

GETTING THE FORECAST RIGHT

NBCUNIVERSAL FINDS A BETTER WAY TO PREDICT CONSUMER DEMAND

TERADATA®

ABOUT

NBCUniversal

NBCUniversal is one of the world's leading media and entertainment companies in the development, production, and marketing of entertainment, news, and information to a global audience.

Headquartered in New York City's Rockefeller Plaza, the company owns and operates a valuable portfolio of news and entertainment television networks, a premier motion picture company, significant television production operations, a leading television stations group, world-renowned theme parks, and a suite of leading Internet-based businesses.

NBCUniversal is a subsidiary of Comcast Corporation.

It was perhaps the largest seismic shift in entertainment in decades: In 2012, the entertainment industry witnessed a major change in consumer behavior. For the first time, Americans streamed more movies online than they purchased in physical formats such as DVD and Blu-ray, according to research by industry analysts at IHS Screen Digest.

That development presented a particular challenge for the retail operations group at NBCUniversal, which distributes the company's DVDs and Blu-ray Discs to more than 7,000 retail locations throughout America using a vendor-managed inventory (VMI) model. Under the VMI model, each store is responsible for managing inventory, while NBCUniversal is responsible for the quantity and timing of new stock delivery.

For the retail operations group, that means forecasting, allocating, and replenishing more than 1 million units on a daily basis. Meanwhile, consumers continue to move toward online services, complicating any effort to predict demand for traditional packaged media. Accurate forecasting has always been a challenge—but it's never been as challenging as this, or had higher stakes.

DELICATE BALANCE: MEETING DEMAND FOR NEW RELEASES WHILE AVOIDING INVENTORY OVERAGES

For years, NBCUniversal would predict consumer demand based on traditional algorithms that failed to account for the dynamic regional, promotional, and audience variations across its supply chain. That began to change with the publication of an industrywide study on out-of-stock packaged media. That study, sponsored by Teradata, found that new releases represent approximately 60 percent of total DVD revenue. What's more, the bulk of that revenue is generated within a very brief time period: The first eight weeks after release accounts for 85 percent of a new title's sales.

To capitalize on those first few critical weeks, the studio needed to strike a delicate balance. On the one hand, it was expected to deliver enough stock to satisfy demand during the all-important new-release window. But if it delivered too much product to a retail location, the overage would be returned as a loss.

The conclusion was clear: To maximize profit and maintain competitiveness in the shrinking DVD market, NBCUniversal needed to implement a more robust, dynamic system for predicting consumer demand.

GETTING THE FORECAST RIGHT

RIGHT SOLUTION: MAXIMIZING PoS WHILE KEEPING INVENTORY UNDER CONTROL

NBCUniversal began searching for a demand-chain management solution that would maximize point-of-sale (PoS) transactions without increasing inventory. It also wanted a solution that would be minimally disruptive from an IT perspective—a system that would integrate seamlessly with the company's existing infrastructure.

NBCUniversal worked closely with Teradata to formulate a proof of concept that would test a broad set of scenarios based on a representative list of 17 movie titles. Each of those titles would be closely tracked over a 14- to 18-day sales period with crucial help from Teradata® Demand Chain Management technologies.

The proof of concept confirmed that Teradata could deliver on NBCUniversal's objectives by providing improved forecasting capabilities, an easy-to-use interface, and full integration with the company's existing IT environment. NBCUniversal quickly agreed to move forward with a complete implementation.

RESULT: IMPROVING SALES FORECAST ACCURACY BY 15 POINTS

Today, the studio can look at a title coming out on Blu-ray and forecast how many units stores will move in a given week. For example, it predicted the sci-fi film *Oblivion* starring Tom Cruise would sell 86,000 units in week two of the release. The actual figure? Just about 87,000 units. For NBCUniversal, that level of precision is simply becoming the norm. Since implementing the Teradata solution, the retail operations group has taken the mystery out of product performance, realizing a massive 15-point improvement in the accuracy of its sales forecasts.

For NBCUniversal—and all content owners looking to protect physical media businesses while growing digital ones—the ability to optimize the demand chain was a key step in ensuring maximum revenue and profitability across all channels. Going forward, the studio will continue to adjust its model as it navigates new terrain in the ever-changing media landscape.

For more information on next-generation solutions for the entertainment industry, visit www.teradata.com/industry-expertise/media-and-entertainment.



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