

Babylon Video: Product Design and Expansion in the Online Video Industry¹

Jeff Maker looked at his calendar on his phone as he ride-shared to work. Maker had just been hired as a Senior Product Manager for Babylon, a video streaming network that focused on highly curated international, art house, indie films, and live and recorded streaming of music concerts. Founded in 2009, Babylon's early growth had gone well and the company had built substantial market share in video streaming markets such as the US, UK, DE and Japan. The company had reached 22 million subscribers, making it the fourth largest player in the streaming video space. Maker now had key product decisions to make as Babylon scaled up both the exposure and the expectations of their streaming offering. The next round of new features would be essential for driving customer engagement and differentiation in this highly competitive market. Despite early success, growth was starting to slow, and Babylon's online streaming development team had to important product decisions to make. Maker was given the responsibility to examine Babylon's user interface and features. His project task was as follows: (1) educate himself on the online streaming industry and the dynamics of competition; (2) understand the feature set and decisions that the industry leaders have made: and (3) make suggestions to Babylon for the next version of their streaming product.

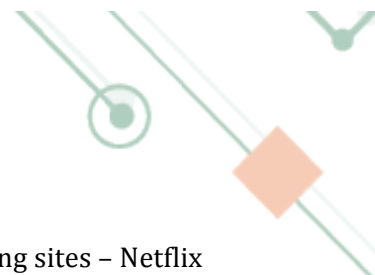
Background on the Video Streaming Industry

Maker reviewed the following information - Deloitte report on Media 2018 - <http://bit.ly/2gjQAvh> and PWC's Global Media Outlook - <https://pwc.to/2vDzu3C> - to gain insights into the online streaming industry. Two of his key insights from this information were the increased use of mobile devices as the primary viewing vehicle, and customers will expect more personal and customized offerings rather than a one-size-fits-all experience.

Babylon Choices

To date, Babylon has chosen a mix of content that has proven to be very successful with its customer base. It anticipates two major areas of growth going forward - the live streaming of music concerts and other events, and demand for international catalog content. Maker knew live streaming was gaining additional participants as most of the social media outlets such as Twitter, Facebook, and YouTube now had live offerings (for timeline of streaming entry see Exhibit 1), and he felt live streaming was an attractive area as it allowed Babylon to make a deeper experiential connection with the customer different from recorded content (see Exhibit 2), driving higher engagement rates and customer stickiness compared to traditional on-demand offerings.

¹ Professor Alva Taylor, Geoff Mattei (T'12 and Alumni Fellow of the Center for Digital Strategies), prepared this case for the Tuck School of Business solely as the basis for class discussion. Cases are not intended to serve as endorsements, sources of primary or factual data, nor illustrations of effective or ineffective management.



Competitor Choices

To understand the competitive environment, Maker examined the top two streaming sites – Netflix and Amazon Video on both desktop web and mobile. Examples of the organization of the content are shown in Exhibit 3 for Netflix and Exhibit 4 for Amazon. The organization of the search, browsing, and recommendation features seem to provide similar experiences.

Strategic Options Going Forward

Maker had several important decisions to make or recommend to management. One of the first was how to curate and order Babylon's content carousels - the groupings of movie and TV content on the homepage. Today, Babylon relies on internal content programmers to manually curate and refresh content offerings in its apps. In discussing new approaches with the company's design team, Maker discovered they were excited about the possibility of using machine learning (ML) to create and order the top 50 video rows, providing a customized view of content for each customer individually. The model would update the customer's experience based on use, and get better the more the customer streamed, scrolled, and used the service. While expensive from a development standpoint, it would provide an industry leading curation of content for Babylon.

Secondly, Maker had to decide what content Babylon should prioritize for acquisition in its content strategy. In which content categories should they invest the most? Internal debates centered on whether they should expand their non-US content catalog offerings (such as Bollywood movies) to drive more non-English viewership or spend more on live content streaming rights for a music concert and other events. Babylon had already ruled out the development of original content for the time being. Original content that was developed in-house could be very expensive. For example, HBO's Game of Thrones had an estimated cost of over \$6 million per episode and Netflix recently signed star director Ryan Murphy to a 5-year deal for over \$300 million. It was deemed that in the current climate, expenditures on Babylon content would not provide positive ROI, and not have the strategic impact to warrant the cost.

International Options

As he was about to present his findings and recommendations, Maker received another request. Babylon was considering expanding internationally above and beyond the three international markets it had a presence in today, and Babylon's CEO wanted Maker's opinion on two currently identified options. First, the advantages/disadvantages of expanding quickly in a few key markets such as India, Brazil, and FRITES (France, Italy, Spain) by providing a simple, stripped down version of their offering for these markets within 9 months. A second option would be to provide customized versions of their offerings for each market, providing the full functionality of its current US product. The estimate for development of this path would be 22 months. Babylon had to make a decision of how to balance moving fast with the level of experience provided to their potential new international customers, and given slowing growth in existing markets, their success in this international expansion would be critical.

Exhibit 1:

Timeline: Live Streaming Launches And Announcements

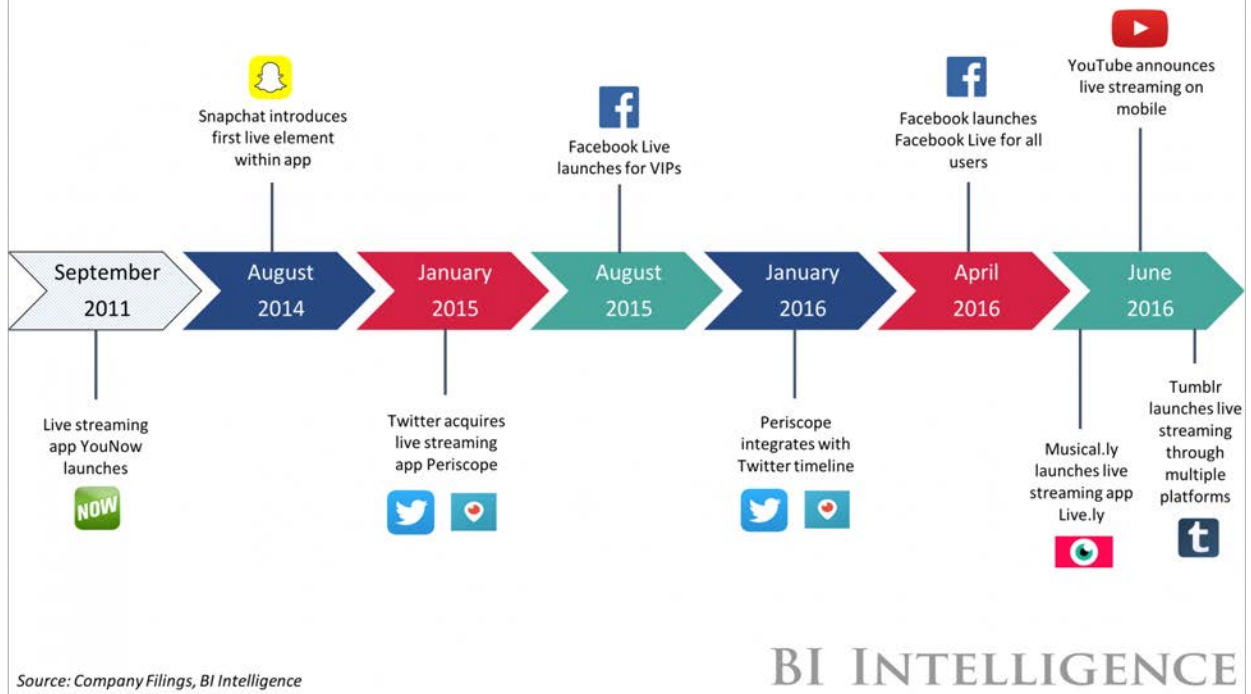
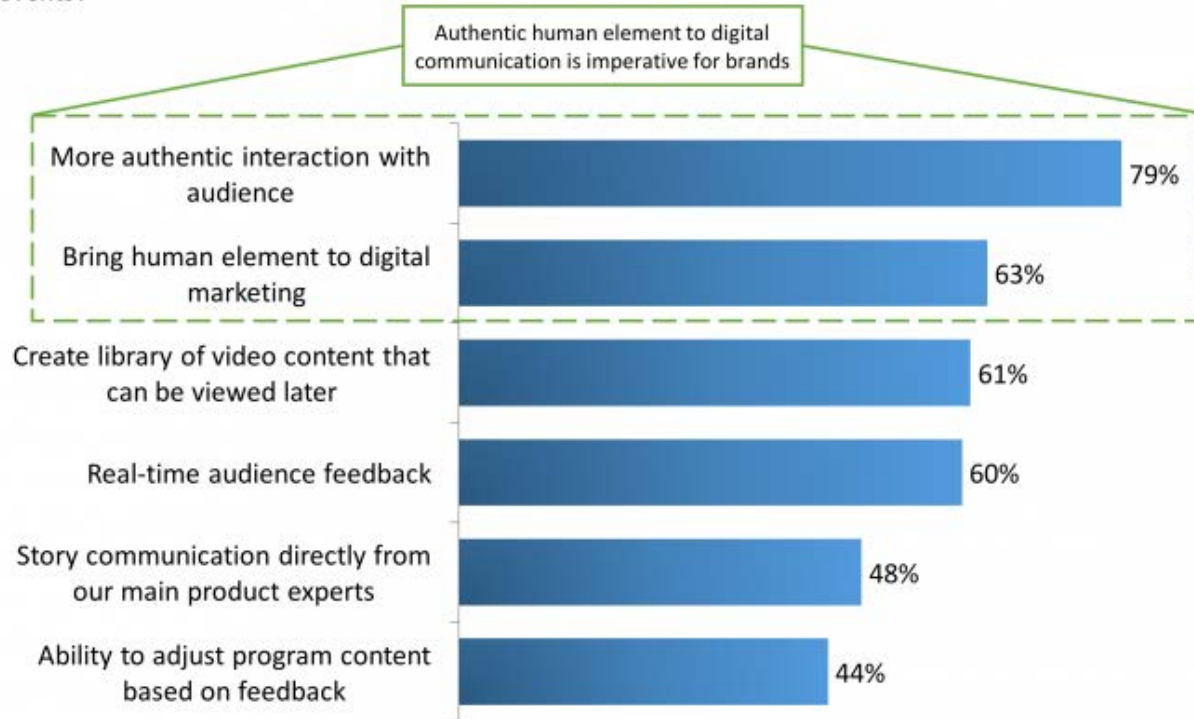


Exhibit 2: Live Streaming Feedback

Perceived Benefits Of Live Streaming Video Events

Q: What are the perceived benefits to your company of producing live streaming video events?



Source: Brandlive, February 2016

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Exhibit 3: Example of Netflix Customer Interface

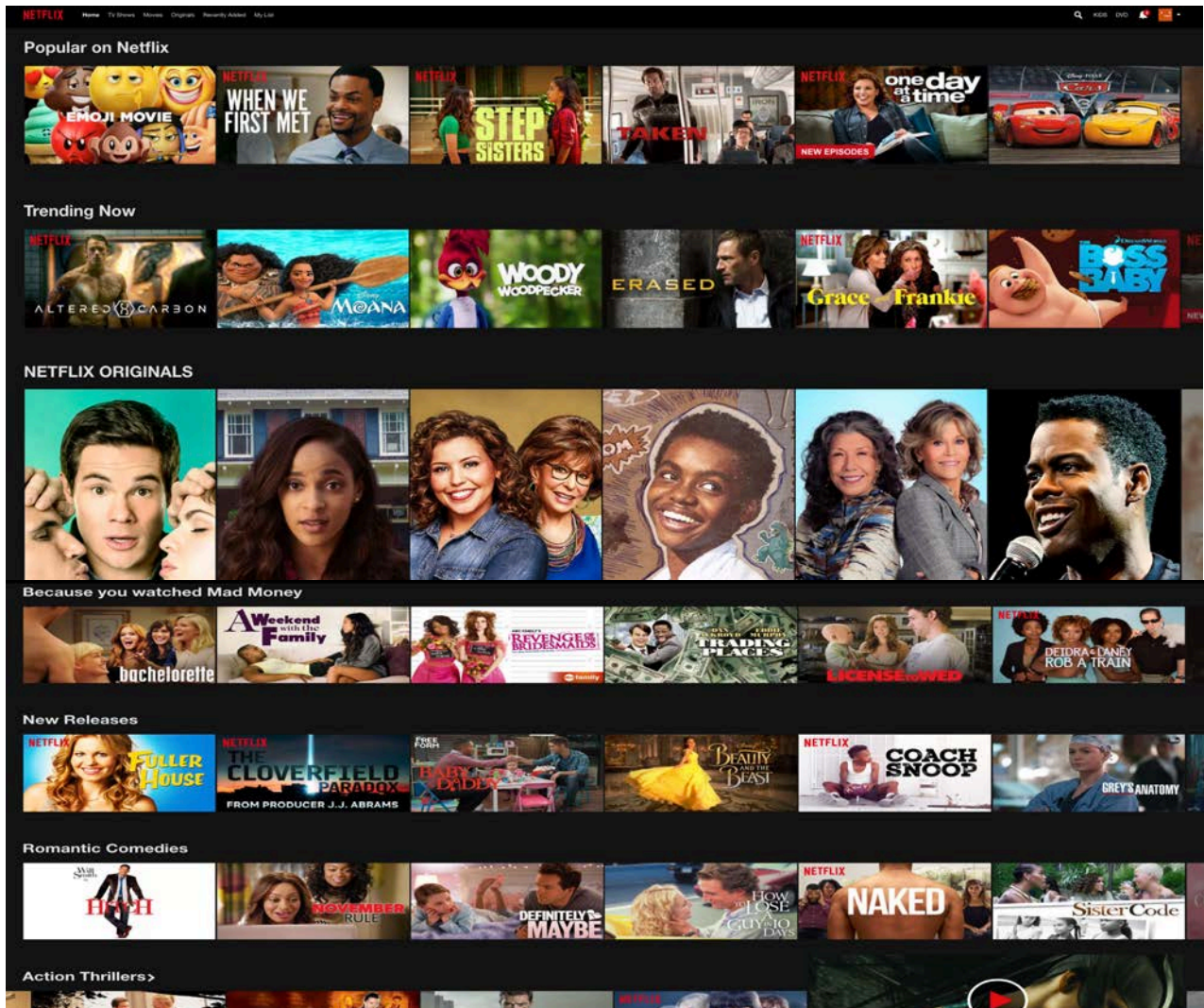


Exhibit 4: Example of Amazon Video Customer Interface

