

WARNERMEDIA

WarnerMedia is a United States–based mass media conglomerate and one of the world's leading news organizations. In 2020 WarnerMedia generated approximately \$30.4 billion in revenues from its three operating divisions: Turner, Home Box Office (HBO) and Warner Bros. While HBO develops and screens investigative and sports documentary specials and news-based comedy shows, WarnerMedia's News and Sports operations are principally based on the Turner's subsidiary Cable News Network (CNN), which, through its multiple digital distribution platforms, is central to the international production of television and online news.

In June 2018 WarnerMedia, then known as Time Warner, was acquired by AT&T Inc., the world's largest telecommunications company. Headquartered in Dallas, Texas, AT&T's 2020 revenues of \$171 billion placed the company 9th on the Fortune 500 rankings of the largest US corporations. The vast majority of these revenues (\$139 billion or 81%) came from its Communications division. AT&T is the largest wired and wireless telecommunication carrier in the United States, and also the country's largest provider of direct broadcast satellite service. Through AT&T Mexico, the corporation is the third largest telecommunication services provider in Mexico. Although WarnerMedia produced just 17.7% of AT&T's revenues, WarnerMedia is the third largest media conglomerate behind the Walt Disney Company and Comcast: in 2020 Disney produced \$65.4 billion in revenue, and Comcast's NBCUniversal and Sky operations produced combined revenues of \$46.7 billion (or 45% of Comcast's total revenues).

WarnerMedia's Journalistic Origins

While a comparatively small part of WarnerMedia's overall operations, news and journalism has been an integral part of the corporation's undertakings since its establishment in 1922. In that year Henry Luce and Bruce Haddow founded Time Inc. and a year later began publishing Time magazine. Although initially criticized as 'rewrite sheet' that was dependent on newspapers' journalism, the Time news magazine proved to be highly profitable and soon established its own professional standards and relative editorial autonomy with the formal separation of editorial and publisher functions. In the first half of the 20th century Time Inc. published additional magazines such as Fortune, Life, and later Sports Illustrated and became a major force in US journalism.

In the 1960s Time Inc. sought to diversify away from its dominant magazine operations through investments in television production, book publishing (Time-Life books) and most consequentially the US cable television industry (via Sterling Manhattan Cable). Time's corporate management had initially opposed involvement in television, which they viewed as far removed from the practice of 'quality journalism', but by 1958 Luce felt that TV offered an opportunity to provide a new 'window on the world' for Time Inc.'s journalism. As Time Inc.'s editor-in-chief, Luce had sought foster to conservative, free market politics and an increasingly interventionist role for the US through the notion of the 'American century'.

Faced with cable's heavy capital investment demands, in 1973 Time Inc. unsuccessfully attempted to sell its controlling share of Sterling Manhattan Cable to Warner Communications Inc. (WCI). When this failed, Sterling, and its newly launched pay TV cable program service, Home Box Office (HBO), became wholly owned subsidiaries of Time Inc. In 1975 HBO became the first cable network to use satellites for regular transmission of television programming and by the end of the decade HBO and Time Inc.'s video group was the fastest-growing and largest producer of profit for Time Inc.

In 1987 Time Inc.'s senior executives put forward a long term strategy to produce 'the new Time Inc.' by combining Time Inc., WCI, and Turner Broadcasting System (TBS). Prior to its entry into cable television systems in 1973, WCI (formerly Kinney Services Corporation, a diversified conglomerate)

had acquired Warner Bros. in 1969, giving it control not only of one of Hollywood's original film studios but also Warner Bros. substantial television program production and recorded music operations. The Atlanta-based cable programmer TBS had pioneered the 'superstation' concept in 1976 by transmitting its local channels via satellite to cable systems, a venture that signalled the further development of advertising-supported basic cable channels. In 1980 Turner Broadcasting had established the CNN, first 24-hour news cable channel, and by the late 1980s TBS was the largest proprietor of successful cable networks, including TBS and CNN and the movie channel TNT.

In 1990 Time Inc. announced it would assume considerable debt to acquire Warner Communications Inc. and form Time Warner, the world's largest media corporation. In response to rapid consolidation in the cable and wider media industries, the deal united Time's cable systems and networks and Warner's cable systems, television and motion pictures businesses. In 1996 Time Warner's preeminent position within the Hollywood-cable-TV complex was reinforced by its merger with TBS. Although Time Warner housed some of the world's largest operations in the music, magazine and book publishing, the corporations overall strategy was driven by developments in the cable system and network industries and by a need to extract higher profits to manage debt.

In January 2001, as the so-called dot-com stock bubble was already bursting, America Online (AOL), then the US' largest Internet service provider, completed its purchase of Time Warner. Brought on principally by a write down of its AOL unit's value, the renamed AOL-Time Warner announced a net loss of \$98.7 billion in a 2002, the largest in US corporate history. The disastrous purchase served to highlight existing operational and financial problems that beset the corporation. This prompted a process of de-conglomeration and a series of significant divestitures: in 2003 Time Warner dropped AOL from its name and sold its music group and then, in 2006, its book publishing operations. It spun off its AOL unit and cable division in 2009 and its magazine publishing company in 2014. This process left Time Warner with three principal, yet separate 'content-driven businesses': Turner, HBO and Warner Bros.

Having rejected an \$80 billion merger bid in 2014 from Rupert Murdoch's 21st Century Fox, in 2016 Time Warner accepted an \$85.4 billion acquisition offer from AT&T, a deal which would give the telecommunications giant control of Time Warner's cable networks, filmed entertainment operations and sports rights. During 2017-2019 period, AT&T's acquisition survived a series of legal actions initiated by US Department of Justice. The DoJ's opposition to the potential market power associated with AT&T and Time Warner's vertical integration was echoed by the Republican presidential nominee Donald Trump, who stated that the deal represented 'too much concentration of power in the hands of too few.' As President, Trump derided the CNN as 'Fake News!' in response to the network's early reporting of the 'Trump-Russia dossier' and for its strident criticism of the administration's treatment of the press. However, media and political speculation that AT&T would be forced to divest CNN, or the entire the Turner division, to achieve the acquisition proved unfounded as the DoJ's legal action failed.

WarnerMedia's Operations

AT&T continues to report revenue and other financial information on three content producing units of WarnerMedia (Warner Bros., HBO, Turner) as separate corporate divisions, as they were when acquired in 2018. However, between 2019 and 2020, AT&T introduced new management structures that sought eliminate some of the operational partitions in the media conglomerate. WarnerMedia News and Sports combines Turner's CNN Worldwide, Turner Sports and AT&T SportsNet regional networks. WarnerMedia Studios and Networks Group manages television series and motion picture development, production and programming across Warner Bros., HBO and Turner's TNT, TBS and TruTV networks. HBO Max, the over-the-top subscription video on demand service launched in 2020, has been designated as a separately managed unit, reflecting the importance that WarnerMedia and AT&T places on it as a global competitor to services such as Netflix, Amazon and Disney Plus. AT&T has vowed to invest \$4 billion in HBO Max between 2020 and 2023 to cover costs such as

programming and the lost earnings from external buyers of WarnerMedia content.

In 2020 the HBO segment produced revenues of \$6.8 billion, or 22.4% of WarnerMedia's total revenues, and operating income of \$682 million. The Home Box Office segment operates premium cable and satellite television networks, HBO and Cinemax in the United States and in over 50 countries in Latin America, Asia and Europe and reached over 35 million subscribers. AT&T's purchase of WarnerMedia has reinforced HBO's strategy of acquiring subscriber growth through an extended catalogue of costly, high-quality original content such as 'Westworld' and 'Succession' and 'His Dark Materials'. HBO content is also a mainstay of HBO Max and in 2020 HBO spent \$1.8 billion on programming related to HBO Max. At the end of 2020 WarnerMedia had 41.5 million HBO Max and HBO subscribers in the US and almost 61 million globally. In 2021 WarnerMedia plans to launch HBO Max in 60 markets outside the US and a new ad-supported version of the streaming service. AT&T expects to reach between 120 million to 150 million HBO Max and HBO subscribers worldwide by the end of 2025.

HBO Max has also been used to distribute Warner Bros. films such as Wonder Woman 1984 as the global covid-19 pandemic shut down cinemas for an extended period in 2020. Despite a major reduction to its box-office earnings in 2020, the Warner Bros. segment produced revenues of \$12.2 billion, or 40% of WarnerMedia's total revenues, and an operating income of \$2 billion. This segment of WarnerMedia principally produces and distributes motion pictures and television programming as well as videogames and live stage plays. It also distributes home video products and licenses rights to WarnerMedia's related intellectual property. These activities take place through three principal divisions: Motion Pictures (Warner Bros., New Line Cinema); Warner Bros. Television Group (WBTVG) and Home Entertainment. The segment also contains Global Brands and Franchises (home to DC Comics Superman, Batman, and Wonder Woman characters) and Kids, Young Adults and Classics (comprising former Turner operations Cartoon Network, Turner Classic Movies, Network/Adult Swim, and Boomerang). WBTVG is the largest part of Warner Bros.' operations, producing \$6.2 billion in revenue in 2020. As well as having production operations in 16 countries, WBTVG houses Warner's 50% stake in the CW television network, a joint venture with CBS Corporation which owns and operates 8 stations and is affiliated with some 200 stations in the U.S. Based on total studio revenues, Warner Bros. was the second largest television and film studio in the world in 2020, only overshadowed by Netflix.

The Turner segment primarily operates multichannel basic television networks and digital properties from which it generates significant advertising and subscription revenues. Indeed, in 2020 the largest proportion of WarnerMedia's revenue (\$12.6 billion or 41.3%) was produced by Turner, which also produced the largest operating income (\$5.3 billion). Turner earned \$ 7.6 billion from subscription revenues and almost \$3.9 billion from advertising. As noted above, the management of Turner's operations have been subsumed under different areas of WarnerMedia. The leading entertainment cable networks (TBS, TNT truTV,) are now managed together with HBO as part of the WarnerMedia Studios and Networks Group. For 2020 TBS and TNT ranked in top 5 cable networks in terms of 25-54 year old viewers in the United States. Turner International's distribution of entertainment and news brands in over 200 countries has now been assumed by WarnerMedia International.

WarnerMedia News and Sports brings together networks that can amass large, live audiences that are sought-after by both advertisers and cable and satellite distributors. In 2020, CNN claimed to reach 96.2 million U.S. households and more than 402 million households and hotel rooms worldwide. It was coordinated from Atlanta and 3 regional headquarters in Abu Dhabi, Hong Kong, and London, in a network of 9 news bureaus and editorial operations in the US and 27 located outside of the US. CNN Worldwide is a portfolio of more than 20 news and information services in more than 200 countries and territories. These included CNN International, CNN Philippines, CNN Indonesia, CNN-News 18, CNN Turk, CNN en Espanol, HLN, CNN Chile, and CNN.com. The network claimed 900 affiliated local stations in North America which received CNN content via the video

newswire service CNN Newsource and which supplied news to the network in areas where CNN had no crews of its own (CNN 2021). CNN has expanded its digital operations and now ranks as the-most-trafficked news and information digital outlet for U.S. and global unique visitors, ahead of competitors such as the BBC and the New York Times.

CNN, political partisanship and editorial independence

Having been appointed as president of CNN Worldwide in 2013, Jeff Zucker sought to improve CNN's ratings which were at the time hovering near 20-year lows. As well significantly increasing investments in digital operations and reality-style documentary series, Zucker has focused the network's news coverage on two or three breaking news events and has sought a more aggressive, 'crusading attitude' in its coverage, particularly of politics. Starting in 2015, CNN started concentrating on political coverage, often interrupting regularly scheduled programming for Trump's presidential nominee speeches. As well as relying heavily on a pundits-on-panels model of presentation and analysis influenced by sports channels, CNN recruited an additional 40 political-reporting staff in the 2015-2016 period.

Along with the other main cable news networks in the US, CNN has benefitted from increased ratings during the 2016 election campaign and the subsequent Trump administration, as political partisanship in the country has grown. In the year 2020, according to Nielsen ratings, CNN finished 3rd behind Fox News (average 3.6 million viewers) and MSNBC (average 2.2 million viewers) in news channels during primetime. CNN had an average of 1.8 million, representing an 85% increase, and giving the channel its most-watched year in its 40-year history. In the fourth quarter of 2020 CNN ranked first in all of cable viewership, not just news, in US.

While CNN was the third most watched cable news channel in the United States, its viewership was marked by the deep political divide in the country. Research conducted by the Pew Research Centre suggest that political partisanship with regard to media usage and trust widened over the last 5 years – none of the 30 news sources reviewed in the Pew survey were trusted by more than 50% of all US adults. In 2019 CNN was the most distrusted source amongst conservative (67%) and moderate/liberal Republicans (43%) and this level of distrust has increased since 2014. Amongst Democrats and Democrat-leaning voters, CNN was the most trusted sourced, with 67% of such respondents trusting the network for political news; however, while this mirrors the level of trust that Republicans have for Fox News, Democrats trust and frequently use a wider range of news sources. Nonetheless, overall CNN's more assertive form of 'journalistic objectivity' has been an effective response to the more partisan political coverage of Fox News and MSNBC.

Driven primarily by its US news channel's improved ratings, in the period 2016-2019 CNN Worldwide has lifted its annual profits to more than \$1 billion a year. On this basis CNN's 2020 profits would represent at least 15% of WarnerMedia's annual profits. Cable news channels enjoy profit margins between 30% and 55% based on a robust dual-stream business model incorporating advertising and license fees which they receive from cable companies and satellite operators (the latter can account for around 70% of total revenues). According to S&P Global Market Intelligence, during the period 2014-2018 the combined revenue of Fox News, MSNBC and CNN increased from \$3.6 billion to \$5.3 billion, a 46% increase, and total profits for the 3 networks rose to \$2.8 billion, almost a 70% increase.

When AT&T acquired WarnerMedia, its management sought to allay concerns it would interfere with the editorial independence of CNN, which it described as an 'American symbol of independent journalism.' The profit upswing of CNN's operations have meant that, as compared to 2014 when it cut 300 jobs and sought to 'do what [it does] with less', the news organisation has been relatively shielded from significant rounds of job losses at WarnerMedia. In 2020 WarnerMedia announced it would eliminate at least 1800 jobs in the WarnerMedia Studios and Networks Group to reduce costs by at least 20%. As former CNN President Jon Klein noted, there is 'nothing like profitability to shield a journalistic organization from pressure'. Nonetheless, CNN faces the uncertainty of the probable

end of an electoral cycle ratings bonanza as well as pressure from a corporate owner that has signalled that discretionary cash flow will go to paying down debt and developing WarnerMedia's streaming services. The issue of self-censorship over AT&T wider operations also looms large.

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See also Cable News; Cable Television; Media Ownership; Objectivity

Further Readings

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