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Customer Churn: A New Challenge For M&E Companies

Continued communication with former subscribers is possible and necessary

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Abstract: Customer data is a powerful tool for more than content personalization. Media companies can put customer data to work in new ways, like predicting churn and taking proactive steps to retain customers.

It's a scenario guaranteed to send a chill through even the most-seasoned media executive: A young viewer subscribes to one streaming service for its original movies and another for its TV shows. In her personalized feed, the TV service recommends the film *A Simple Favor.* She watches the movie, and loves it.

A home-run for the TV streaming service, right? After all, it's a textbook example of the bull's-eye engagement that delights customers, expands brand relationships and creates loyal viewers.

Or it should be. After watching the movie, the subscriber canceled her account.

Customer churn is one of the harshest realities of the streaming wars. In a binge-and-bolt environment, even spot-on recommendations can fail to persuade fickle subscribers to stick around.

Amid streaming's 'cancel culture,' retaining subscribers for direct-to-consumer media isn't one-and-done. Instead, it has evolved into a fluid, ongoing process where customers regularly come and go, and data is the connective tissue.

For M&E companies, retaining viewers represents new and uncertain territory. As content producers, their job has been to acquire and create shows, movies and events that attract audiences.

As D2C providers, they need to keep audiences coming back.

Managing churn is a new core competency for M&E companies, and smarter use of customer data is the not-so-secret weapon for reducing it. Customer data forms the foundation for strategies that create sticky D2C experiences. Equally important, and often far less obvious: Data makes possible the continuum of communication and experience that needs to happen even with consumers who stop subscribing.

They will cancel

We know they will. There's no question that D2C is a powerful business model that's here to stay. Thirty-five percent of U.S. consumers subscribe to more than one over-the-top (OTT) service. Yet OTT churn rates are nine times higher than for cable and broadcast TV platforms, according to Parks Associates. And in a streaming market flooded with introductory offers, brand loyalty is nil.

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A steep learning curve

Here's how smarter use of customer data can help D2C providers find their footing when it comes to retaining viewers.

1. Consider subscribers to be lifetime customers, even when they cancel. The importance of this can't be overstated for D2C services. At first glance, it seems counterintuitive to pour resources into customers who have left. Yet, winning back canceled subscribers is a defining capability in D2C's churn-heavy marketplace.

Digital platforms make continued communication with former subscribers possible. (When was the last time a retailer stopped sending you emails just because you abandoned a shopping cart?) AI and nonstop analytics provide the means to perpetually learn about subscribers and ex-subscribers alike. Collecting data from social media sources and third-party data providers can fill in details on their preferences and provide insight into how you can re-engage and woo them back.

Advice: Once a customer, always a customer. In D2C persistence pays off. When a premium cable channel sought to boost viewership for the heavily promoted final season of its marquee series, its marketing outreach included persuading former subscribers to renew. While the pool of data on existing subscribers was deep and dependable, we identified access to secondary data such as social feeds as critical for winning back those who had left. The result of the campaign was an uptick in paid subscribers from 1.93 million to 4.86 million by the second week of the season.

2. View customer data from multiple channels. YouTube provides an instructive example of a business model that grounds its retention strategy in customer data. True, as a unit of Google, YouTube is natively (and enviably) data rich. But the key is how the video-sharing platform company uses data to create personalized experiences that keep viewers coming back. YouTube knows its customers' viewing patterns, and it also continuously accumulates and evaluates advertising data. In addition, through its Google parentage, YouTube accesses search data to infer more insights regarding content — a step streaming service providers can similarly take but often have not.

A bright spot on the data horizon is that media companies are making strides in aggregating data from multiple paths. They're more efficiently gathering and sharing information from mobile, web and other subscriber channels. They've gotten better at collecting information from third-party demographic data providers such as Acxiom and Wunderman.

Advice: There's no such thing as too much data. Gathering input on customers' behaviors and searches outside of the streaming platform provides crucial insight into the factors that influence the behaviors of subscribers and ex-subscribers. The upshot? You need to know your customers as individuals, and that takes data. Lots of it.

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3. Create a data strategy that focuses on customers. This guidance sounds deceptively simple. In most D2C initiatives, however, a single business unit typically becomes the primary data owner for the venture. While a logical first step, it becomes yet another barrier to the strategic, cross-organizational view of data that's needed to reduce churn. Further complicating matters is that chief data officers' viewpoints are typically influenced by where they sit in the company's org chart: Those close to IT often view data through a technological and regulatory lens, while those within finance tend to adopt a compliance-centric approach.

Advice: Reducing churn starts with making customer-facing data a priority. Customer data's rightful place within any overarching data strategy is at the top. Making it a priority produces results. As a TV network conglomerate revved up for a planned D2C initiative, it doubled down on efforts to reinvigorate the customer database for its category-leading sports group. Third-party enhancements from social media and demographic data providers enabled targeted messaging that worked: Auto-renew turn-offs dropped from 10 percent to just 5 percent.

4. Look to retail as a cautionary tale – and role model. Retailers stumbled in the early days of e-commerce with stovepipe functions and disparate processes and technology. Customers fumed. Today industry leaders have found their footing with a unified approach to customer data. They've adopted a single view of products, no longer maintaining separate master item lists for e-commerce and in-store stock. Online and in-store data is integrated so store associates can view customers' online activity. They've also evolved into skilled communicators, persistently engaging shoppers with personalized offers and loyalty programs that knit multiple channels into a cohesive brand experience. To retailers, abandoned shopping carts are a starting point, not an ending.

Advice: Consistency wins every time. D2C initiatives are most successful when they operate as a single, cohesive organization. Think Netflix. Create standards that ensure consistency across all channels. It can be as simple as ensuring show titles and descriptions are standardized across channels. ■


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