RelishMIX: Building Social Media Management Tools for Hollywood

The traffic was nothing out of the ordinary. It was only a minor nuisance for Marc Karzen, entrepreneur and entertainment industry veteran. Karzen sat in his car on Los Angeles’ notorious 101 freeway listening to the alternate routes that Waze, a mobile, social navigation application, suggested he take to avoid the worst of rush hour traffic. He had grown quite fond of the mobile app, which utilized user-generated traffic updates to provide real-time alerts and suggestions for more efficient routes; to Karzen, it was the perfect example of the value created by leveraging online social networks. As the CEO and founder of Relish, Karzen understood the power of these online communities. His company helped television production firms manage their marketing presence across various social media platforms like Facebook, Twitter, and YouTube—an increasingly important part of the promotional mix for entertainment companies. It was no coincidence that every billboard he drove past featured Facebook and Twitter icons encouraging people to engage with communities of like-minded fans.

“Social media is something that entertainment execs just haven’t quite figured out yet,” said Karzen. “Our software is the solution for social media for television.” The RelishMIX software was designed to help manage television production companies’ and networks’ digital media assets across prominent social media platforms. These videos and photos—along with their accompanying descriptions and other textual content—could be scheduled for publishing, distributed to multiple sites, and tracked for social interactions from one online tool. In addition to functionality that helped manage these marketing assets, the software included real-time updates on success metrics such as Nielsen ratings and the levels of community engagement linked to a show’s online social presence (comments, “likes”, shares, downloads, and purchases). As a TV industry veteran with experiences ranging from filming commercials to producing TV shows, Karzen was confident of the value that his product could create for producers and broadcasters.

It was the summer of 2014 and the entertainment industry press was shining its spotlight on RelishMIX. Ever since Deadline Hollywood discovered RelishMIX’s insightful social media engagement analysis of February’s Super Bowl movie ads, things had changed for his small company.
Karzen believed he could feel the momentum propelling his business from start-up to high-growth mode. Though most of Karzen’s work focused on TV shows, it surprised him that this newfound source of notoriety regarded his start-up’s analysis of film. Just eight months ago, RelishMIX was struggling to get email addresses from networks and studios, and now, the team could hardly keep up with the influx of calls. Although business was brisk, the application was still not fully packaged into a single, sellable software solution. While Karzen had hoped RelishMIX would earn 25% of its revenues from consulting services and 75% from selling software, the opposite held true at the moment. The RelishMIX team was still refining crucial components of its product offering, which they customized according to each of their clients’ demands. Karzen was confident that they would soon zero in on the winning solution, but each all-nighter spent working on slides for a modestly-priced client presentation deterred him from fulfilling the destiny he envisioned for RelishMIX: an automated software solution. Karzen knew that it was time to streamline the product offering and scale what he hoped would be the next big television industry hit.

The New Entrepreneur: Ready for Prime Time?

In 1981, Marc Karzen started his career in television at NBC working as a photographer for Saturday Night Live and Late Night with David Letterman, shooting talent photos and still images that served as breaks between sketches and other segments. Those years of creating on-air art for television programming gave Karzen exposure to the advertising business, the main source of revenue for the networks. “One thing that I learned from all this exposure to advertising and television was the huge importance of measurement and analytics,” said Karzen. “Companies like American Express measured all their advertising efforts and gained valuable insights that shaped their marketing strategies.”

Karzen started Karzen Communications, a bootstrapped digital production company, in 1995. Drawing upon the founder’s experience of over a decade working closely with television photography and advertising, Karzen Communications specialized in producing television commercials and opening credits sequences for TV shows. However, the rise of personal computers, digital graphics, and editing tools enabled scores of new competitors to enter the field in the late 1990s; Karzen closed his business when competition flooded the marketplace in Los Angeles, making it much more difficult to win bids for new business. In addition to his ventures in television, Karzen dove into the nascent Internet start-up community. Given his personal interest in equestrian sports, he launched an equestrian online social network in 1999 called “Saddletude,” a term denoting the attitude that riders get from being in a saddle. A board member of the US Olympic committee funded Saddletude after it had generated a sizable online audience. The business was going to be sold to a larger media company, but the bursting of the Dot Com bubble in 2000 effectively killed the acquisition.

In January 2002, Marc Karzen drew on his experiences in television to start Relish Productions, a production company that created reality TV series, commercial promos, and marketing campaigns. At Relish, Karzen produced a television show called Stringers, a program that aired on Court TV (later renamed TruTV) that followed freelance video journalists on their action-filled pursuits to capture the perfect story. In addition to these programs, Karzen oversaw the production of promos that were featured on the Discovery Channel and the Jewelry Television (JTV) channel. While leading
Relish Productions and working with his clients in the 2000s, Karzen had a bird’s eye view of the television industry and the technological changes that had potential to obsolete the aging practices of popular networks.

The Digital Water Cooler: Entertainment and the Rise of Social Media

As he built his production ventures, Karzen paid close attention to how the emergence of the Internet impacted existing media players. In particular, he studied the shift to digital formats and the power of the Internet to generate buzz. In 1999, the movie The Blair Witch Project, an independently produced horror film, was the first entertainment property to achieve a major marketing coup by leveraging the power of online communities and “viral” marketing. The film’s marketers developed this fan fervor by releasing fake police reports describing haunting events that took place in the movie, sparking thousands of conversations in online forums. The movie went on to gross approximately $250 million, making it the most successful independent film of all time and proving the ability of the Internet to “move the needle” for entertainment properties. “The Blair Witch Project literally came out of nowhere,” said Karzen. “Trust me, after this, executives started to pay close attention to online marketing initiatives.”

With the rise of digital media, web-based communities emerged on social networking sites such as Myspace, a site that launched in 2003 to connect people primarily through their common interest in music. Social networking sites like Myspace enabled people to instantly broadcast their thoughts and opinions to hundreds of like-minded peers, creating an unprecedented platform for consumer, Internet-enabled, word-of-mouth influence campaigns. Other platforms soon followed suit, most notably Facebook in 2004 and Twitter in 2006.

Karzen noticed the impact in the TV industry. Online communities engaged in both positive and negative conversations about the television programs that they watched. These conversations went unmonitored by the production companies and networks that created and/or aired this content, which Karzen believed was a mistake. “People were bashing programs online, which was ruining the shows’ brands. For the first time in history, there was a new way to measure audience engagement with shows beyond the Nielsen ratings and focus groups, but no one was doing anything with it,” said Karzen. “The simple truth is that even if the production companies and studios wanted to do something about it, they were clueless about social media.” In 2009, Karzen decided that Relish Productions would focus more of its resources on understanding the inner-workings of the social web and how it could be leveraged to promote TV properties.

The array of social media platforms created a rich environment for marketers across a variety of industries to reach audiences (please see Exhibit 1 for data on U.S. social media usage). According to eMarketer, a digital market research firm, the advertising spent on social media platforms in the U.S. was projected to grow from $4.67 billion in 2013 and reach $6.92 billion dollars in 2014, which would represent 13.6% of total digital advertising revenue (please see Exhibit 2 for ad spending targeting Internet users). These advertising efforts were projected to reach 173.2 million social media users, or 68.5% of all Internet users in the U.S. in 2015.

Facebook, Twitter, and YouTube were the digital platforms most utilized by fan communities to engage with television content online. Before production companies and networks started actively developing their own Facebook pages to support their shows, fans created Facebook pages to host discussions, employed Twitter to express real-time opinions and commentary while watching shows, and engaged with relevant video content on YouTube. At Relish, Karzen crafted media campaigns for his own projects across all the major social media platforms, analyzing how each was being used within fan communities to discuss and engage with television content. In 2009, he began to leverage his experience working with social media by building Facebook community pages for clients in the
television industry. Karzen worked to convince media executives not to just message online fans via advertisements—rather, he urged them to pursue a deeper level of fan connection and interaction.

Another major issue that Karzen encountered while serving his clients was the disjointed efforts of production companies, networks, and studios to manage all the digital assets related to their programs. Content such as video clips, images, and descriptive copy (quotations, plot synopses, etc.) was largely left to fan communities to circulate in an unorganized way across the social media platforms. “Each show had an entire library of content that could be shared with their fan bases and synched up with episodes, but it wasn’t being utilized in an effective way online. This was a complete waste of an opportunity to create a more engaging online experience around a show,” said Karzen.

Social Impact

Karzen saw early success in his social media consulting efforts, particularly in his work with Jimmy Kimmel Live, ABC’s late-night talk show, in 2011. He helped the program optimize the distribution of its library of digital assets and create an online community on YouTube. In the year that he spent consulting Jimmy Kimmel Live on its digital presence, the YouTube channel gained over 250,000 subscribers and in excess of 400 million video views. This was a clear victory for Karzen and his team at Relish, validating the need for a software product that could efficiently manage a show’s content online. “My job consulting television shows would have been much easier if I had the tools I needed,” commented Karzen. He searched for a way that the Relish team could provide value quickly instead of spending hundreds of hours consulting and interpreting data.

In addition to helping television properties manage their digital presences, Karzen saw another opportunity to create value for the network side of the television industry: measurement tools. “Sure it’s great that we could build these online communities, but what did they mean for business? Executives wanted to know how any of this digital nonsense was actually moving the needle on their business objectives,” said Karzen. “This was a huge problem worth solving for a big industry.”

Television Production Industry

Karzen knew well the scope of the TV industry—and the value he could create if his product could drive ratings and market share growth for TV producers and networks. According to the market research firm IBISWorld, the television production industry in the U.S. was projected to reach revenues of $37 billion per year in 2014 (please see Exhibit 3 for U.S. media industry revenues) and was forecast to grow at 3.7%, mostly driven by rebounding advertising expenditure and demand from television broadcasting.

Within the television industry, producers sold their ideas to networks and were generally paid for production costs plus royalties. The networks distributed the first-run content via over-the-air broadcast, cable, satellite, or other platforms. Historically, this distribution occurred primarily through cable and satellite companies, but was shifting to digital and mobile devices.

Television Production Companies

Karzen understood the structure of the television industry and the costs associated with producing shows intended for sale to the networks. Television production for network broadcast was a costly process that ranged from the low hundreds of thousands of dollars to $6 million per episode of major productions such as Game of Thrones, a hit fantasy drama series that aired on HBO. The average cost of a network scripted show was $2 to $3 million, which included the expenses for everything from salaries to office supplies. With these high costs of production and increased competition in the marketplace, buzz in online communities became a critical piece of evidence in determining the
popularity of a show. “Now more than ever before, producers need to properly market their shows to increase their chances of succeeding beyond the first season,” stated Karzen.

Television production took place on many different levels, from independent television producers to the biggest production television production companies. The largest players in the industry included Twenty-First Century Fox Inc., Warner Bros. Television, Sony Television, NBCUniversal, Viacom Inc., and The Walt Disney Company (including ABC Studios). These companies produced approximately three to five new television shows each year. These productions were usually distributed through the biggest television networks and were most commonly featured during the prime time slots with the largest audiences. Smaller scale television production companies created television shows for cable networks that catered to defined, niche audiences. A few independent firms also succeeded in the marketplace due to the rise in popularity of reality television programs, which had lower production costs. These shows were often purchased by networks and inserted into arbitrary time slots with little marketing support upon release.

### Television Networks and Distribution

Networks had proliferated since the 1980s due to the expansion of cable, satellite, and other distribution methods. They set schedules for shows and attempted to find viewers for them, often setting aside the most valuable time slots for shows with bigger budgets and prominent actors. Their business model relied primarily upon advertising featured in the commercial breaks in programming. Major networks included ABC, CBS, NBC, and FOX. Other networks such as MTV, ESPN, and Nickelodeon had risen since the dawn of the cable age. While they produced some of their own programming, much of it was bought from major television production studios and smaller third-party production houses. With the audiences increasingly viewing their shows on different devices via broadband Internet connections, their primary source of revenue was in jeopardy because advertisers paid for ad space based on audience sizes calculated with Nielsen ratings, a metric that only counted live viewership.

“For 60 years, television shows lived and died by one number,” said Karzen. “The Nielsen ratings were king.” If a show performed poorly in Nielsen ratings, it was cancelled. Karzen knew that these numbers did not accurately capture the viewing patterns of the modern-day consumer. A consumer could view program on DVR after it initially aired or on different devices such as computers, tablets, and mobile devices. “Nielsen ratings only captured the viewership on the date a program aired on television,” said Karzen. “To base the decision of canceling or extending a show solely on this number left networks vulnerable to making costly errors.” Karzen was determined to provide additional metrics that could show studio executives the reach of their programming beyond the traditional living room viewership.

### New Services, New Patterns

Viewers could more conveniently access television content across a wide range of websites and devices using, for example, a service such as Hulu, a web-based platform that allowed users to view content for free with advertising. In 2013, it was reported that Hulu generated over $1 billion in revenue and reached five million paying subscribers, up from $695 million in revenue and four million subscribers the previous year. Comscore, a leading Internet analytics company, reported that in March of 2014, video ads reached 54% of the total U.S. population an average of 170 times with Hulu delivering the highest frequency of video ads per month at an average of 82 (please see Exhibit 4 for data on digital video viewing patterns). “There’s really no way around it,” said Karzen. “If you look at the data on the time people spend on their computers versus their TV sets, the Internet and connected devices are the future of content distribution.” To Karzen, this confirmed the need for
content creators and distributors to effectively manage their presence online, where more and more people viewed their shows.

With the growth of the online streaming trend, millennials and other viewers progressively transitioned to viewing their favorite shows and movies on Smart TVs, tablets, or computers. Aside from Hulu Plus, digital viewing audiences chose from two other major web-based, ad-free streaming options dominating the marketplace: Amazon Prime and Netflix. While both Hulu and Netflix priced their services at $7.99 per month, Amazon Prime set a yearly fee of $99. Each platform differentiated itself with various original shows, streaming selections, and first-run episodes but with 35.7 million subscribers as of April 2014, Netflix captured the largest market share. These new viewing platforms made it difficult for traditional outlets such as Nielsen to track viewership as users could start, stop, and binge-view a number of any episodes at their leisure.

**Building RelishMIX**

In July of 2011, Karzen approached Jon Cooper, a network executive who had helped Karzen sell the reality television series *Stringers* to truTV, in order to get funding to build RelishMIX, the software product inspired by his social media consulting work. With Karzen’s expertise guiding the design of the product, the new effort would focus on building a software solution for television brands to manage their own online media presences, including an analytics package to measure the popularity of a show’s digital presence. Cooper had worked in television production and business development for over twenty years at companies such as Disney and Cartoon Network and could clearly identify the changing nature of the television business. “Some networks have over 30 shows on air, but their internal marketing teams are only promoting the hits and newer shows,” said Cooper. “The networks would basically throw things out there online and hoped that something would stick.”

Both Cooper and Karzen knew that a producer’s work was not over after her show was sold to a network; they believed producers needed to promote their shows by effectively leveraging audience buzz online to increase the chances of the network renewing their programs for additional seasons. Audience buzz and loyal online communities had bigger implications for smaller production companies that sold only one or two shows per year. Each project factored heavily into the success of these smaller businesses. On the other hand, networks had the luxury of taking risks on shows in an effort to find the next big hit. If a network show failed, one of several hundreds of shows pitched to these networks could replace vacant programming slot.

After several months of conversations, Cooper invested $50,000 of seed funding into Karzen’s proposed software product. He believed that Karzen’s expertise in the television industry would be critical to competing against generic social media monitoring and management products that did not present data in a context relevant to television. “The long list of options that studios had to choose from for measuring key social metrics were all technologies from Silicon Valley and not Hollywood technologies. They’re sending some tech guys down from San Francisco to take meetings with production companies, whereas we just know how everything works in this town,” stated Cooper.

**Product Development**

After acquiring the seed funding, Karzen recruited a software developer. He hired Trevor McDermott, a 23-year-old family friend and computer programmer, as a contractor to develop a prototype. The RelishMIX product was designed based on a competitive analysis that Karzen performed on existing solutions in the marketplace. “Our competition focused on specific types of analytics like analyzing YouTube or Facebook, but missed the bigger picture of analytics that the TV industry wanted,” stated Karzen. “One product, called the Television Maximizer, featured analytics like online audience sizes and engagement on the top 500 shows on television, which could serve as a
benchmarking tool for marketing execs, producers, and networks.” The analytics portion of the product would provide the necessary insights to content creators and networks about the performance of their social media strategies and the popularity of their shows beyond traditional Nielsen ratings.

The analytics included the overall reach of a show, which was defined by the total number of fans on social media platforms following a show and all the stars involved in the project. Another metric included in the analytics package was the audience engagement percentage, which was measured by taking the total number of online conversations and interactions, such as shares and clicks, and dividing by the total social media reach of a show; in essence, this helped determine whether the online community of a show was active or passive. Features in the product allowed users to view these critical metrics across custom date ranges, specific social media platforms, and individual platform accounts. “Basically, we wanted to create the ultimate analytics tool to allow analysts to manipulate and leverage the data in whatever way they see fit,” commented Karzen.

Network executives could leverage the social data to inform their decisions about extending the contract for shows. Research was beginning to show the correlation between social media conversation volume and ratings. In 2011, a Nielsen study showed that a nine percent increase in social media comments in the weeks leading up to a season premiere correlated to a one percent increase in ratings. Another way that network executives could leverage social media data was through the web traffic generated by digital assets. In some cases, this web traffic was enough to generate advertising revenue from platforms like YouTube and Hulu, which changed the way the industry treated social media. Social media was becoming more than a publicity and fan feedback platform—it was also becoming an independent revenue opportunity in and of itself as more and more entertainment properties monetized their online presences via advertising or other methods (please see Exhibit 5 social network ad spending worldwide).

Both producers and the networks could also leverage the content management system in the RelishMIX software to administer the hundreds of digital assets that appeared across entertainment brands’ social media platforms (please see Exhibit 6 for a screenshot of the RelishMIX software). The content management features allowed whoever was managing a show’s digital content to publish material to Facebook, Twitter, YouTube, and other platforms directly from the RelishMIX software suite. Rather than managing and tracking the performance of each piece of content on their respective social media platforms, the software created a centralized suite with this functionality.

Testing and Iteration

Once the initial prototype was completed, Karzen reached out to his former colleagues in the television production industry and asked them to test the product. This created the customer feedback loop needed to inform product feature decisions. Features that were not being used were either abandoned or re-engineered. “Our users would come back to us and say ‘Hey, we love this feature, but we wish we could do this new thing with the data,’” said McDermott. “At this point, half our features are customer requests and the other half are from us thinking about what the customer would want in the future.” For example, McDermott predicted that customers would be interested in seeing data on specific keywords on Twitter related to television shows. This feature would give producers and network executives an idea of how buzz-worthy their content was amongst their audiences.

The product development process was based on a seven-day cycle that utilized an internal development version of the product and a live customer version. Each week, McDermott would build a new feature in the internal development environment. The latter half of each seven-day cycle was then used to fix bugs and tweak existing features based on customer feedback. On the seventh day, the new features and alterations made in the development environment were pushed to the live
customer version for user testing. “There’s never technically a time when the product is 100% complete,” said McDermott. “Our product is always a work in progress.”

Karzen also regularly met with network executives to receive feedback on the analytics portion of the RelishMIX software. “The executives would tell us that the product still needed features X, Y, and Z,” said Karzen. “We were pretty much banking on the fact that if we build exactly what they ask for, they wouldn’t be able to say no to the product.” He intended for these executives to become his first set of paying customers and hoped they would get hooked on the product, becoming dependent on RelishMIX. Karzen believed that willingness to pay for the software was a key indicator of his product’s viability in the marketplace.

As the RelishMIX team created the code for their software product, they soon encountered several limitations in the development process, which drove Karzen to develop relationships within the social media analytics industry to bolster RelishMIX software’s technology. They partnered with social media monitoring companies to provide some of the analytics that were displayed on the dashboard of the product. One such company was TweeterStats, a company that focused entirely on monitoring key words on Twitter. This data was used in the RelishMIX software as part of the overall social media analytics dashboard.

**Business Development**

Although establishing relationships with key industry partners was a priority, Karzen realized he needed to also focus on directly engaging with entertainment industry decision makers. As he sought to fill the role of Business Development Lead, Karzen was introduced to former-ICM-agent-turned-producer Nicholas Reed. The two developed a mutually beneficial relationship; Karzen recognized the opportunity presented by Reed’s linkages within the entertainment industry, and Reed employed Karzen’s social media expertise to help find an audience for his 2014 Oscar-winning documentary, *The Lady in Number Six*.

With first-hand knowledge of RelishMIX’s capabilities, Reed took on the task of business development and inserted himself into most of Karzen’s meetings with prospects, listening in and identifying key customer pain points in each situation. More often than not, the RelishMIX team entered the scene after its competitors had already delivered erroneous tracking insights, and as Reed put it, network executives would ask RelishMIX to “help clean up the mess.” Karzen was continuously tasked with proving to studio and network executives that he had a differentiated product—one that could provide value that others failed to. As Reed noted, most networks used a plethora of social media analysts, but were often left unimpressed and confused by results:

>*At the moment, most networks are using different companies to analyze different social channels. Someone’s tracking Twitter, another guy is watching Facebook. To quote an executive, I keep getting told, ‘The last thing I want is another [expletive omitted] report. I’m going to shoot myself.’ All they really want to know is: what does the data mean and what do I do with it?*

Dealing with frustrated and eccentric personalities had become one of Reed’s greatest skills after working in the entertainment industry for over 20 years. A former British Royal Navy pilot and Hollywood talent agent, Reed embraced the sales leadership role. He worked with Karzen on establishing an identity for RelishMIX and setting clear expectations for its customers. Reed found that TV networks and studios were plagued with several issues including how to engage millennials and their vastly different viewing patterns as compared to traditional audiences and how to gauge an extremely valuable but elusive metric: the *intent* to watch certain programming.
The Competition: Social Media Analytics Platform

As confident as Karzen was in the value of his product, he saw the competition he faced in the marketplace. Twitter, one of the main social media platforms RelishMIX tracked, had grown its analytics expertise through acquisitions of Trendrr and Bluefin Labs in 2013. Trendrr, founded in 2004 by former Sony executives, helped networks, television studios, brands, and media agencies understand audience engagement across different devices and services. The Trendrr technology platform mined through and analyzed millions of social activities and then provided meaningful insights about what TV audiences were saying on the Internet. Founded in 2008, Bluefin drilled down into specific moments on television and ran “affinity analyses,” which allowed advertisers to figure out preexisting affinities between TV program audiences and brands. In contrast to RelishMIX, Trendrr and Bluefin focused on Twitter metrics and creating value for advertisers by helping them improve ad targeting. Karzen focused on creating tools that provided wider insights about the popularity of shows for the companies that created and distributed them—the production houses and networks. He often talked about being in the business of creating new television metrics.

Bigger players had also entered the fray. In June 2010, Nielsen partnered with global consulting giant McKinsey & Co. to create the social media consulting company NM Incite. NM Incite combined its social media monitoring software with McKinsey management consultants to provide strategy services influenced by social media data and analytics. Although they offered a service and software combination very similar to the RelishMIX software, Karzen noted that they were not a television-focused business. Their product features and services were not designed to service the television industry alone.

Another headline-grabbing company in the nascent social media management and analytics segment was Buddy Media, founded in 2007. The company had developed a comprehensive solution that helped brands build and maintain relationships with their customers on social media platforms. This platform was quickly adopted in the social media milieu, garnering eight of the world’s top ten global advertisers—companies such as HP and L’Oreal—as clients. The software suite included social media management tools that enabled marketers to schedule the distribution of digital content across a brand’s social media properties. In addition to these tools, the Buddy Media platform also included robust analytics and data measurement tools to optimize the content and communications on the social platforms. Salesforce acquired buddy Media for $689M in June of 2012, marking the arrival of social media as a legitimate portion of the modern marketing mix in the eyes of many industry observers. Other products like Hootsuite and Tweetdeck performed similar functions, but were available for free to users.

Entering the Market and Finding the Dollars

As of early 2013, most media properties were just beginning to consider employing robust social media management and measurement solutions, according to Karzen. “There was activity in the space, but it was still early days...perfect timing. This was only beginning to emerge as what you might call a ‘product category,’” he said. The company as a whole adopted the name of its signature software and went to market as RelishMIX. The venture would serve the needs of both television production companies and the networks, although Karzen preferred to focus on selling to the latter.

The RelishMIX software would entail a fairly significant investment for network customers. “The networks are where the big bucks are at,” said Karzen. “They’re accustomed to paying millions of dollars per year for Nielsen ratings information.” Similar analytics products like Omniture, an Internet analytics tracking software, sold individual accounts for $15-$20 thousand per user account to these networks. Karzen felt that breaking into this market was a bigger opportunity than that represented by production houses. However, he also faced more competition in the network market
from other social TV analytics companies like Nielsen’s SocialGuide and Twitter’s Trendrr. Facing fierce competition, Karzen maintained that the RelishMIX product boasted a much more extensive archive of social data than competitive products. While other analytics companies queried current data, RelishMIX had proactively gathered data since its inception on hundreds of the most popular television programs, allowing users to access social marketing statistics and benchmark with historical figures. The sales process and longer sales cycle also presented challenges to entering this market. “The reality is that there are far fewer networks than production houses that we could sell to and they certainly weren’t bustling through our doors to become paying customers,” said Karzen.

As Karzen contemplated the perfect position for RelishMIX in the marketplace, the brand began to gain recognition in Hollywood and across the country. An unexpected tidal wave of press coverage was kicked off by RelishMIX’s social media coverage of the 2014 Super Bowl (please see Exhibit 7 for movie spot analysis performed during the Super Bowl). Entertainment news source Deadline Hollywood praised Karzen’s product as a unique offering that tracked “marketing effectiveness across all networks using the metrics of social engagement.” As the article mentioned, Nielsen and Comscore were known to track hashtag information, clicks, and web traffic, but RelishMIX focused on consumer engagement across Facebook, Twitter, and YouTube. Deadline Hollywood noted the distinct offering that RelishMIX provided for advertisers: “It is calculating clicks, yes, but also collecting information about the length of time a user is actually engaged, do they watch the spot until the end, where do they engage, and for how long compared to another social network site.” In the months that followed, RelishMIX continued to gain attention as a reputable social media analytics tool as the company provided valuable insights on shows ranging from The Tonight Show with Jimmy Fallon to ABC’s Scandal.

Assessing the market, Karzen realized media industry executives interested in his software might come from one of two traditional departments present within most entertainment firms: Research or Marketing. “There’s an interesting dynamic right now brought on by technology, in part, and companies are reworking the reporting relationships between Research and Marketing,” Karzen stated. “Many companies are deciding which group should be leading this charge and what they should be spending overall.”

Different parts of the entertainment industry also had different concerns that shaped their research and marketing spending patterns. Case in point: motion pictures versus television. Karzen noted that many in the film industry cited $100 million as the “nice round number” that movie studios spent on outside research per year (though he believed it to be higher). While that spending level was significant, the investment in outside research within the television industry was at an even higher level. “TV execs need to be managing their shows on a more real-time basis. They might have 100 different shows per year on a major network, with about 30 in the rotation at any time. They are constantly tweaking schedules and trying to max out ad dollars, so they have to spend a lot more on research,” noted Karzen. He estimated that each of the five major broadcast networks spent around $15 million on outside research each year. Smaller cable networks also expended significant resources on research, though the structure of the spending varied greatly due to their very different programming and scheduling practices.

On the marketing side, the movie industry led the way, spending a tremendous amount to turn its new releases into hits. “Major studio films might get on average $35M or more as a marketing budget across a variety of platforms,” estimated Karzen. TV networks also invested a tremendous amount in raising the profile of its offerings, but since much of that media time was obtained via swaps and other arrangements, the exact investment level was more difficult for Karzen to ascertain.
The Plot Thickens

Karzen felt lucky that the press attention RelishMIX received in the last year had led to a flurry of activity, but he wondered if he and his team were taking the actions necessary to turn the company into a sustainable enterprise.

Services or Software: What’s in the MIX?

After establishing credibility and respect for the RelishMIX product, Karzen concentrated on keeping the start-up’s strategy true to his vision of becoming a software provider. The steep learning curve among clients using RelishMIX presented the largest challenge; currently, Karzen and his team dedicated most of their time interpreting the data for their clients. Karzen envisioned the RelishMIX technology developing to the point that clients could log in and analyze social media metrics themselves. For the time being, the RelishMIX team continued to spend most of its working hours as an analytics consulting firm rather than a software provider, delivering key insights to clients. The firm wanted to streamline its solution, but was faced with a vast array of customer demands, making it almost impossible to create just one offering that would please all of Hollywood.

Karzen and Reed did not always see eye-to-eye in this area, especially when the need arose to strike a balance between hand-holding and teaching the customer how to be self-sufficient with the RelishMIX software. While Karzen wanted to arm his clients with as much information as RelishMIX could provide, the ex-agent felt differently. “Executives shouldn’t have access to the data or they’ll get lost and never find the answers to their four or five overarching questions. As the sales guy, I’m constantly harassing Marc to add features to the charts and add more colors. If you give me a chart and I don’t know what it means in five seconds, get rid of it.” The goal, as Reed saw it, was to give customers digestible information they could deal with and take them with you on “the journey to dig down into the data and understand it,” instead of providing data dumps. If Karzen and his team did not deliver insights frequently in an easily interpretable form, they risked losing much needed revenues and clientele. However, could they scale RelishMIX if they were continuously selling customized services? Was the solution to spend more money on “productizing”? Should they stop selling services all together or only sell limited services and training sessions to those who purchase the software? These were all questions that Karzen asked himself as he considered the next steps for RelishMIX.

First TV...Now Movies and Games?

“We decided that we would very simply describe the product as a solution for ‘Social Networks for Television,’” said Karzen. “This messaging will clearly communicate to customers exactly what we are about.” Still, as firm as Karzen felt about the identity of his company and its benefits to the television industry, he could not ignore the recognition that RelishMIX was receiving in other industries. In June 2012, Relish exhibited its product at the Electronic Entertainment Expo, the flagship show in the video game industry with over 80,000 attendees each year. The product was greeted with praise from video game producers, with several of them asking Karzen if the feature set of the product could be adjusted to reflect video game sales performance metrics. “The features that they requested would require approximately 40-60 man hours of coding to start off,” said Karzen. “At this point, we have limited bandwidth so a decision to shift our focus is a huge dilemma.”

Karzen knew that pursuing other verticals would also require a shift in sales activities to companies in different industries, which included attendance at different types of trade shows. Karzen had raised the profile of his product in the film industry by providing valuable insights on movies such as Fast and Furious 6 and Man of Steel. By gathering data across the ‘Big 3’ (Facebook, Twitter, and YouTube), RelishMIX’s movie industry tracking system allowed clients to track activity
months before opening day, giving them the opportunity to identify key fans and influencers, and also compare social media activity to historical data of other wide-release features. Karzen believed he could equip executives and marketers at film studios with these capabilities, but wondered if he should shift his gaze from television to film. With the TV sector opportunity still in its infancy, Karzen needed to decide if pursuing the video game or film industries was worth expending the resources.

**Monetizing the MIX**

As of mid-2014, the 12-person Relish team (with several part-timers) generated quarterly revenues of over $250,000. But, Karzen wondered, if the company was garnering income commensurate with the value it was creating with its software, analyses, and consulting. Without a standard pricing structure in place, some television production houses were paying a $500 monthly subscription fee per show for access to the RelishMIX dashboard, while other television networks were paying up to $5,000 a month for Karzen’s team to “help fix the broken parts” and ultimately, increase ratings of nationally broadcast programs.

Both Karzen and Reed knew they needed to carefully approach the pricing issue as they continued to accrue additional paying engagements. The entrepreneurs felt that in order to be taken seriously, RelishMIX should not be priced too low. They had also heard that studios were tired of costly reports that failed to deliver valuable insights. The RelishMIX team was faced with the challenge of entering an atmosphere of misdirection and mistrust, created by other analytics companies that disappointed entertainment firm executives and personnel. Reed saw this environment as an opportunity to get customers “hooked”:

> What I’m worried about is them loving the system, so whether they pay me $1, $1,000, or $5,000, I want to take on a project that I know I’ll win on and they’ll tell me “Now, I can’t live without you.” We need to come in with a smaller number and just jump in because that’s the only way to engage and retain the customer.

Engaging a client’s attention, however, was different from capturing a client’s loyalty and securing valuable contracts. RelishMIX’s practice of over-delivering on small consulting engagements had been holding back the firm’s revenue growth. Karzen had proven with his consulting work that he knew how to effectively manage a social media presence for an entertainment property and now he felt he finally had the right software tool to execute these strategies. Finding a way to monetize without losing interest from customers was a difficult objective, yet Karzen remained confident that he could communicate the unique value of his product since it was “designed by a TV producer for TV producers.”

Another difficulty in creating a standard pricing strategy revolved around the value RelishMIX provided for television production houses, as compared with television networks. To Karzen’s knowledge, his company was the only firm in the world that had created a statistical repository on over 1,000 television shows. These historical data points could be leveraged by network executives to compare the performance of their programming to results from their competitors’ shows. Access to this data set was the main difference between the software package offered up to independent producers and the package offered to broadcast and cable networks. Karzen believed that this limited difference between the network and production house products could potentially hurt his chances of maintaining a price premium for the network TV analytics products. He noted, “The problem is proving to the networks that the data set and analytics that my product provides are worth as much as they pay for Nielsen ratings. Pricing my product properly for each of the markets will be a crucial decision,” said Karzen. “I don’t want to sound greedy, but we’re in this to be profitable.”

Karzen faced a critical decision in properly structuring the price of the RelishMIX product. He knew that the RelishMIX product was providing the most value to smaller television production
companies—which might live or die based on the success of one or two shows—but budgets were tight and he probably would not be able to charge nearly as much as he planned to charge the networks. Karzen debated how he would price essentially the same product for two different customers.

**Realizing the Potential**

Reviewing his colorful charts, Karzen prepared for his weekly meeting with Reed. The duo needed to discuss plans for their next meeting with one of the major four TV networks. Ratings had shot up by 20% for one of the network’s main dramas over the course of just two months, largely due to effective application of RelishMIX’s insights. Karzen knew RelishMIX could deliver, but judging by the size of his client’s marketing budget, he also knew he was leaving money on the table. Karzen wondered if this meeting, the sixth this year with this client, would be an appropriate time to revisit expectations, pricing, and custom services. He felt confident that the data analysis provided to the network was worth $5,000 or more each month, but he knew the client was only invoiced $1,000. He headed into the meeting with Reed, ready to discuss various options for this client—and for the future of RelishMIX.
Exhibit 1: U.S. Social Network Users and Penetration

U.S. Social Network Users and Penetration, 2013-2016

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Network Users (millions)</td>
<td>165.7</td>
<td>173.2</td>
<td>179.7</td>
<td>185.1</td>
</tr>
<tr>
<td>% Change</td>
<td>5.4%</td>
<td>4.5%</td>
<td>3.7%</td>
<td>3.0%</td>
</tr>
<tr>
<td>% of Internet Users</td>
<td>67.4%</td>
<td>68.5%</td>
<td>69.3%</td>
<td>69.9%</td>
</tr>
<tr>
<td>% of Population</td>
<td>52.4%</td>
<td>54.3%</td>
<td>55.9%</td>
<td>57.2%</td>
</tr>
</tbody>
</table>

Source: eMarketer, August 2014

Exhibit 2: Ad Spending per User, by Venue

Ad Spending per User, by Venue 2013-2016

<table>
<thead>
<tr>
<th>Venue</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital ad spend per internet user</td>
<td>$175</td>
<td>$202</td>
<td>$228</td>
<td>$255</td>
<td>13.3%</td>
</tr>
<tr>
<td>Mobile internet ad spend per mobile internet user</td>
<td>$63</td>
<td>$103</td>
<td>$138</td>
<td>$181</td>
<td>42.2%</td>
</tr>
<tr>
<td>Mobile ad spend per mobile phone user</td>
<td>$39</td>
<td>$70</td>
<td>$103</td>
<td>$144</td>
<td>54.2%</td>
</tr>
<tr>
<td>Social network ad spend per social network user</td>
<td>$28</td>
<td>$39</td>
<td>$49</td>
<td>$58</td>
<td>27.3%</td>
</tr>
<tr>
<td>Facebook ad spend per Facebook user</td>
<td>$22</td>
<td>$32</td>
<td>$39</td>
<td>$46</td>
<td>27.3%</td>
</tr>
<tr>
<td>Digital video ad spend per digital video viewer</td>
<td>$23</td>
<td>$31</td>
<td>$39</td>
<td>$46</td>
<td>26.9%</td>
</tr>
<tr>
<td>Mobile Facebook ad spend per mobile Facebook user</td>
<td>$14</td>
<td>$26</td>
<td>$34</td>
<td>$39</td>
<td>39.4%</td>
</tr>
<tr>
<td>Twitter ad spend per Twitter user</td>
<td>$10</td>
<td>$16</td>
<td>$22</td>
<td>$29</td>
<td>41.9%</td>
</tr>
<tr>
<td>Mobile video ad spend per mobile video viewer</td>
<td>$9</td>
<td>$16</td>
<td>$24</td>
<td>$33</td>
<td>56.6%</td>
</tr>
<tr>
<td>Social gaming ad spend per social gamer</td>
<td>$3</td>
<td>$3</td>
<td>$3</td>
<td>$4</td>
<td>9.4%</td>
</tr>
</tbody>
</table>

Note: 2014-2016 figures projected

Source: eMarketer, June 2014
### Exhibit 3: U.S. Media Industry Projected Annual Revenues 2015

<table>
<thead>
<tr>
<th>Media Type</th>
<th>Revenues ($ Billions)</th>
<th>Major Players/Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cable Networks</td>
<td>71.6</td>
<td>The Walt Disney Company, Time Warner, Viacom</td>
</tr>
<tr>
<td>Video Games</td>
<td>43.4</td>
<td>Microsoft Corporation, GameStop Corporation, Sony Corporation</td>
</tr>
<tr>
<td>Television Broadcasting</td>
<td>41.1</td>
<td>NBC Universal, The Walt Disney Company, Fox Broadcasting Company</td>
</tr>
<tr>
<td>Internet Publishing and Broadcasting</td>
<td>39.4</td>
<td>Google, Facebook, Apple</td>
</tr>
<tr>
<td>Television Production</td>
<td>32.6</td>
<td>Time Warner, 21st Century Fox, The Walt Disney Company</td>
</tr>
<tr>
<td>Movie and Video Production</td>
<td>31.0</td>
<td>The Walt Disney Company, 21st Century Fox, NBC Universal</td>
</tr>
<tr>
<td>Newspapers</td>
<td>30.6</td>
<td>USA Today, Wall Street Journal, New York Times</td>
</tr>
<tr>
<td>Book Publishing</td>
<td>28.8</td>
<td>Bertelsmann SE &amp; Co., Pearson PLC, Apollo Group</td>
</tr>
<tr>
<td>Radio</td>
<td>19.8</td>
<td>Sirius XM Radio, CBS Corporation, iHeart Media</td>
</tr>
<tr>
<td>Database and Directory Publishing</td>
<td>11.4</td>
<td>Yellow Pages, Dex Media</td>
</tr>
<tr>
<td>Major Label Music Production</td>
<td>7.6</td>
<td>Universal Music Group, Sony Corporation, Warner Music Group</td>
</tr>
</tbody>
</table>

Source: IBISWorld, 2015
Exhibit 4: Projected U.S. Digital Video Viewers

In Millions, 2013-2018

Source: eMarketer, August 2014
**Exhibit 5: Social Network Ad Spending Worldwide**

Social Network Ad Spending Worldwide, by Region, 2013-2016, in $ millions

<table>
<thead>
<tr>
<th>Region</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>$4,951</td>
<td>$7,296</td>
<td>$9,211</td>
<td>$11,168</td>
</tr>
<tr>
<td>Asia-Pacific</td>
<td>$3,279</td>
<td>$5,031</td>
<td>$6,811</td>
<td>$8,596</td>
</tr>
<tr>
<td>Western Europe</td>
<td>$2,477</td>
<td>$3,861</td>
<td>$5,135</td>
<td>$6,470</td>
</tr>
<tr>
<td>Latin America</td>
<td>$361</td>
<td>$542</td>
<td>$641</td>
<td>$759</td>
</tr>
<tr>
<td>Central &amp; Eastern Europe</td>
<td>$320</td>
<td>$405</td>
<td>$476</td>
<td>$540</td>
</tr>
<tr>
<td>Middle East &amp; Africa</td>
<td>$66</td>
<td>$108</td>
<td>$165</td>
<td>$221</td>
</tr>
</tbody>
</table>

Source: eMarketer, September 2014
Exhibit 6: RelishMIX Product Mix Screenshot
Exhibit 7: Social Media Engagement for Super Bowl 2014 Movie Trailers

Super Bowl Movie Spots: Winners and Losers
Combined 24-hour Social Media Engagement
Post Super Bowl 2014

<table>
<thead>
<tr>
<th>Movie</th>
<th>Engagement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amazing Spiderman 2 / Sony</td>
<td>1,769,020</td>
</tr>
<tr>
<td>Transformers 4 / Paramount</td>
<td>1,713,362</td>
</tr>
<tr>
<td>Captain America / Disney</td>
<td>1,643,659</td>
</tr>
<tr>
<td>Noah / Paramount</td>
<td>709,798</td>
</tr>
<tr>
<td>Need For Speed / Disney</td>
<td>287,780</td>
</tr>
<tr>
<td>A Million Ways To Die / Universal</td>
<td>189,993</td>
</tr>
<tr>
<td>Muppets Most Wanted / Disney</td>
<td>166,764</td>
</tr>
<tr>
<td>3 Days to Kill / Relativity</td>
<td>155,591</td>
</tr>
<tr>
<td>Draft Day / Summit</td>
<td>148,868</td>
</tr>
<tr>
<td>RoboCop / Sony</td>
<td>146,089</td>
</tr>
<tr>
<td>Non-Stop / Universal</td>
<td>51,394</td>
</tr>
<tr>
<td>Pompeii / Film District</td>
<td>34,023</td>
</tr>
<tr>
<td>The Monuments Men / Sony</td>
<td>20,806</td>
</tr>
</tbody>
</table>

Source: RelishMIX