



Creating an Integrated **Shopper Insights Framework** for the Entertainment Industry

WNS

Extending Your Enterprise

In pursuit of addressing short-term operational challenges, business managers can often ignore the bigger strategic picture. The absence of an overarching framework, through which both strategic and tactical problems can be analyzed, can lead to inconsistent (and highly individualistic) approaches to addressing everyday business problems. Having a consistent and relevant framework can address the above problem and enhance organizational learning through a three-step process:

- a. Executing consistent and inter-dependent initiatives
- b. Measuring and analyzing the effects of those initiatives
- c. Leveraging the learning to further improve the framework

A strategic long-term approach is especially critical for the content-based and rapidly changing home video industry. This paper outlines our approach to creating a strategic framework for understanding, actioning and profiting from shopper behavior in the home video industry.

Damion Horton

Senior Manager, Shopper Insights, Universal Studios Home Entertainment

Shravan Pai

Associate Vice President, Research and Analytics, WNS Global Services

The Dynamics of the Home Video Industry

Traditionally, the home video industry has contributed to a major chunk of studio profits. However, over the past few years, the biggest piece of the home video business (selling physical DVDs in retail stores) has seen a remarkable drop in sales. There are multiple reasons driving this change — technological evolution, changes in consumer behavior, growth alternate consumption options and economic factors.

Consumer Behavior

Consumers today have many more options to satisfy their entertainment needs. The proliferation of Internet and the growth of the gaming industry will affect the mindshare of home video among consumers.

The pattern of home video consumption is also changing. Building a movie library (which was a significant driver of DVD purchase) is becoming less important over time. As on-demand availability grows, this driver could become even less important over time.

Alternative Consumption Options

The past few years have seen a proliferation of convenient and cost-efficient alternative consumption options. Streaming / mail-order services like Netflix and Kiosk-rental options like Redbox have become the preferred approach to movie consumption for a big chunk of the consumer base. Though these alternative options have the potential to significantly increase movie consumption, the profitability of these options is significantly lower as compared to DVD / Blu-ray disc sales. Video-on-Demand (VoD, a more profitable option for studios) has also shown rapid growth, but not to the extent that options like Netflix and Redbox have.

Technological Change

Technological evolution is dramatically changing the way people think about and consume content-based entertainment. Technologies like cloud, cable / VoD on-the-go and mobile connectivity are expected to further accelerate the change in consumption patterns of consumers.

Economic Environment

The economic recession of 2008–2009 marked the initiation of the decline of the traditional home video business. Apart from a potential permanent downward shift in purchase pattern, the recession could have accelerated the shift to cheaper consumption options.

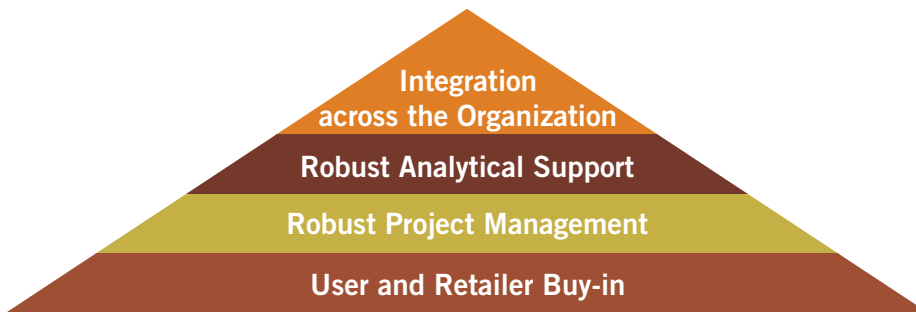
Whatever the causes, the change in dynamics of the home video business has forced studios to re-think their business models. Traditional steady-state assumptions used to take operational and strategic decisions are no longer valid. Studios now have to discover new frameworks to navigate the rapidly changing environment.

We assume that the best approach is to focus on the one factor that is central to the entire picture, that is, the consumer. Understanding the drivers and trends in changes within consumer behavior patterns will help the studios better position themselves to profit out of the evolving environment.

However, using a consumer-centric framework is easier said than done, especially in a psychographic and content-based industry such as entertainment.

In this paper, we have proposed the use of an integrated shopper insights framework and one that has been adopted by a leading studio to help lay the groundwork to profit from a consumer-centric planning approach and the various business and technical hurdles that had to be overcome.

Key Elements for Success of Integrated Shopper Insights Framework



The success of an Integrated Shopper Insights Framework depends not only on the business insights that drive the framework but also, and probably more significantly, on how it is adopted by key stakeholders in the relevant organizations. Focus on all of the following elements is critical to the success of this initiative.

User and Retailer Buy-in

Retailers and business users are key stakeholders in any such initiative. They are not only the final users of the solution, but also valuable partners in project management through the business insights they provide. Hence, even before walking down the path of creating an integrated shopper insights framework, it is important to bring retailers and business users on board. Getting them to have a stake in the success of the initiative goes a long way in successful implementation and adoption.

Robust Project Management

Critical considerations to ensure successful adoption are:

- a. Setting expectations among stakeholders on what can and cannot be answered

- b. Sharing project updates with stakeholders on a regular basis and get constant feedback
- c. Managing timelines to potentially effect short-term successes. This can help gain more support for the initiative
- d. Identify a framework to address unanswered questions

Robust Analytical Support

Analytics plays an important role in the entire project life cycle. Analytics plays a key role in:

- a. Exploratory business analysis, leveraged to make a strong case to users and retailers
- b. Effectively structuring, fielding and analysis of primary research
- c. Creating multiple segmentation schemes based on a wide range of attributes
- d. Understanding the drivers and barriers of behavior across different segments
- e. Designing initiatives based on shopper insights framework and evaluating their effectiveness

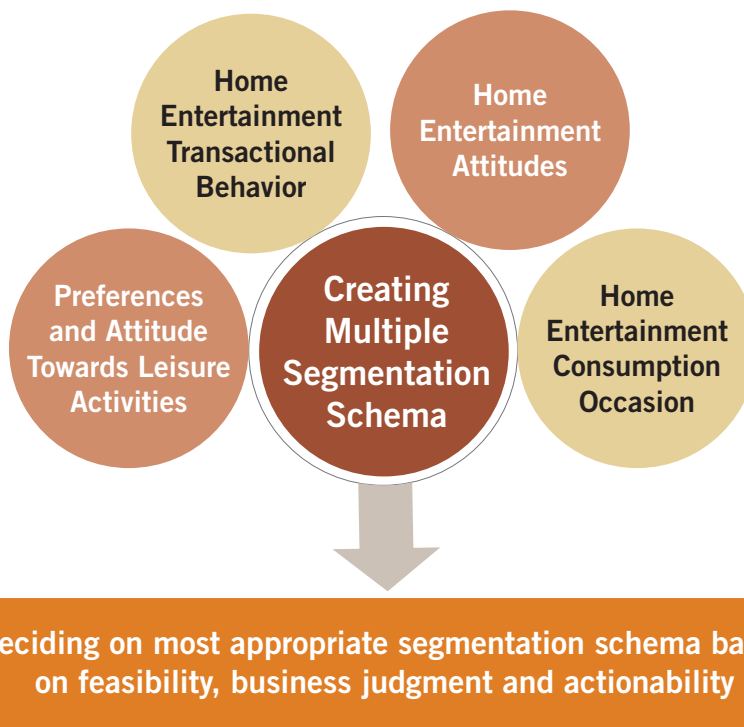
Integration across the Organization

Once the shopper insights framework is ready, ensuring that all business users integrate it as part of their planning activities is critical. This requires a substantial level of effort in educating the users on how to use the framework.

This can be especially challenging in a situation where different business users follow different preconceived approaches. A bigger challenge is getting retailers to integrate the framework into their planning process. This is where getting the retailer buy-in at the start helps.

Creating Shopper Segments

Considering Multiple Factors



Home video entertainment is characterized by two key aspects:

- a. Preference for the underlying product (movies) is driven by psychographic factors. Even though demographic patterns in behavior are observed, it is an inadequate representation of consumer behavior.
- b. Technological evolution has now given consumers a wide range of consumption options. The choice of which option to choose depends on a wide range of factors such as technology adoption, cost sensitivity, consumption occasion and repeatability.

To capture these diverse elements, the following types of variables were considered:

Preference and Attitudes Towards Leisure Activities

Movies / home entertainment is one of the several entertainment options that consumers have. Understanding how consumers make a trade-off between different leisure options is a key. Other leisure options need not always compete with home entertainment. Some activities (like get-togethers) may actually be complementary to home entertainment consumption.

Home Entertainment Transactional Behavior

Transactional behavior is one of the most actionable factors. It is important to capture not only the intensity of consumption, but also the channel of consumption.

Understanding how the intensity and choice of channel vary for different types of consumers for various occasions can help home video firms appropriately design and position their offering.

Home Entertainment Consumption Attitude

Earlier, we talked of what space home entertainment occupies in the mind of consumers among the diverse range of entertainment options available. However, even for consumers with similar leisure activity profiles, the way of consuming home entertainment can change drastically. This attitude can be captured by factors like price sensitivity, willingness to wait, reason for purchase, need for convenience, propensity to plan etc.

Home Entertainment Consumption Occasion

The consumption occasion is known to affect both the choice of title and how it is consumed. Factors like who the co-consumers will be, what the mood /setting is, influence of other drivers (e.g. movie in theater reminds of an older movie) need to be captured.

Getting Incremental Business Impact Using the Shopper Insights Framework



Improving Media Spend Effectiveness

Traditional approach to media spend involves using age / gender / demographic targeting approach. However, for a choice-based product with multiple consumption channels, this approach may not be adequate.

In our studies, we found that the media consumption patterns of our segments varied widely even within similar age/gender groups. Also, different segments have different profitability potential. Sometimes segments with lower consumption rate can have higher profitability because of propensity to use favorable channels. The returns of media campaigns can thus be improved by not only by better targeting, but also by directing spend towards more profitable consumers.

A combination of the Shopper segments along with traditional approach of using age / gender groups can be used to achieve this objective.

Better Design of Promotions

Traditional approach to promotions in the HomeVideo business has been very product centric. However, a product centric approach

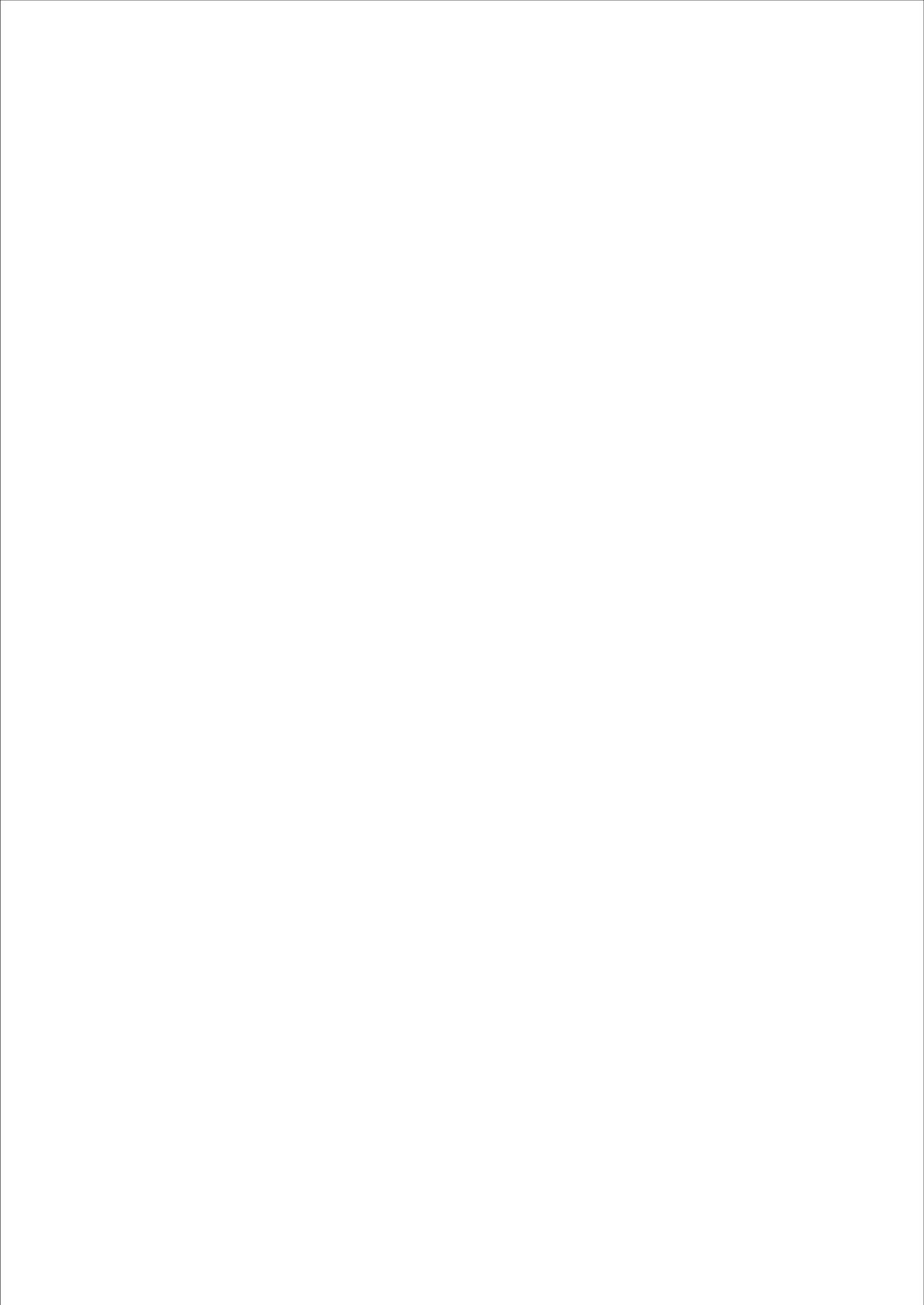
treats all customers in the same way. On the other hand, a Shopper Insights driven framework tries to identify what are the drivers/barriers for each of the shopper segments to make a more profitable choice. Promotions can then be created to appeal to specific customer groups.

Such an approach will be highly beneficial to both the studios and the retailers in growing the profitability of the category. By ensuring that the right types of promotions are offered to the right shoppers, greater returns on marketing investment can be expected.

Understanding Evolution of Consumer Behavior

One of the critical challenges in the industry is to make sense of the change in consumption patterns that is taking place. Understanding why and how consumers are changing their behavior can help studios and retailers better react to the changing environment.

The Integrated shopper Insight segments can be leveraged for this by tracking the rate at which consumers are migrating across segments and conducting primary research to understand the drivers of these changes.



About WNS

WNS (Holdings) Limited (NYSE: WNS), is a leading global business process outsourcing company. WNS offers business value to 200+ global clients by combining operational excellence with deep domain expertise in key industry verticals, including Travel, Insurance, Banking and Financial Services, Manufacturing, Retail and Consumer Packaged Goods, Shipping and Logistics, Healthcare and Utilities. WNS delivers an entire spectrum of business process outsourcing services such as finance and accounting, customer care, technology solutions, research and analytics and industry-specific back-office and front-office processes. WNS has over 21,000 professionals across 23 delivery centers world-wide, including Costa Rica, India, the Philippines, Romania, Sri Lanka and United Kingdom.

To learn more, please write to us at marketing@wns.com or visit wns.com

WNS

Extending Your Enterprise