining Scandinavian countries and systematically the rest of the world.

\*\* In recent news AT&T merged with Discovery Plus for a cash-equity swap to create a new unnamed entity. I personally believe this happened because AT&T needed to lower its debt obligations as the company is lagging in 5G spectrum capabilities. I was shocked as this happened in the middle of writing up my report. It will be interesting to see if HBO Max will be the streaming platform AT&T uses to house all content of Time Warner, HBO and Discovery Plus or will a new platform be created. Lastly, it was reported HBO Max will be available in 190 countries at the end of 2021. \*\*

## Appendix:

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