



Netflix's Hyper-Personalization Engine Guides Content Strategy

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Using real-time data and artificial intelligence, Netflix develops highly personalized experiences for their subscribers. Popularly known as "hyper personalization," this advanced way of marketing is on the radar of pioneering marketers, according to consulting company Accenture. **Regular access to customer data is a key** requirement for undertaking hyper personalization. Personalization itself is not a new concept. What's different is the rapid diffusion of AI and machine learning technologies available to power it. Netflix leverages data analytics for business success in two significant ways. The first is by offering a personalized **recommendation system to its subscribers** to keep them engaged. The second is to **leverage data to build the content strategy**.

Netflix's customer ratings of their film or television programs (explicit data) feeds into its recommendation system, which the company made famous in 2006 when it launched the Netflix Prize, a contest offering US\$1m to anyone who could achieve a 10 percent improvement over its own algorithm at the time. However, while explicit user ratings continue to play a role in Netflix's recommendation system, **Netflix recognizes that "the implicit signal is stronger."** What this means is that Netflix has the capability to track **when users start, stop, rewind, fast forward videos and is also able to identify the time of day, location and the device on which the streaming occurs**. Through the analysis of implicit data such as viewing behavior, Netflix aims to match viewers with programming they might like to see depending on mood, or time of day.

In addition to recommending pre-existing material to its subscribers, **Netflix also leverages implicit data to develop original content**. Its flagship production, House of Cards, was based on analyzing data Netflix already had about consumer viewing preferences. In particular, the company considered information like ratings, consumers' viewing history, which producers and actors they liked and were able to establish a deep understanding of their audience profile types. After triangulating that viewers who watched the original BBC production of **House of Cards**, also enjoyed watching films starring Kevin Spacey and films directed by David Fincher, Netflix gave the green light. Netflix replicated this strategy with **The Crown**. Andy Harris, CEO of Left Bank Pictures which produced The Crown recounted how Netflix had already analyzed audience data and were ready to move ahead with the concept, before he could pitch it to them.