Media and Entertainment

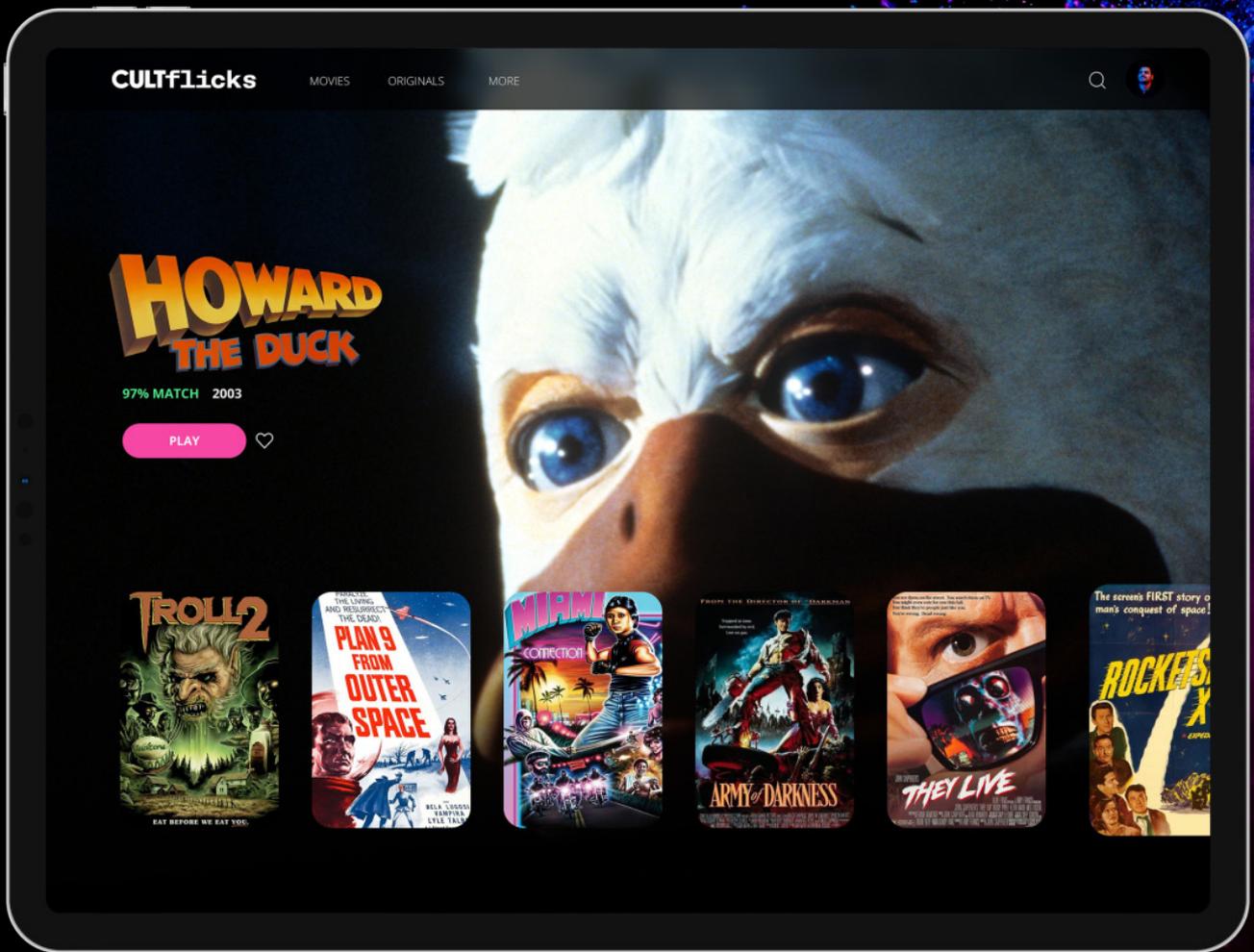# CULTflicks

Streaming service offers usage-based tiers that
address churn, improve partner engagement and
prepare for future growth.

DigitalRoute

Industry Overview

Companies operating in the Streaming Video on Demand (SVOD) sub-segment of the Media and Entertainment Industry have seen great success over the years since the demise of the video and DVD rental market and the rise of high-speed broadband and mobile connectivity. However, these companies are now being challenged by subscription fatigue, a lack of incremental revenue and are faced with measuring customer success metrics, as their business evolves from their number of subscribers to retention and lifetime customer value.

Generally, SVOD subscribers are watching more streamed content than programmed entertainment, although there is now a broad array of streamed content providers all asking for subscription to their services. In a typical household this is compounded by multiple users with different requirements, for example, adults or parents may prefer the drama content on Apple TV+ and Amazon Prime, while millennials prefer the Stranger Things of Netflix and youngsters delight in the fantasy of Disney+.

Add to that the music streaming service subscriptions, gaming, audiobooks and specialist programming such as Sports TV channels, a typical household is likely to be at between six and ten sign-ups with monthly payments. Now, as the market moves towards saturation of SVOD providers and customers look at subscription rationalization, some business rethinking is publicly happening amongst SVOD giants such as Netflix, Prime and Disney+.

Amid the business turmoil, a knee-jerk reaction of some of the largest SVOD providers has been to cut their pricing. It's a desperate attempt to retain subscribers who are considering leaving, or to attract a new lower-spending category of customer. However, the impact their business is yet to be seen as they sacrifice what was once their differentiator from broadcast TV — advertising.

SVOD companies need to think outside the box and consider subscription business models which have more focus on value for money and user experience. They also need to seriously consider acting as a platform for multiple content providers, from which they can offer the greatest variety of content.

01. intro

CULTflicks is a niche video streaming entertainment company that offers the unique experience of specialised "bad" movies, that never made it to mainstream cinemas or onto the top ten streaming platforms. With titles in their catalogue such as Murder tomatoes, Plan 9 from outer space and Santa Claus conquers the Martians, the company attracts cult followers from around the world who regularly host watch parties with friends.

CULTflicks wants to become the worldwide leader in alternative streaming and have built up their content assets from numerous studios across the US. Strategically they aim to diversify by adding content from partners in South Korea, Japan, The Netherlands and Chile. In the long-term the company is looking to introduce similarly alternative gaming into their portfolio of services, as it should appeal to their non-mainstream customer base.

"cult classics" can range from so-bad-it's-good to a Top 10 film of all time"

02. Challenges

CULTflicks has a loyal customer base of cult-followers, who actively interact and share their experiences across social channels, however their customer base isn't growing and revenue growth has stalled. This is coupled with the impacts of subscription fatigue and customer churn to major players who have similar but less extensive cult catalogues.

Released in 2003, The Room is the masterpiece of elusive filmmaker Tommy Wiseau. Argued by some to be one of the worst films ever made.

Unlike other mainstream SVOD companies it has been determined that no cohort of their customers would appreciate ads within their content, so an ad-funded subscription tier is not an option. Instead, CULTflicks want to optimise on pay-as-you-watch or pay-as-you-binge casual viewers through an offering targeted at new customers, consisting of a simple sign-up and a monthly bill for only what they have watched.

For existing customers, the company is looking to introduce a usage-based tier to their subscriptions. The CULTflicks challenge being that due to the nature of their content and how it is consumed, CULTflicks are considering if they should charge by viewing time, per movie or even quality-based, predicated on metrics such as buffering.

Finally, with the impending content, media and partner expansion, CULTflicks need to ensure that their revenue operations can handle the number of transactions and revenue-sharing that will be necessary between the 3rd parties. This means that operationally they have to focus on a thorough understanding of user activities, whilst securing revenues and perfecting their partner model.

$30 million

Fun fact: The room earned $30 million on a $6 million budget. Most of that went right into director Tommy Wiseau's pockets. In other words, he got the last laugh.

03. The Project

To successfully launch a new casual-viewer extension to their services portfolio, CULTflicks need to capture granular real-time usage data that will be generated from their content platforms and applications. This data will need to be coupled to new light-subscription customer information and passed to revenue operations for billing. The usage data will also need to be presented to customer success teams, as CULTflicks will also drive a nurture campaign that will classify users according to the intensity of content consumption and actual content viewing time. The objective being that heavy casual viewers can be identified and converted into regular or Premium subscribers. To protect the casual tier of subscribers, service usage needs to be capped at 20% above the normal full subscription price.

To address potential churn of Premium customers, CULTflicks will introduce a usage-based tier option that will be dependent upon accurate data from numerous metrics associated to content consumption including viewing time, 3rd party content and quality-of-service. Not only will this prove to be fairer and contextually aligned to subscriber usage of the service, but it will also provide valuable insights that will enable the product team to positively iterate their portfolio. To demonstrate their commitment to customer experience, the data could also be used to downgrade low-use subscribers to the light-subscription.

CULTflicks will modernise their revenue operations platform with two primary areas of focus. The first is to ensure that they have data accuracy and process efficiency in relation to partner settlement. Their content library is going to grow exponentially as their partnerships expand, therefore identifying full or partial views of 3rd party content and compensating them appropriately will be critical. Secondly CULTflicks will consider replacement of their existing and traditional customer billing platform.

37%

The average churn rate for streaming video services in the US
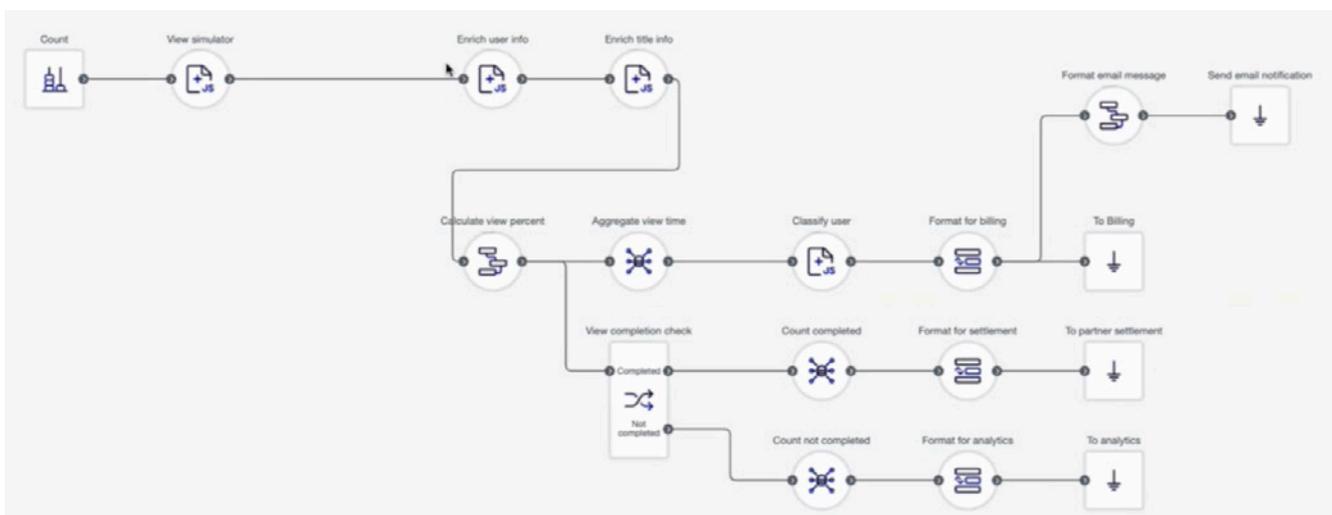
Simplification of a complex workflow from DigitalRoute Usage Engine™ Cloud edition that processes generated usage data and sends it to differenet business systems, in this case to billing, partner settlement and analytics.

04. Solution

The solution collects and normalizes raw usage data from operational systems, then aggregates, enriches and binds it with additional information for it to be sent as billable data for financial systems. DigitalRoute Usage Engine automatically collects the transactional usage data associated with subscriber content-viewing behaviour. It then cleans the data, maps it to specific subscribers, and enriches the data with customer and contract data from different sources like ERP, CRM, and CPQ systems.

This clean data is presented to CULTflicks in dashboards that allow the business to identify usage trends over time, or to pass the information as a feed into their business analytics platform. The Usage Engine will also then process the data into clean records that can be accurately presented to support the finance department for revenue management and billing, plus product management, marketing and customer success teams who will monitor the user 'usage' experience and contextually improve content libraries.

To support the content partners of CULTflicks, DigitalRoute tracks the usage of its services across the entire partner ecosystem. This data is then automatically processed, ensuring that it is enriched with information about orders, pricing and revenue-sharing agreements.
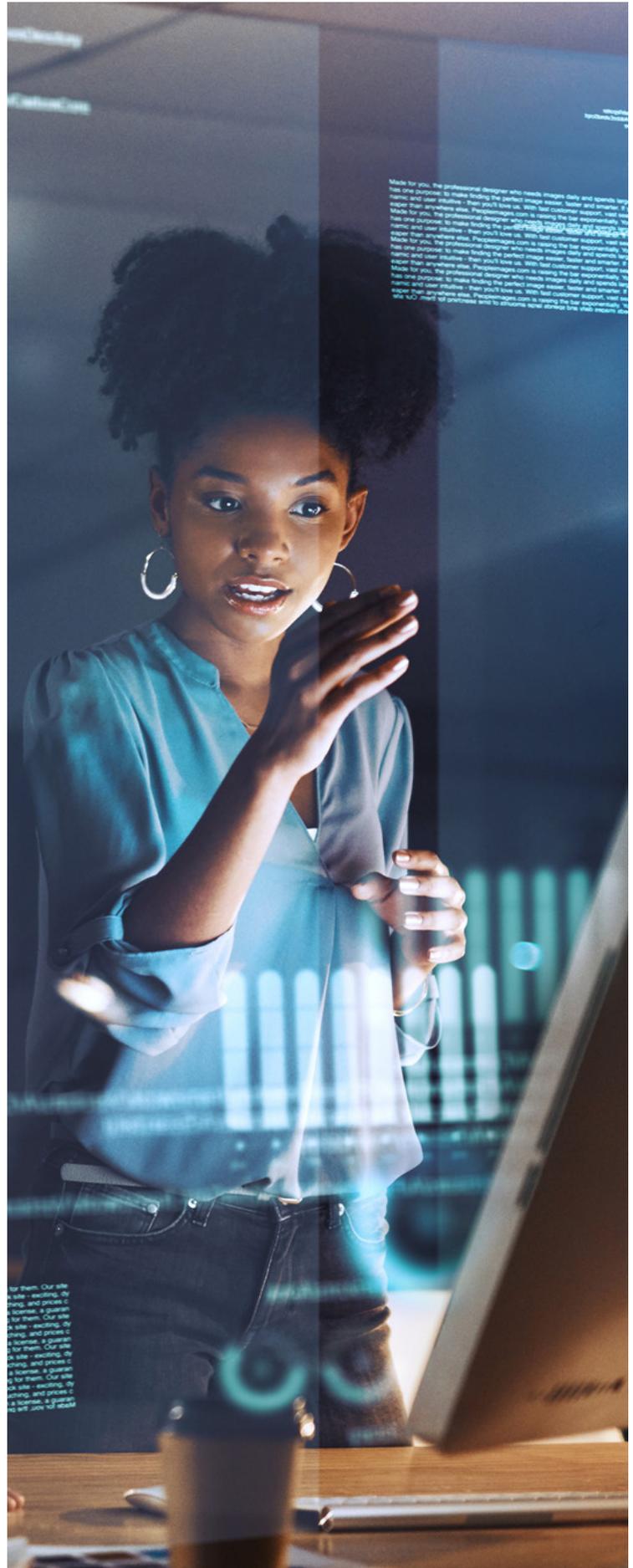
05. Benefits

With full control of its usage data, CULTflicks can now launch a consumption-based business model and offer new services based on actual viewings by its customers. CULTflicks can also bill for their new service straight away and start to recognize revenue as soon as their content is accessed.

The CULTflicks library of content and service offerings are now based on actual customer consumption, focusing on the most accessed content. This has been made possible with the usage data insights provided by the DigitalRoute solution.

With full control of its usage data, CULTflicks can identify top users to offer upsells and identify customers at risk of churn to offer timely deals or incentives. The business can also see which services are growing or shrinking in popularity and make adjustments. Ultimately, they can create entirely new offerings based on where it sees growing opportunities to help CULTflicks stay ahead of its competition.

As the solution processes usage data automatically, with built in error-correction capabilities, CULTflicks can confidently prevent data loss, and therefore lost revenue. All transactions are fully auditable and transparent, preventing disputes and proving to subscribers and partners that regulations have been followed.
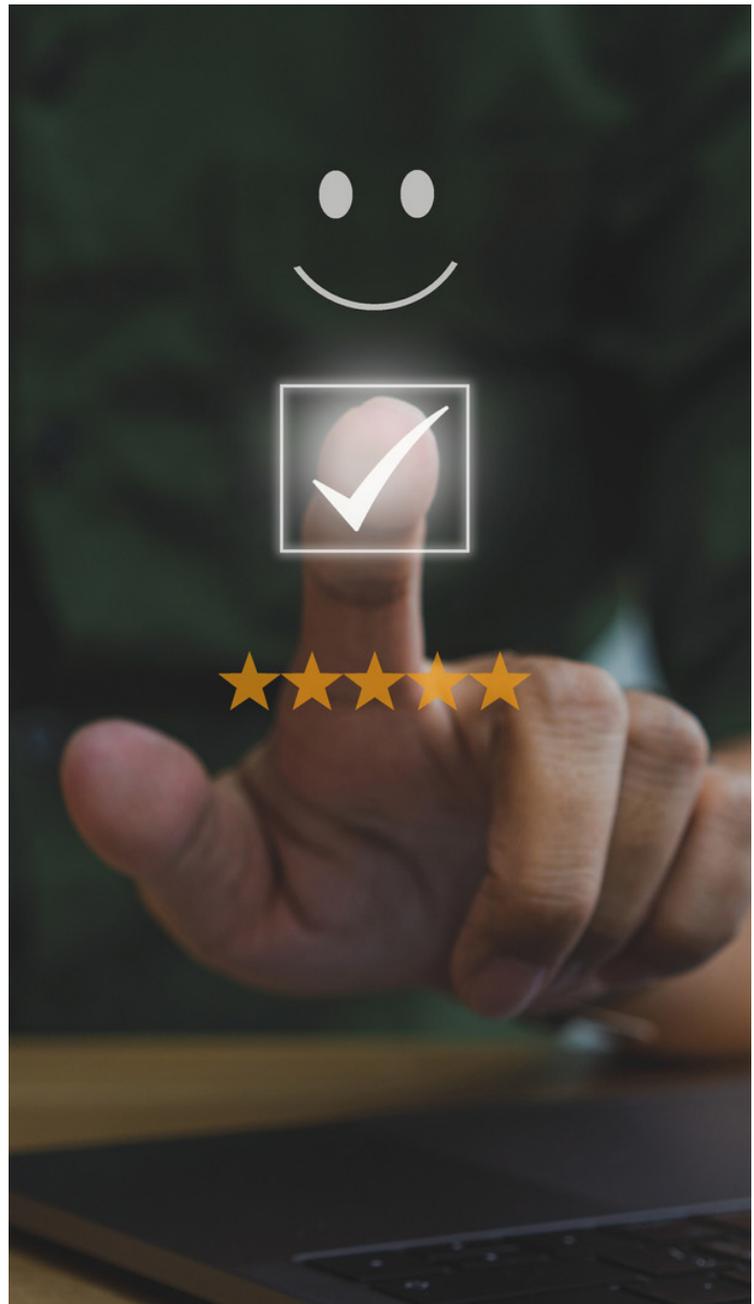
CULTflicks fights subscription fatigue and fragmentation by enabling customers to pay based on their viewing.

Supported by new automated revenue sharing and settlement processes, and a strong audit trail, CULTflicks have eliminated manual reconciliation procedures and now confidently pay or invoice partners the correct amount. In addition, its automated process makes onboarding new partners simpler and faster, which will contribute to the businesses longer term strategy of ecosystem and content diversity and growth.

06. DigitalRoute at CULTflicks

DigitalRoute helps media and entertainment companies that offer streaming video on demand (SVOD) such as CULTflicks, to develop and launch new business models that will be based on usage data. Our solution provides deep insights into service consumption by customers and ensures that value-added eco-system partners are correctly accounted for and compensated.

The DigitalRoute Usage portfolio was purpose-built to solve the data challenges of subscription and consumption-based models. It's a scalable solution that can handle any volume of data, from any source, in any format, in real time. In this case, CULTflicks uses DigitalRoute Usage Engine to overcome their business model evolution challenge.

CULTflicks uses DigitalRoute Usage Engine to overcome their business model evolution challenge.

CULTflicks

Use case demonstration for the media and entertainment industry

Watch our on-demand demo
to see how it's done.

Take the next step
with DigitalRoute

At DigitalRoute, we process data about how our customers use digital services. Our software is everywhere: it's used by telcos, streaming services, SaaS firms, and in innovative business models for transportation and mobility-as-a-service. We help more than 400 companies send accurate invoices, improve customer experiences, and control how much of a service is used. Our software even helps companies create entirely new services based on what customers want.

Learn more at

www.digitalroute.com