



LAU CASE COMPETITION 2022

QUALIFYING CASE

APRIL 11-15, 2022



— LAU —
CASE COMPETITION

WELCOME LETTER

Dear participants,

With great exhilaration, we welcome you to the LAU Case Competition Qualifying Case 2022. We are happy to embark on this next step and we hope you excel immensely in your submissions!

Being part of the LAU Case Competition is an attainment you should utilize as a step to initiate your road of improvement and growth. As we end the LAUCC Academy and start with the next stages, you should be proud of reaching this stage and aim higher to reach the upcoming milestones.

During the next five days, take the time to understand the problem, think creatively and discover the different aspects of case solving. You have no limits to your creative thinking so make sure to give it all you got. Use the skills you grasped during the Webinars to innovate and build a nearly perfect solution. Do not forget to communicate efficiently and effectively as a team and use the team dynamics to create a top-notch strategy.

Our partners and the whole LAUCC team are excited to see your best work, full of creativity, intelligence and dynamics.

Wishing you the best of luck, enjoy the Qualifying Case.

Respectfully,

Jana Hilal and Grace Berdkan
Lead Consultants
LAU Case Competition 2022

RULES & REGULATIONS

- 1 The Case is exclusive to the listed participants and should not be shared with any other parties.
- 2 The team should be responsible for all work submitted. Any involvement of a third-party will lead to disqualification.

The use of public information and resources is allowed, please make sure to add the proper citation using APA format. Any plagiarism as a result of improper citation will lead to disqualification.
- 3 Submissions are to be in PDF format. Do not exceed the indicated limit of the number of slides.
- 4 The PDF should be named as your LAUCC team ID. Any inclusion of team members' names or universities within the slides will lead to disqualification. Submissions will then be encrypted in a code to ensure confidentiality, objectivity and unbiased. LAU Professors will be grading the submissions anonymously.
- 5 Only one member of the team is required to submit the PDF document. It is to be submitted on the LAUCC Website, <https://casecompetition.lau.edu.lb/>. The submission deadline is on Friday April 15, 2022 at 11:59 p.m. at most. Failure to submit will be considered as a disqualification. No exceptions will be made.
- 6 Should you have any organizational concerns, send an email to casecompetition@lau.edu.lb. No feedback or help will be provided for solving the case.

CASE PLOT

Streaming Market Overview: All about creating customer value for subscribers!

The OTT streaming market experienced an impressive boom since the start of the pandemic. With movie theaters and general entertainment shutting down during the quarantine, people needed to compensate for the free time they had. The traditional 'cinema first' business model has become outdated and under the water. Consumer screen time increased by 75% while social media and TV exposure time skyrocketed. A PwC survey in 2020 showed that OTT subscribers in the US more than doubled from an impressive 125 million base. Not only did consumer demand reach astronomical rates, but also consumer satisfaction seemed extremely promising. PwC reports that around 83% of subscribers in 2020 showed satisfaction with 43% describing themselves as "happy" and "excited". Some argue that the streaming industry has even more potential than expected with the Metaverse on the rise while others consider the market close to maturity.

Market Dynamics: Is Netflix a Monopoly?

The OTT market in the US is characterized by a few market leaders alongside other fragmented segments in the market, to name a few players: Netflix, Hulu, Amazon Prime Video, Paramount+, HBO Max, Disney+, Hallmark Movies Now, Showtime, etc. In 2019, Netflix and Hulu accounted for 3 out of every 4 premium subscriptions. But over the past 2 years, both companies have grown just a mere 7% accounting for 1 out of 2 subscriptions in the market. This shows that there are no significant barriers to entry. The four other premium services that were in-market in 2019 — HBO Now (now HBO Max), Showtime, StarzPlay and CBS All Access (now Paramount+) — make up about 1 out of 4 premium subscriptions. But to maintain that market share level in the face of new competition, they have grown 100% in the past two years, and so now operate at a much more substantial scale.

CASE PLOT (CONT'D)

Comparative Advantage and Positioning: Where do market players stand?

However, it is not common to segment a market based solely on market share. It is of utmost importance to take into account the streaming company's supply chain, market positioning, pricing and other comparative advantages. OTT market players are fragmented into aggregators (StarzPlay), content producers (Disney+ & HBO Max) and balanced producers (Netflix). Moreover, market positioning can be identified by factors that induce subscribers to stay on the platform, such as content diversification, original content creation and innovative platform integrations. Another major customer analytic worth looking into is the fierce bundled pricing competition.

Deloitte surveyed US consumers in 2020 to better understand ongoing trends in media and entertainment. The report emphasized on the problem of increasing churn rates. The churn rate is defined as the percentage of customers that have unsubscribed at the end of a given period as a fraction of the total subscribers at the beginning of that period. For further clarification, consider the following formula:

$$\% \text{ Churn Rate} = \frac{\text{Lost Subscribers during a given period}}{\text{Total Subscribers at the beginning of the period}} \times 100$$

In the first quarter of 2020, US consumers subscribed to three paid streaming services and by the third quarter that number rose to five. Initially, this might look promising for streaming companies, but consumers tend to cut subscriptions more frequently, increasing churn rate. According to Deloitte, around 64% of subscribers in the market downgraded one or more current subscriptions to make room for a new subscription. Also, it has been reported that 26% of subscribers are actively looking to unsubscribe from paid plans claiming a lack of need and perceived worth of diversity to make room for another service.

It is noteworthy that high churn rates is not a market anomaly, i.e. a higher churn rate is a firm-specific problem which creates positioning and performance complications (Exhibit 3).

CASE PLOT (CONT'D)

Client Overview: Hulu

Hulu is a leading video streaming platform offering live and on-demand content. It broadcasts live TV, offers premium cable channel add-ons, streams thousands of TV shows and movies, and creates original content including Emmy and Grammy winning TV series. In 2019, the Walt Disney Company took on full operational control of Hulu. This acquisition has allowed Hulu to grow immensely. After Disney took control of Hulu, Hulu became the only service that gives viewers instant access to current shows from every major U.S. broadcast network. The platform has over 40 million U.S. subscribers, 70,000 TV episodes and movies, and 75 live channels. Hulu mainly offers its services to subscribers in the United States.

Since the start of the pandemic, Hulu has experienced high churn rates. From Q1 2019 to Q1 2022, the total number of subscribers per streamers of Hulu increased by 98.7% (Exhibit 2). Although Hulu is facing a substantial increase in its number of subscribers, retaining them has been a challenge. This has led to a higher churn rate in comparison with its largest competitor - Netflix (Exhibit 3).

Case Problem:

Hulu's CEO (Exhibit 1) has approached the LAU Case Competition, who has hired your team of consultants, to develop a strategy that adequately addresses OTT market dynamics and focuses on retaining existing customers which in turn will help decrease churn rate.

APPENDIX

Dear LAUCC Teams,

It is with great pleasure that I address you today as I put my full trust in you to find a solution to our problem.

Here at Hulu, we value creativity and thinking outside the box. Our mission is to captivate and connect people by creating amazing experiences. We aim at leading the future of Streaming TV by creating new and familiar experiences for our viewers, amplifying bold voices, and challenging our diverse builders and creators to push the boundaries of storytelling and technology.

Over the years, subscribers have been growing on our platform. However, we have faced an issue in maintaining them. Although churn-rates are something normal in the OTT industry, our levels are concerning and a solution is required immediately.

We believe that you will be able to come up with sustainable long-term solutions that will retain our customers. We expect to see unconventional ideas that meet the criteria, channel creativity, and follow financial feasibility.

I look forward to receiving your submissions.

Best,
CEO of Hulu

EXHIBIT 1: LETTER FROM THE CEO

APPENDIX

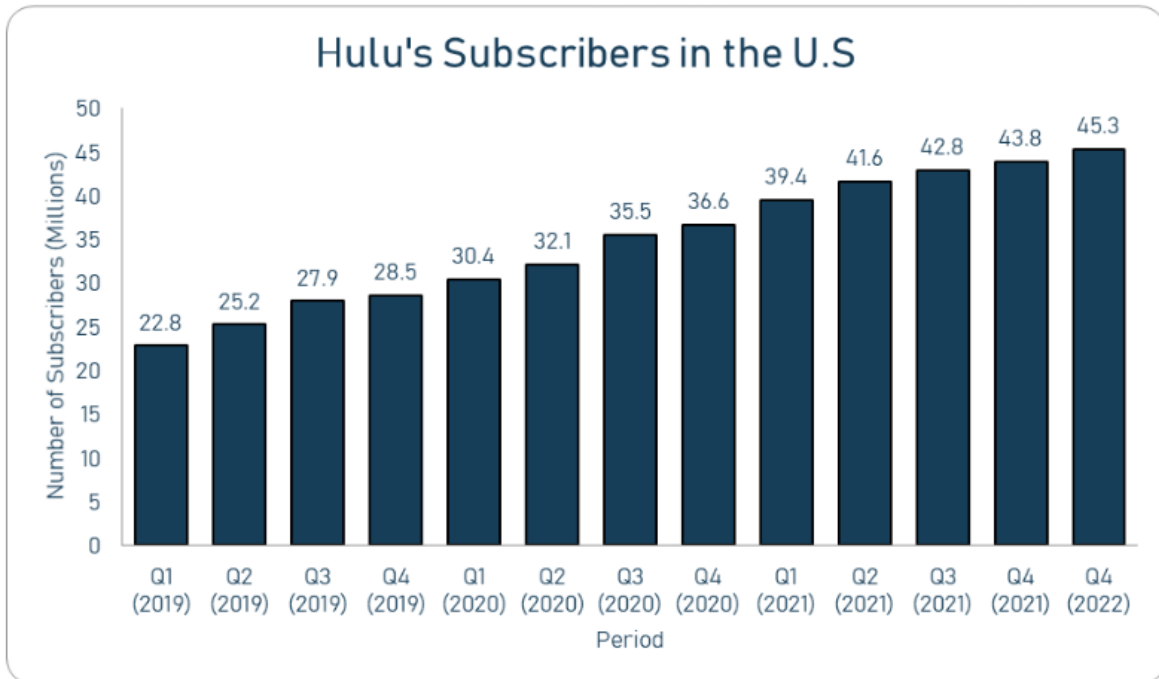


EXHIBIT 2: HULU SUBSCRIBERS

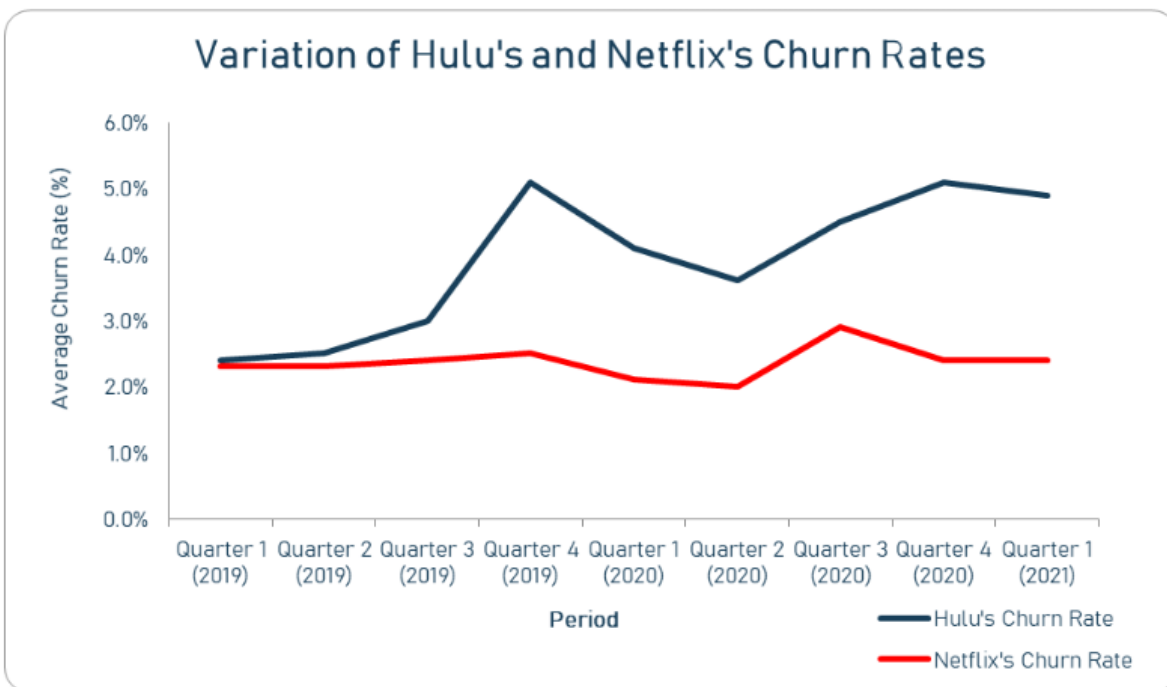


EXHIBIT 3: HULU VS NETFLIX CHURN RATES

RECOMMENDED GUIDE

The grading rubric follows the same distribution of the guideline.

- 1 Cover Page (1 slide)**
Includes a title
- 2 Executive Summary (1 slide)**
Propose your final recommendation along with your most relevant arguments.
- 3 OTT Trends and Market Development (1 slide)**
Analyze the OTT video market attractiveness (market growth rate, major trends in the market, new technologies or regulations, etc.)
- 4 Baseline Assessment (3 slides)**
Study Hulu's customer segmentation and demand.
Analyze Hulu's retention rates and their major impacts on the company's financials and its position in the OTT market.
Identify Hulu's major churn drivers.
- 5 Benchmarking (2 slides)**
Assess the positioning of the company with respect to its competitors (marketing, pricing, content & services, etc.)
Analyze successful customer retention programs and identify key lessons learned.
- 6 Strategy development (2 slides)**
Propose a detailed long-term customer retention strategy (i.e. marketing, product/service development, etc.) based on the identified major churn drivers.
Forecast the future customer retention rates resulting from the developed solution.
- 7 Financial Analysis (2 slides)**
Estimate Hulu's revenues, fixed and variable costs associated with the strategy (*Hint: use a P&L statement to structure your calculations*).
- 8 Recommendation (1 slide)**
State the final recommendation with supporting arguments.
Identify major risks based on the decision taken.
Include the timeline of strategy execution
- 9 References (1 slide)**
List the sources utilized in APA format.



BEST OF LUCK!



— LAU —
CASE COMPETITION