HOW MEDIA COMPANIES CAN DECREASE AUDIENCE CHURN

Start looking outside current data systems for actionable insights to fight churn and keep customers, says Mark Moeder, CEO of Symphony MediaAI. Once Covid is brought under control, the majority of European viewers believe they will watch the same or more AVOD and smart distributors will react to this trend by looking for more sophisticated monetisation strategies

2020 was very good for streaming subscription growth. Americans streamed content for almost 143 minutes per week in the second quarter, up about 75% from 2019. Streaming services now reach some 77% of US households. And about half of those households subscribe to four or more streaming services.

Yet with great opportunity comes intense competition. Streaming consumers today are price-sensitive; cost vs perceived value is the number one reason subscribers cancel service. The average US consumer is willing to pay $34 a month on streaming services. Spread that over three to five services, and the pricing challenge comes into focus. What's more, a high percentage of new subscribers intend to cancel within six months. The recent spike in OTT churn – up to 41% as reported by Parks Associates in 2020 – will continue to offset subscriber gains without a strategic mitigation plan in place. VOD providers must leverage data-driven analytics to overcome the profit erosion brought about by high subscriber turnover in the competitive, fast-moving streaming market.

The high cost of poor insight

Churn is nothing new, but it's a growing problem that media executives find difficult to address as they keep pace with other disruptive trends: multi-platform streaming, changing revenue models and customer experience personalisation.

Predictive, prescriptive, scalable insight is the only way to remain connected to the wants and needs of today's streaming subscribers, much less be prepared for shifting behaviour. We're all too familiar with the fate of organisations that fail to embrace emerging trends. In 2006, MySpace became the most visited site in the US, registering 320,000 daily users and generating $800 million in revenue. After short-sighted decisions and a failure to anticipate change, however, it ceded its frontrunner position to Facebook. Spotify made the traditional music industry largely irrelevant by offering an infinitely vast catalogue of songs available digitally for a monthly price

that's less than what consumers were paying for a single album. Netflix almost single-handedly put Blockbuster – which at its peak in 2004 boasted 9,000 stores employing 60,000 people – out of business, first through direct mailing DVDs and then disrupting its own mailing business with streaming. Media executives who seek to avoid similar pressures need to incorporate data-driven solutions, fast. Without continuous insight, VOD providers cannot effectively engage a customer base that has more streaming options than ever.

The AI imperative

Across industries, artificial intelligence is transforming business operations. Gartner found a 270% increase in AI implementation in the past four years, from 10% of companies surveyed in 2016 to 37% in 2019. A 2020 Deloitte survey found 57% of executives expect AI technology to "substantially transform" their company in the next three years. McKinsey reports that the media and entertainment sector in particular stands to capture 57% more value with AI than with other analytics techniques. The imperative is clear: AI-powered insight is quickly transforming from a competitive advantage to an operational standard.

It's one thing to appreciate the transformative power of AI, but quite another to implement a solution that will optimise subscriptions, brand loyalty and revenue. Many VOD providers continue to operate with legacy systems unfit to accommodate the complexity of subscriber data today. A key factor is the perceived difficulty of implementing more sophisticated technology. According to Gartner, 56% of business and IT leaders anticipate the need to hire or upskill their workforce in order to embrace the benefits of AI.

Enterprise AI technology has come a long way in addressing these concerns. Solutions designed to be accessible by business users enable rapid, wide-scale adoption outside of traditional IT roles. Automated data ingestion and normalisation allow real-time access to incoming data streams without the manual processes historically required to format data for ready AI analysis. Data sources as disparate as CRM profiles and payment history can now be readily interpreted and presented to stakeholders in the form of actionable insight. The urgency of subscriber churn calls for rapid deployment of any solution intended to mitigate its impact. While traditional AI engines must be trained to understand customer data, so-called verticalised AI engines are primed off the shelf. Platforms engineered to understand the data sources and business challenges specific to VOD providers can drastically speed implementation.

The flexibility of modern AI allows executives to pivot from reactive strategies based on limited, generalised, and potentially outdated insight, toward proactive subscriber engagement. Right now, VOD providers have the technology at their disposal to optimise promotions, content recommendations and other churn interventions.

Anti-churn action plan

A number of end-of-year reports have recently emerged analysing how Covid impacted VOD, and what changes are likely to stick in the months to come. A key takeaway is that consumers have become far more likely to cancel a streaming service, according to Deloitte. In 2019, one in five respondents said they had cancelled at least one service. By the end of 2020, that was up to almost one in two respondents.

While these end-of-year reports are interesting, it's far more useful (and actionable) to see these trends play out in real time. AI empowers VOD providers to do just that. In the search for a solution that extracts valuable insight from customer data, here's what executives need to consider:

Accessibility – Look for solutions that serve both technical and business users. Don't compromise power for usability; the right solutions empower engineering, product, customer, and other teams equally.

Expand data sources – Customers are more than the sum of their interactions on a given platform. Companies need to incorporate a complete understanding of subscribers by rapidly drawing on every first-party and third-party data source available at all times, without cumbersome or manual data ingest and formatting processes.

Look for specialised solutions – Extremely expensive, but generalised off-the-shelf solutions require continuous training and maintenance to make the most of incoming subscriber data. Look for systems designed, and continuously upgraded, to solve changing VOD market challenges.

Although Covid created a uniquely accommodating environment for streaming, with so many consumers stuck at home, don't expect a significant drop in subscriptions as things return to normal. The average subscriber has more services now than they did at the start of the pandemic, but that doesn't mean they plan to keep the same subscriptions.

Consumers have an ever-increasing range of options. VOD providers that know how to keep them engaged – through data-driven insight – will also keep them loyal.