ROCKBUSTER STEALTH LLC

A data-driven approach to
streaming service launch strategy

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Summary of Rockbuster's Film Catalog DB

958 films

All in English

599 customers
in 108 countries

15861 rentals
spread across 100 days

3 rental rates:
0.99 - 2.99 - 4.99

5 rental durations:
from 3 to 7 days

Spoiler Alert
Our customers don't follow this, their real rental durations go from 1 to 10 days. More on this later!

17 film categories, with balanced spread.

Sports : 73 films

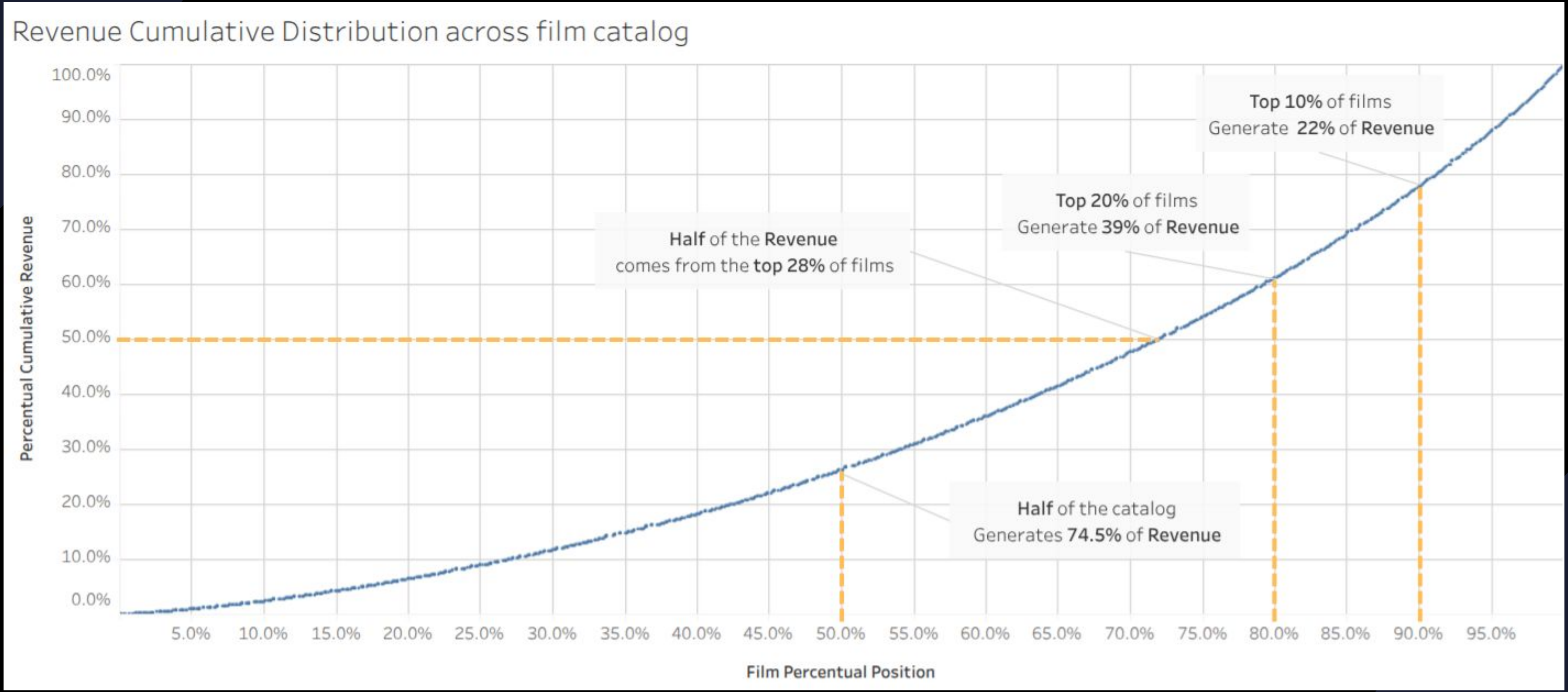
Music : 51 films

5 MPAA ratings, also with balanced spread

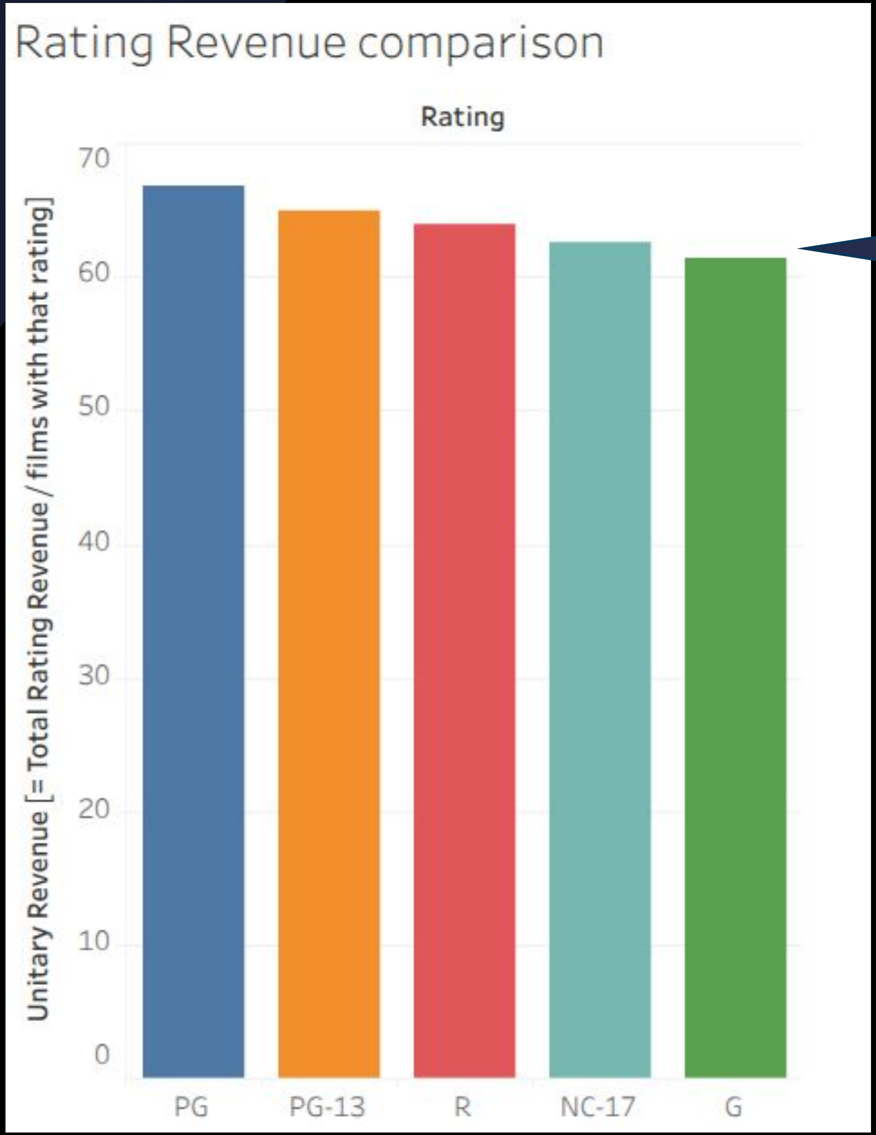
PG-13 : 213 films

G : 171 films

Revenue Distribution



How ratings affect revenue

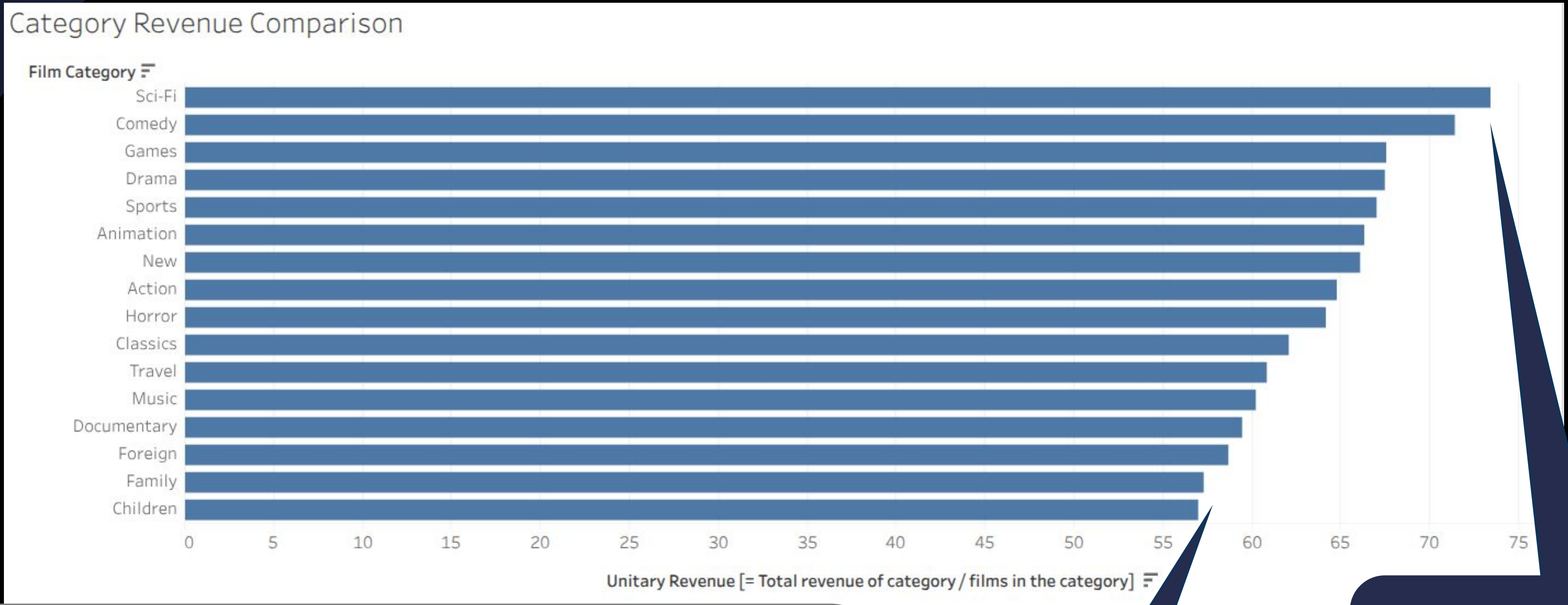


Comparing ratings measuring revenue per film:

- Best rating is PG with $66.9/film
- Worst rating is G with $61.5/film

But overall, there is no rating standing out, with a small spread between ratings

How categories affect revenue

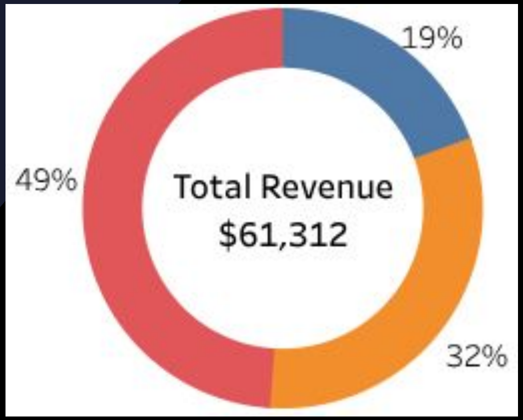


- The spread between maximum and minimum is $16.4
- All categories perform reasonably balanced between each other.
- Top 2 categories may deserve special marketing focus.

Worst categories:
Family ($57.3/film)
Children ($57.1/film)

Best categories:
Sci-Fi ($73.5/film)
Comedy ($71.5/film)

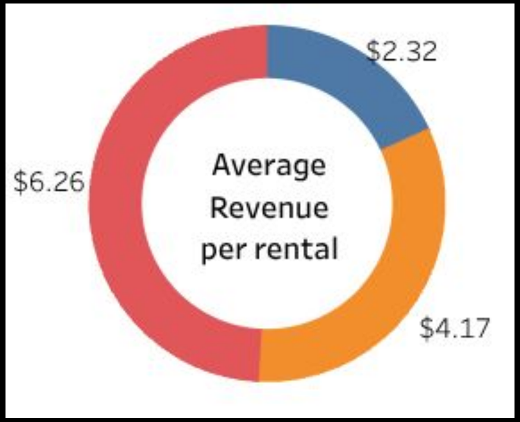
Rental rates performance



Since the total of rentals for each rate is similar:

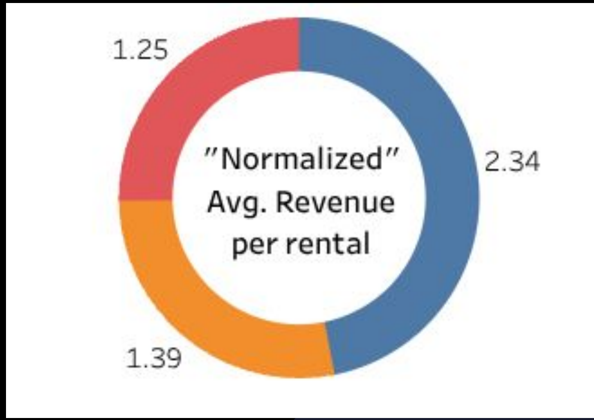
rental_rate	number_of_rentals
4.99	4782
2.99	4670
0.99	5140

Avg. revenue per rental has almost the same distribution



But ..... Shouldn't we expect that $4.99 would be 5 times better than $0.99

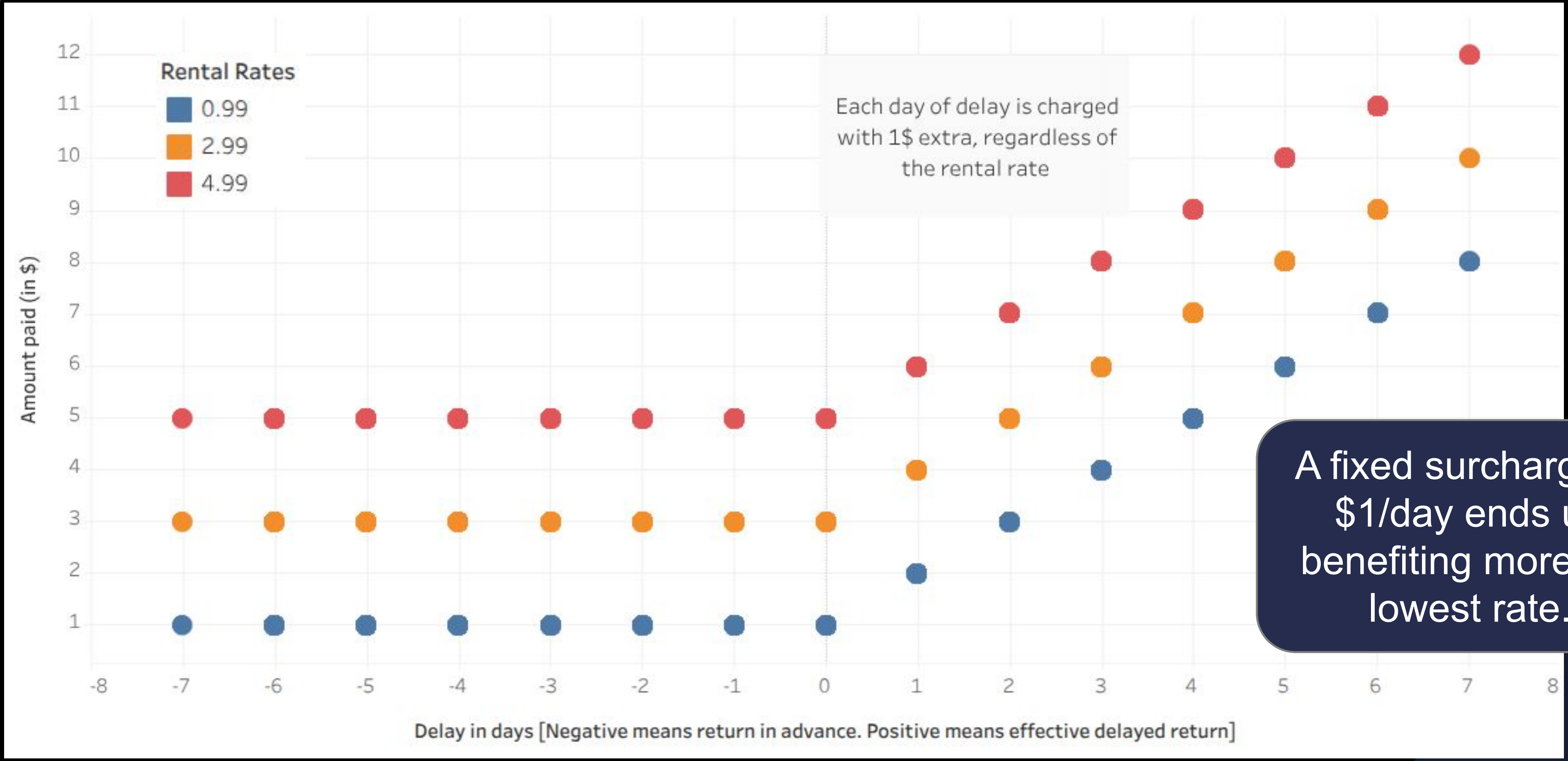
?



If we “normalize” the average revenue per rental, i.e.:
average revenue per rental / value of the rental rate itself
We can quickly see that $0.99 is the one that performs better.

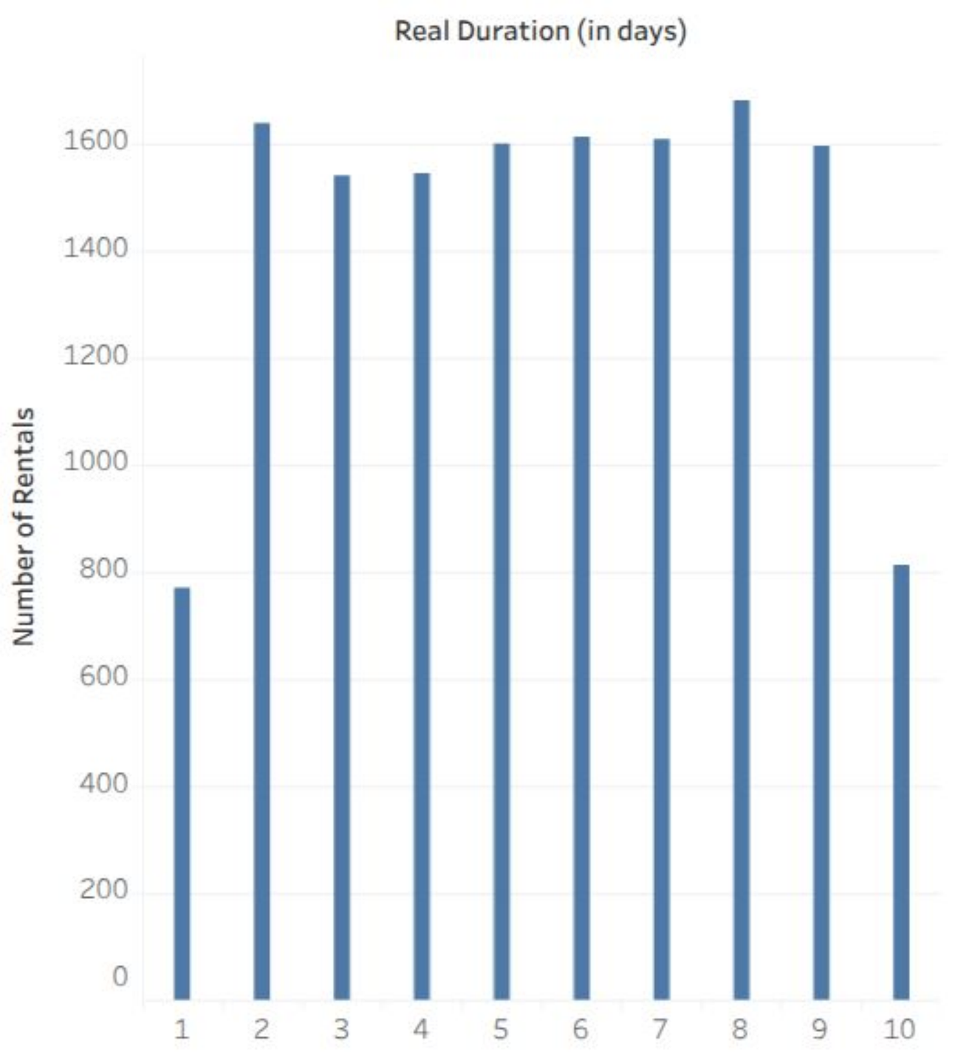
Penalty Policy

The previous result was unexpected. Why does it happen?
The secret lies in the penalty policy.



A fixed surcharge of $1/day ends up benefiting more the lowest rate.

Real rental durations - customers behaviour

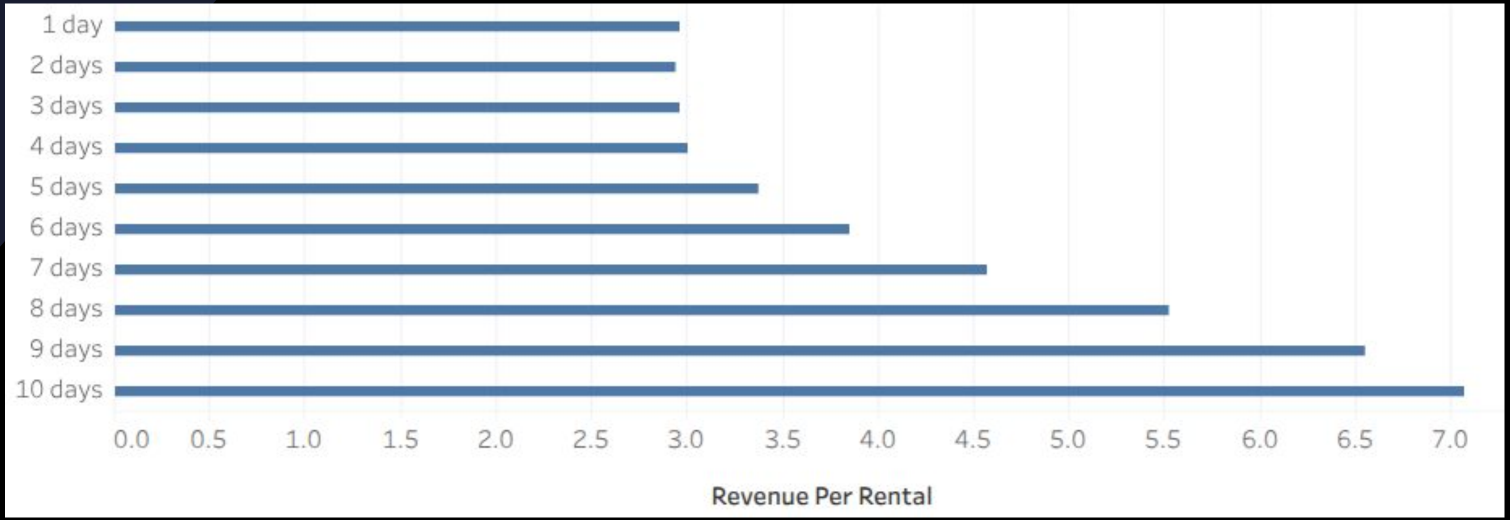


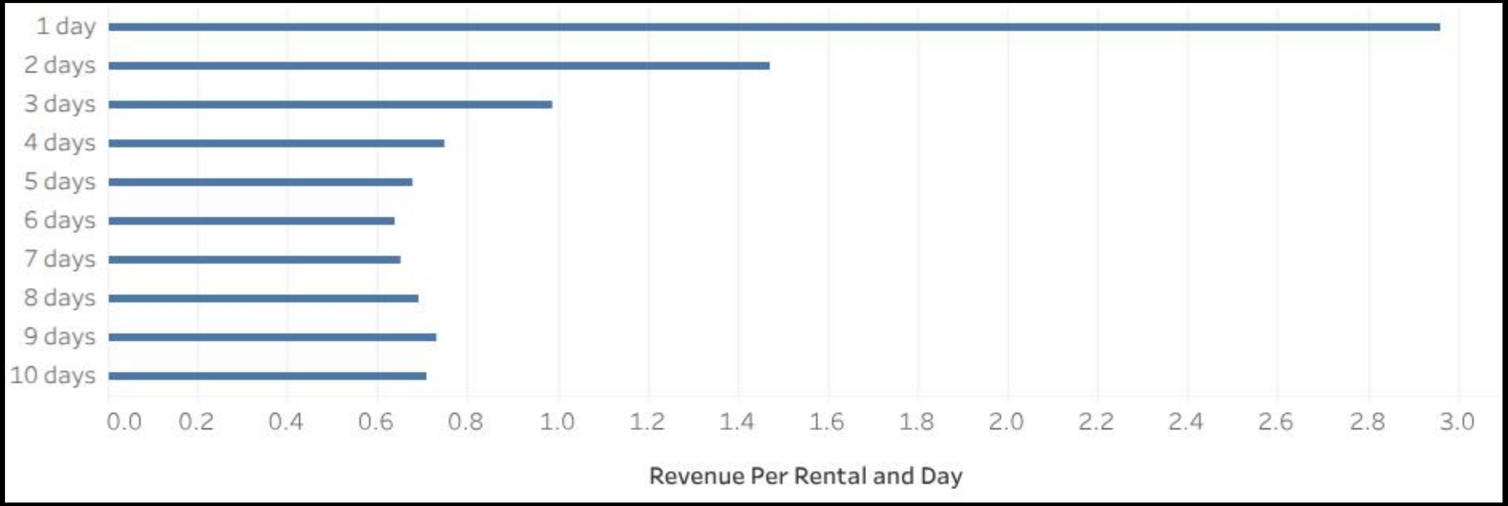
Real rental duration was defined as
[rental return time – rental request time]
rounded up in days.

We can observe that:

- Extreme values (1 and 10 days) have nearly half of rentals compared to all other durations;
- All other durations are well balanced, ranging from 1543 rentals (3 days) to 1682 rentals (8 days)

Real rental durations - Revenue





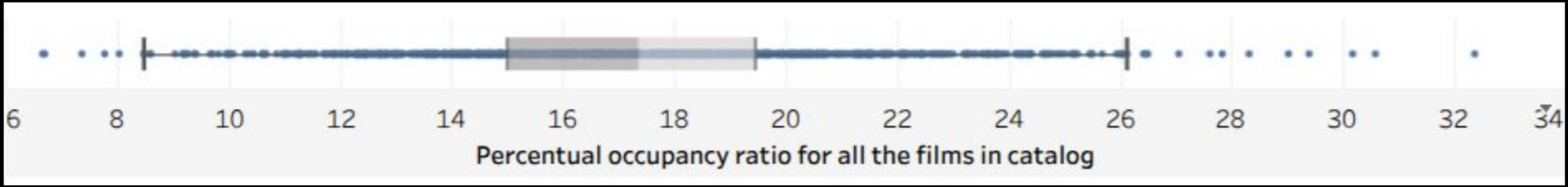
The revenue per rental remains steady until 4 days length, with a value around \$3/rental, growing consistently after that until reaching \$7.1/rental in 10 days rentals.

If we analyze together with the length of the rental, we have a totally different scenario.
Best performing rentals are short duration ones (3 days or less), with 1 day rentals clearly standing out from all other durations.

Occupancy Ratio of our Inventory

How much time each film copy is being rented by a customer or standing in our shelves?

To help answer this question, we defined a ratio, called Occupancy Ratio (%), that is calculated as the amount of time where the copies of films are out for rental divided by the total timespan in analysis (approximately 100 days).



Each blue dot of the plot above represent the occupancy ratio of a film. We could observe that:

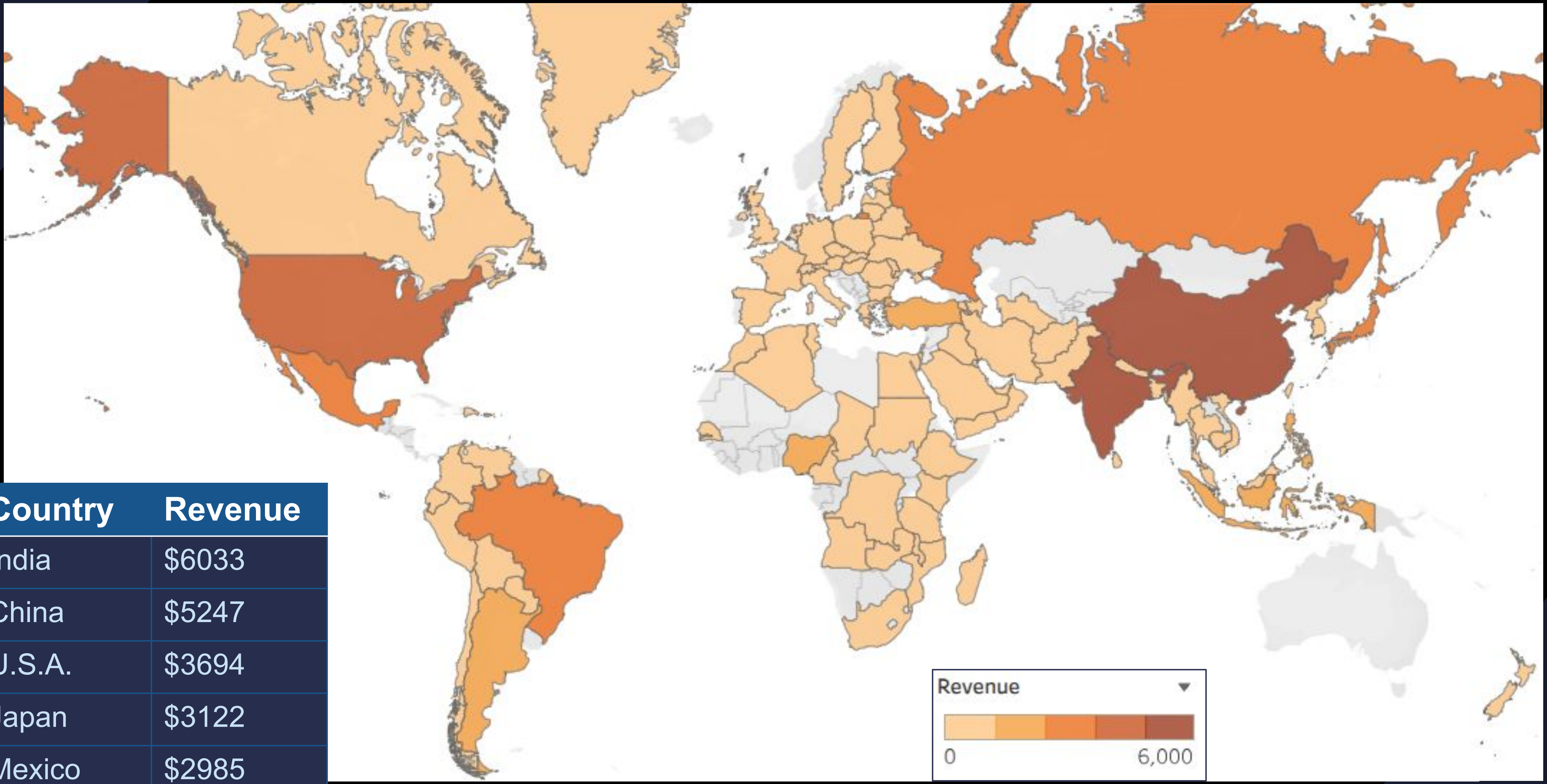
- The median is 17.3%, while the maximum and minimum values are respectively 32,4% and 6,7%
- Half of the films (inside the middle gray box) are between 15.0% and 19.5%

Improvements on occupancy ratio is paramount because it's additional revenue without additional cost (or alternatively cost reduction in fewer licenses, to obtain the same revenue)

Around the world : our customers

Country	#
India	60
China	53
U.S.A.	36
Japan	31
Mexico	30

Around the world : our revenue



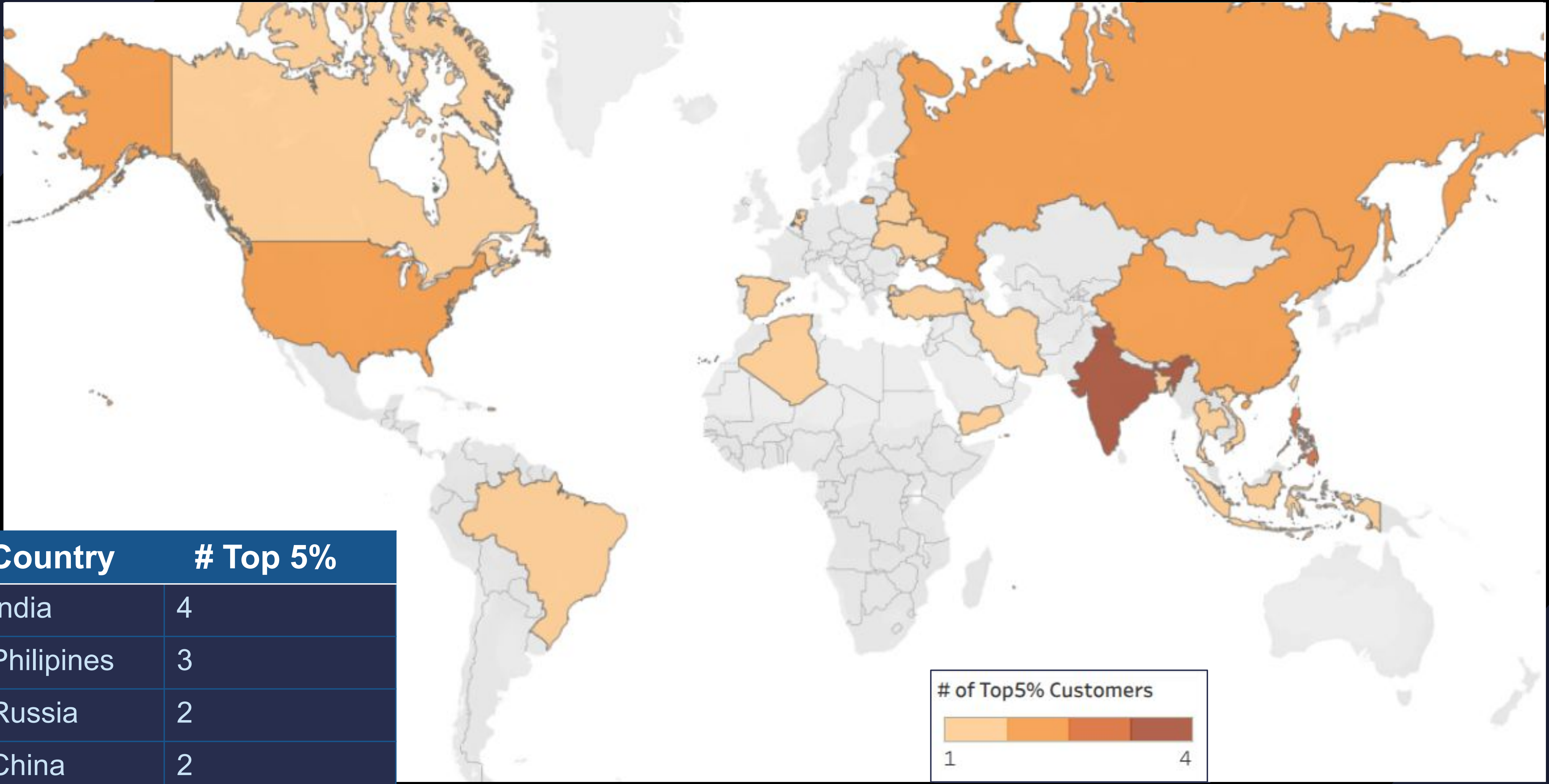
Country	Revenue
India	$6033
China	$5247
U.S.A.	$3694
Japan	$3122
Mexico	$2985

Around the world : revenue per customer

Country	$ / 👤
Belarus	$135.7
Thailand	$133.7
Latvia	$124.7
Ecuador	$123.1
Kenya	$122.8

Note: countries with one single customer were excluded from this view.

Around the world : top 5% customers



Country	# Top 5%
India	4
Philipines	3
Russia	2
China	2
U.S.A.	2

Additionally, other 17 countries have 1 customer each in our top 5%

Recommendations for video rental service launch

Remove variable rental duration concept and apply one single duration for all rentals.
Recommended 48H.

Focus promotional efforts on the top 30% of films.
They represent more than half of the revenue.

Eliminate or review entirely penalty policy:

- Physical return will cease to exist. At best, an extension of digital rental could be in place
- As demonstrated, it makes us lose money in higher rental rate films

Monitor dynamically occupancy ratio to:

- decide when to purchase additional licenses for top requested films
- propose discounted rentals on films with lower occupancy ratio

Focus geographical marketing efforts in the top revenue countries
as well as in the top revenue per customer

Further investigations

Having access to real costs of licensing, a deeper study on profitability can be made.

With a fixed rental period proposed of 48H, it will make more sense to investigate the habits that our customers have in terms of weekdays for their film rentals.

THANK YOU

For any questions, please contact:
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