

The \$1 Million Prize

Netflix launched the ultimate contest when it challenged customers and innovators to improve the company's ability to accurately predict movie preferences in the recommendation system by 10 percent. The prize: \$1 million. This was a challenge that Netflix scientists had been working on for over a decade and were unable to solve. It took three years for a group of seven team members from Austria, Israel, Canada, and the U.S. to develop the winning algorithms. The group of statisticians, software and electrical engineers, and researchers and was originally comprised of three teams that competed against each other but decided to join forces in the eleventh hour to collaborate and win. In fact, the submission was entered just 24 minutes prior to the conclusion of the contest in July 2009, nearly three years after the launch of the Netflix Prize.

The contest was truly innovative on several levels. Netflix released private data consisting of 100 million anonymous movie ratings rated on a scale of one to five stars. Teams and contestants formed their own groups, many collaborating virtually around the world. The winning team had never met each other until they traveled to New York to collect their prize. The \$1 million is a large sum to the winners, but was a relatively small investment for Netflix considering their own team had worked on cracking the code for over ten years. It's also a huge win for customers as the recommendation engine is one of the most important benefits of the Netflix service. Another surprising uniqueness of the competition is who owns the intellectual property. The winning team was required to publish its methodology so that other people and businesses could benefit. The team licensed its work to Netflix and is free to license it to other companies.²

The competition was so successful that Netflix immediately announced a second contest to win \$1 million prize. This time the challenge is much harder: To predict movie enjoyment by members who do not rate movies. Demographic and psychographic data will be provided to contestants who will compete in the 18-month-long contest.

When companies collaborate with customers to solve problems, it opens the door to accelerate innovation and customer experience on several levels. The ideas presented in this chapter can be applied to any business in any industry to improve customer relationships and add value to all stakeholders. Develop customer strategies with an open mind and creative spirit. When you allow customers to challenge you to improve service and experience, your company will be better as a result.

Except from the book ["Real-Time Marketing for Business Growth: How to Use Social Media, Measure Marketing and Create a Culture of Execution. Monique Reece, FT Press](#)