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LEVERAGING BIG DATA TO PREDICT WHAT YOUR CUSTOMERS WANT

Company started out as a video rental company, and today it is one of the world's largest streaming media companies providing critically acclaimed original content. But why did company expand its services, and how did they manage to do it so efficiently?

Prior to 2011, company had no plans of developing original programming, it concentrated on shows and movies having their second, third or even fourth run. In July 2011, a prominent securities company stated that company required more streaming content to appeal to customers, and that only one-fifth of company movies could be streamed online. A financial analyst had observed, "The bigger company gets, the more content deals they can do. But they'll never be online what they are in DVDs, because of rights and distribution windows..." Meanwhile, prime programming, which was critical to company's streaming service, was becoming difficult to access. Content owners raised the fees they charged Company and in some cases cancelled their licensing arrangements with Company (for example, HBO cancelled, Showtime did not license its shows before the passage of a couple of seasons, and Comcast did not want to license content to Company). So Company was facing a supply source that was not reliable, in addition to increased rivalry as Hulu, HBO, Amazon, Comcast, Apple, Google, and some start-ups started to compete in the online streaming segment. Facing these threats, company's CEO decided that the company would finance original shows on its own, expecting to enjoy the type of credibility generally associated with AMC or HBO.

By this time, company was sitting on a pile of immensely valuable and meticulously organized data about their subscribers' viewing habits. This allowed company to assess the viewing patterns and choices of its subscribers without the use of trial ("pilot") episodes like conventional stations. Previously, they used these data for other purposes, like calculating how much they would pay to license a content based on the number of subscribers who viewed it and the number of times they viewed it. But now, they could employ their big data capabilities to generate content that subscribers desired to view, thus allowing them to bid on and acquire scripts/content on a very rational, calculated basis. Conventional studios had no feedback mechanisms like this, which put them at a disadvantage compared to Company.

Analyzing the company's vast data trove, company managers were able to forecast that a Series HC was one that company viewers would be keen on viewing. That is why Company approved two complete seasons (26 episodes) of HC without viewing even one scene. It gained exclusive rights for the two seasons reportedly for the price of over US$100 million. And instead of devoting additional resources to promote HC via online and TV ads on other websites/channels, the company had employed its viewers' data and recommendations mechanism to channelize viewers to the show.

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We all know the end of the story: HC became a roaring success, which ensured that the company would have a receptive audience for any of the original shows that it came up with. Company is now considered a premium content provider that has cancelled very few of its shows, while two-thirds of shows financed by large broadcast networks are cancelled in their first season due to poor ratings. Critics are worried that big data allowing companies to determine what viewers would like to watch might seriously limit authors' artistic opportunities in the near future, but the fact remains that company's business rationale behind content development decisions is much more scientific and more solid than that of its conventional competitors.