

## ***CNN+: EXPANSION OF CNN INTO THE STREAMING INDUSTRY***

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Cable News Network (CNN) was an international cable news channel founded in 1980 by Ted Turner and Reese Schonfeld. CNN offered 24/7 news in various categories from sports to politics to entertainment, and ranked as the number one news destination bringing in more than 200 million monthly viewers (CNN Press Room 2022). Looking to expand CNN into other platforms and provide CNN viewers with more entertainment sources, CNN executives decided to launch CNN+, a streaming subscription service that offered news, interactive programming, and exclusive CNN+ shows and movies (CNN Press Room 2022).

Two weeks before Warner Bros, CNN's then-parent company, merged with Discovery, CNN CEO Jason Kilar launched CNN+ on March 29, 2022. On April 8, 2022, the companies Discovery and Warner Bros merged after closing on a \$43 billion deal (Katz 2022). Discovery initially wanted CNN+ to launch after the merger of the companies so that they could align goals as one company, but CNN decided to launch CNN+ before the merger.

After the merger of the two companies, it became clear that CNN and Discovery executives had widely different opinions about the success of the launch and the future of CNN+ (Arriens 2022). Therefore, David Zaslav, CEO of Discovery who also served as the CEO after the merger, wants to pick your brain and asks for your expertise. Based on the numbers presented and considering ramifications for the public image of CNN, what should be done with CNN+?

## Different Goals

### **CNN's Goals**

CNN launched CNN+ on March 29, 2022 at a price of \$5.99 a month or \$59.99 for an entire year (Clara 2022). CNN's goal was to give subscribers access to archived media from the past 40 years, as well as new, innovative content. More than 1,000 hours of on-demand content and 12 live broadcast shows were at subscribers' fingertips (Minor 2022). Subscribers could watch, for example, documentaries about historic events, dynasties, thought leaders, or corporate conglomerates. Lifestyle tips on topics such as parenting and healthy eating were in tune with the times. Interactive programming allowed CNN+ subscribers to communicate their questions and concerns directly to CNN anchors and experts, both live and in advance so that the questions could be answered on air (Hawke & Scorsese 2022; Minor 2022).

### **Discovery's Goals**

Discovery had a different goal. It did not want CNN+ to launch before the merger. Discovery's goal was to combine Discovery's and Warner Bros' (CNN's parent company) media to create a single unified streaming service. Discovery's C-Suite was frustrated with CNN for launching CNN+ before the merger. The directors believed that CNN+ could have been much more successful if its initial launch had been discussed after the merger. Due to CNN+'s initial performance, Discovery believed that the launch was not successful. Discovery laid off CNN's Chief Financial Officer (CFO), Brad Ferrer. He was replaced by Discovery's CFO, Neil Chugani. Discovery also laid off CNN+ employees and suspended external marketing spending for CNN+ within the first two weeks after the merger, due to low subscription and viewer rates (Arriens 2022). Exhibit 1 offers insights into the performance of CNN+ after its launch.

**Exhibit 1. CNN+ Initial Daily Viewers**

Source: CNBC Television (2022)

<https://www.youtube.com/watch?v=GukWWgev5Mw>

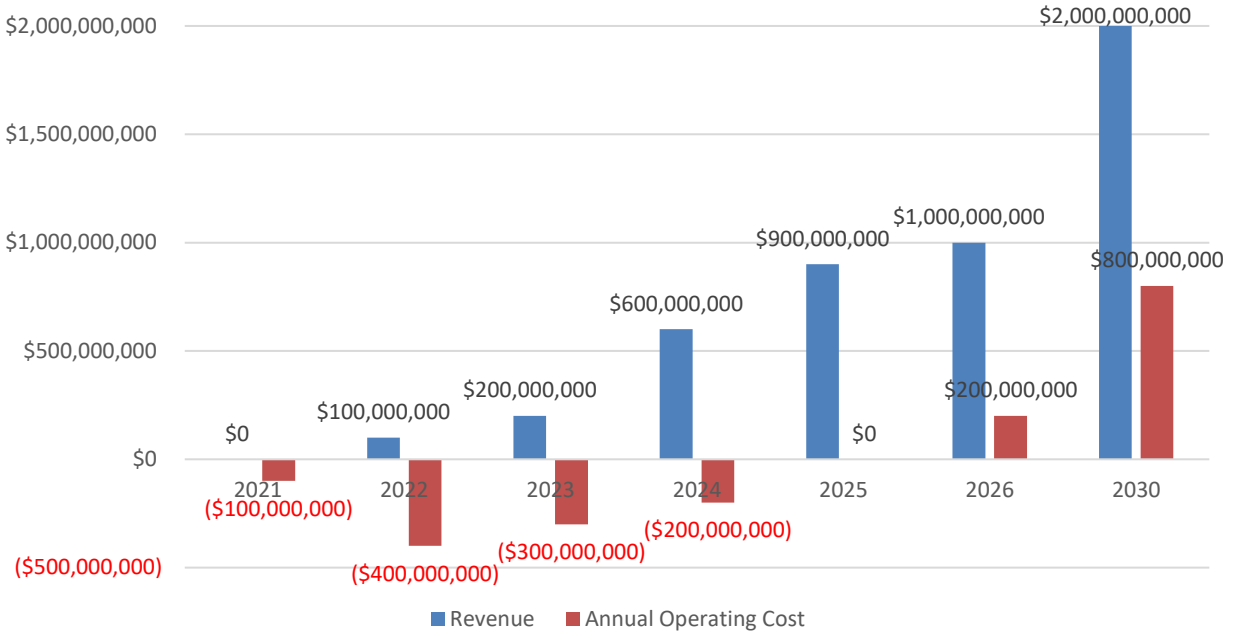
**CNN+ Projections**

CNN was frustrated with Discovery for cutting the budget for CNN+. CNN's long-term plan was for CNN+ to break even within four years. The plan foresaw \$1 billion in revenue within the first five years, including about \$300 million the first year. Exhibit 2 shows CNN's long-term financial projections for CNN+ (Fischer 2022).

CNN+ had approximately 150,000 subscribers within the first two weeks of the launch, even though it did not launch on Roku. CNN saw this number as a success. CNN executives released their financial projections for the next 10 years. These projections claimed that CNN+ could bring in more than 30 million subscribers including both domestic and global viewers (Fischer 2022). Exhibit 3 shows the number of CNN+ subscriptions that CNN projected.

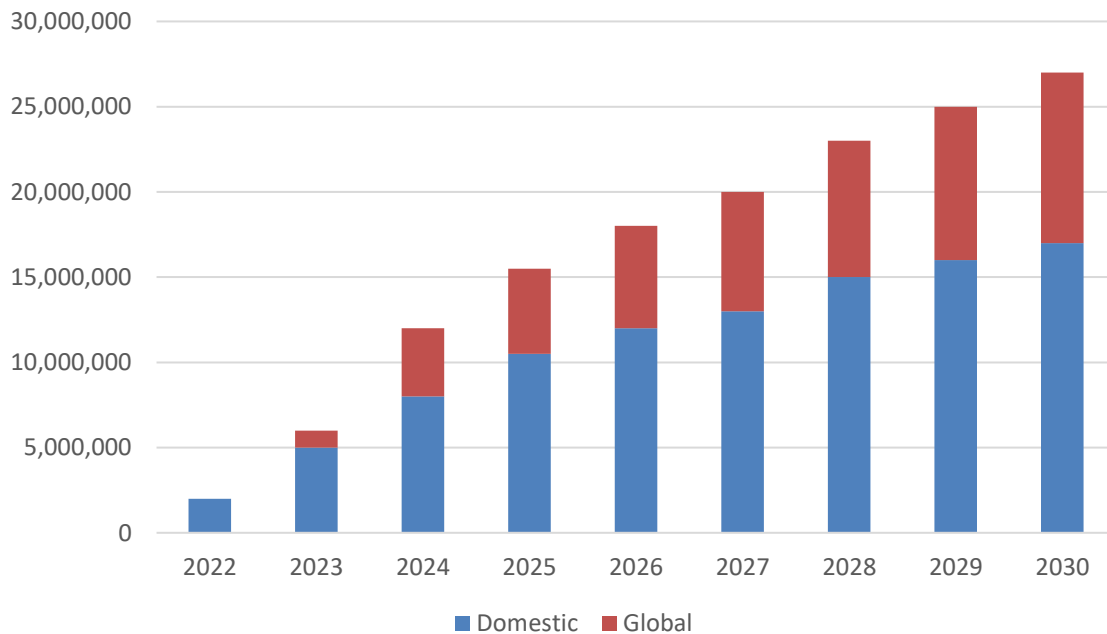
**Exhibit 2. Financial Projections for CNN+**

Source: Fischer (2022, para. 1)



**Exhibit 3. Projected Number of CNN+ Subscriptions**

Source: Fischer (2022, para. 13)



Discovery executives did not believe that CNN+ would be able to reach the projections because CNN+'s performance at launch was low compared to other streaming services' performance.

For example, Disney+'s marked more than 10 million subscribers on the first day of launch (Sherman 2022). At the same time, CNN+ achieved greater subscription numbers than other streaming services. For example, HBO Max counted 87,000 subscriptions on launch day (Vena 2020), while amassing 36.3 million subscribers at the end of the first six months (Spangler *et al.* 2020).

### Difficult Circumstances at CNN

At the time, CNN had to deal with circumstances that hampered the success of CNN+. CNN had many of its news clips uploaded to YouTube where they could be watched for free – potentially a reason for low CNN+ viewership. If CNN instead launched its news onto CNN+'s paid streaming service, viewers would have to pay in order to gain access (Wilson 2022).

In December 2021, Chris Cuomo, an popular anchor and important figure at CNN, was fired. An internal investigation had determined that Chris Cuomo had aided his brother, then-Governor of New York Andrew Cuomo, in drafting a response to allegations of sexual harassment, and thus had violated his journalistic integrity (Lenthang 2021; Stelter 2021). The Cuomo brothers are depicted in Exhibit 4.

#### **Exhibit 4. Chris Cuomo (left) and Andrew Cuomo**

*Source: Bauder (2021, para. 1)*



In the course of the internal investigation into Chris Cuomo, CNN Worldwide President Jeff Zucker was interviewed about his relationship with his colleague of 20 years, CNN's Chief Marketing Officer Allison Gollust (Stelter & Darcy 2022). Both CNN executives are shown in Exhibit 5.

#### Exhibit 5. Allison Gollust (left) and Jeff Zucker

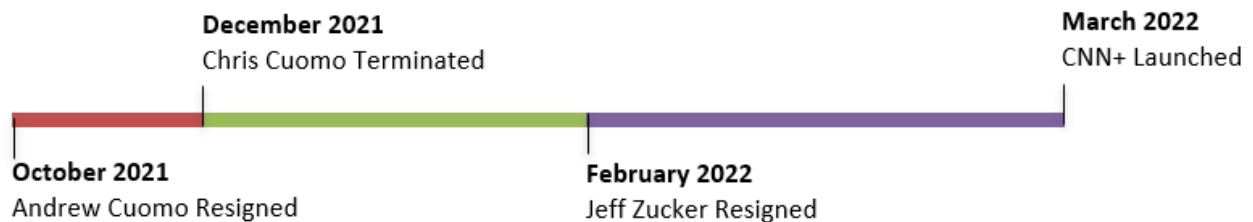
Source: Trepany (2022, para. 6)



Even though their relationship had evolved into a consensual romantic relationship, neither Jeff Zucker nor Allison Gollust had disclosed their relationship with CNN's human resource department. Thus, at the beginning of February 2022, Jeff Zucker resigned. Zucker had been with the company since 2013. His resignation was significant to CNN+, because he had been a driving force behind CNN's entry into the digital subscription market and launch of CNN+. The timeline of these events is illustrated in Exhibit 6.

#### Exhibit 6. Timeline of CNN Making Headlines

Source: Authors' Notes (2022)



## What is Your Recommendation?

Now that you have a better picture of CNN+, what should be done with CNN+? On the one hand, investors are building pressure on CEO David Zaslav to realize efficiency gains and savings after the merger, and closing down CNN+ might appease them. On the other hand, CEO Zaslav definitely would not want to forego a profitable investment, or shut down a viable business segment. If CNN+ were closed, how would this affect CNN's public image?

As you sit in his office, one hour before the next earnings announcement, Zaslav asks you:

*"Taking all of these factors into consideration, what is your recommendation?"*



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