


Accenture Communications & High Tech Solutions

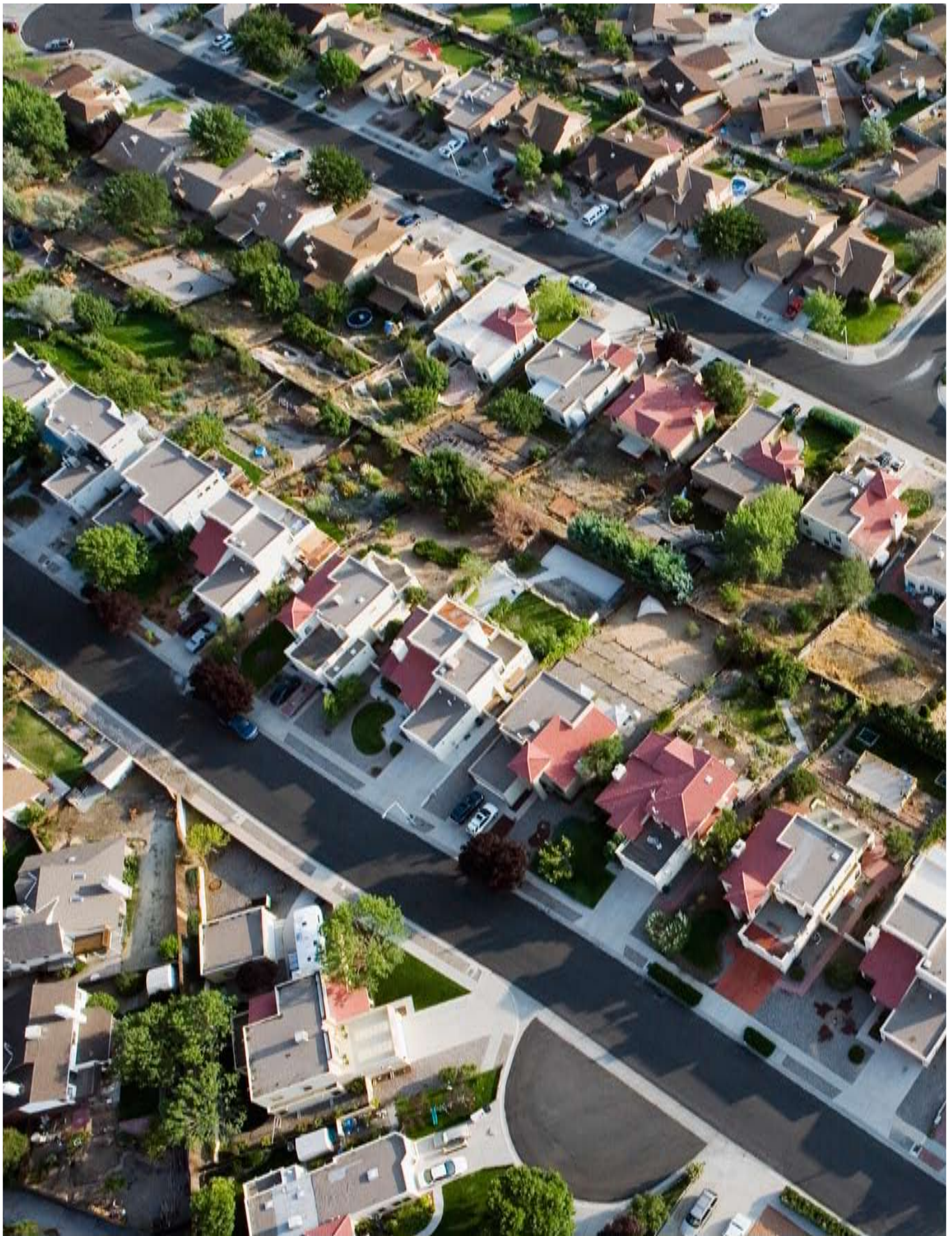
Mastering Social Ecosystem Marketing

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Summary:

New customer analytics and segmentation strategies for high performance in the digital age

A richer and more detailed understanding of customer segments is essential for achieving and sustaining high performance in the communications and high tech industries. Companies must understand more deeply the influences that social networks and household types have on customer buying behaviors. Such an understanding, paired with sophisticated analytic tools and dashboards, can drive revenue and profitability growth, as well as improved loyalty and customer retention. Based on Accenture's global research study into customer segmentation, new strategies are required to keep pace with consumer behaviors influenced by new technologies and services. Failure to invest in advanced analytics and associated customer strategies will prevent communications and high tech companies from achieving high performance.

Successful execution of a multi-play convergent strategy requires a multi-faceted segmentation strategy

At the dawning of the era of convergence, most communications, media and high tech companies are growing dissatisfied with the manner in which they understand, segment and market to their customer base. Historically, sales and marketing campaigns were designed to speak to a broad target customer segment, because customer data and analytics did not provide a sophisticated enough approach. Over the last decade, innovative service providers have begun effectively marketing to individuals, with a persuasive "segment-of-one" strategy aimed at higher purchase value and longer-term loyalty.

Today, companies must recognize that the segment-of-one strategy is fading as an effective approach—a result of changes in behavior that new technologies, especially the Internet, have had on consumers. Individual demographics are no longer an adequate way to segment, target and market. But is there a realistic alternative?

A global research study undertaken by Accenture explores new customer segmentation approaches needed in the digital, multi-play era. The study shows clearly that usage and customer buying decisions for communications services, content and devices are no longer driven simply by individual preferences. A number of new trends and influences are now increasingly important:

- The competition for share of consumers' attention is growing at an astounding pace. Consumers are being influenced by new channels, new technologies and new modes of interaction.
- Pricing packages are providing savings and better service utility for groups of users of the same network.
- The industry is moving to bundled or "multi-play" offers—double-, triple- or quadruple-play propositions including combinations of voice, video, data and mobile. Based on our work with clients, we have found that companies moving to multi-play propositions expect significant additional growth from new product revenues.

Compared to the 1970s consumers today place 50 percent more value on insights from their social network when making a purchasing decision.

- People are no longer simply passive consumers of entertainment; they are also active creators of their own content, which they then share across their social networks. Communities of interest, represented by offerings such as YouTube, are forming by the thousands each month, based on supply and demand for user-created digital content. These communities represent significant new potential customer bases and marketing audiences.
- New digital and Internet channels are connecting people in new ways and are dominating people's communications and entertainment time. These channels must be incorporated into the marketing mix to reach consumers and improve loyalty and retention.
- Consumers increasingly have the power to block many traditional marketing and advertising channels. Digital video recorders provide the capability to skip commercials; pop-up advertising on Web pages can be blocked; national do-not-call lists in the United States and privacy laws in the European Union can prevent or hinder telemarketing calls; people can remove their addresses from direct mail lists. These new consumer controls make the newer channels—and different marketing and messaging strategies—vital for achieving growth and high performance.
- Overall purchasing power within a household is more decentralized and difficult to categorize, which means that a deeper understanding of total household purchasing power is more important.
- Buying decisions are being influenced in more complex ways—especially by social networks and groups of users of digital products who may know each other only online. These networks and Internet-based influencers now help determine which products and services are “hot.”

Together, these trends point to the fact that it is no longer sufficient simply to know who a customer's “friends and family” are or how much bandwidth they consume. Now, it is equally important to know what kinds of activities and communications are occurring with whom, as well as, when, where, and how buying decisions are made across the household and social network.

Mastering ecosystem marketing requires a new approach to data collection, analytics and segmentation, to create and use a multi-faceted understanding of customers, their activities and their social networks.

To enable high performance, the sales and marketing activities of communications and high tech companies must now leverage more effectively the social nature of human beings. Every person in fact represents a network of relations, and both sends and receives influences along that social network.

Companies have been aware for years of the value of so-called "word of mouth" advertising. Research¹ shows that customers who are strong advocates for a brand (and who are also significant influencers within their social networks) also have high value to companies in terms of costs of acquisition, retention and service. The messages delivered by strong product advocates to others along their social networks are more credible because they are personal, immediate and relevant. In fact, some

research demonstrates that compared to the 1970s, consumers today place 50 percent more value on insights from their social network when making a purchasing decision.²

More focused word-of-mouth advocacy marketing programs are beginning to spring up. Tremor (from Procter & Gamble) and BzzAgent are examples of such programs, targeted at teenagers, to help develop product ideas and marketing programs. The goal of these programs is to create the "tipping point" experiences that result in exploding popularity of a particular brand.

As word-of-mouth programs become more effective, and as analytics deliver more detailed information, companies can not only tap into social networks, but tap into them at the most important points of influence. Some "nodes" along a social network will have more power than others because of the greater popularity of certain people—the level

of admiration felt for them, and the urge to imitate what they wear or the products they use.

In short, a segmentation strategy adequate for the digital age depends on understanding customers in motion: both consuming and creating digital content; interacting within an extended household and social network; using a variety of devices for work, communications and entertainment. In a converged, multi-play world, the individual's entire social ecosystem has become the basis for effective marketing. Mastering ecosystem marketing requires a new approach to data collection, analytics and segmentation, to create and use a multi-faceted understanding of customers, their activities and their social networks.



Richer segmentation is necessary and possible

As an example of the richer segmentation now needed, and of the insights it can provide, consider two of the groups identified by our segmentation study—a group that keeps up-to-date at all times with the latest devices and services, and another that is focused on more basic activities such as entertainment for a young family.

These groups have starkly different needs and preferences. The latter group is focused on television and digital imagery, and consumes a great deal of commercial content. People in this group are keen on family content solutions, due to the presence of pre-teen children in the household. When making their buying decisions they compare first and look at testimonials from other families, but are still heavily influenced by traditional channels such as TV.

An appealing vertical proposition for this group would, for example, provide strong sharing features and the related devices (e.g., mobile phones, PDAs, DVD recorders), bundled with innovative functionality, and offered with a decreasing cost structure based on number of users.

By contrast, the other group is looking for cutting-edge technologies and will buy new solutions and content as soon as they are released, often without the need for comparison and testimonials. These users are especially important because they become the early opinion leaders. They are generally younger and far more open to innovative propositions and communication styles. Due to their high interest in convenient connectivity with extended household members, they are always searching for smart, multi-faceted communication offers. Online and peer-to-peer marketing channels are the best way to reach these consumers with new solutions.

To achieve and sustain high performance in the years ahead, communications and high-tech companies must develop multi-layer, 360-degree analytics to understand these high-activity customers—their social networks and the influence patterns within them. Companies need to apply such extended analytics to tailor products and services, as well as customer experiences, to meet the new consumer expectations. Several imperatives are particularly important:

Understanding customers' social ecosystems will become an essential element of high performance in an IP world.

Understand consumer behaviors as they occur.

With services based on Internet Protocol (IP), new analytic tools and techniques enable behavior monitoring that is closer to real time, giving service providers the ability to rapidly identify customer-specific preferences for entertainment media and types of content. Awareness of these behaviors provides the opportunity to influence purchasing decisions, at the right moment, in ways most likely to trigger purchases. New decision tools must be developed and used—dashboards showing real-time, multi-play insights into customer behavior.

Leverage information across product categories.

Companies must look across cable, wireless, wireline, services, etc. to understand what devices and services consumers use to achieve their intentions and meet their needs. Different services and devices should no longer be viewed as separate commodities, but as integrated parts of a customer's entertainment and communications infrastructure. Companies must master multiple device worlds, correlating data from all the customer's devices and services, generating insights based on an integrated view of the customer.

Team with data providers and research companies to access and create richer customer information.

Supplementing internal data with information from additional external sources is now necessary to enhance the integrated understanding of the consumer across social networks and across an extended household.

Understanding customers' social ecosystems will become an essential element of high performance in an IP world. Content is exploding and the professional content industry is embracing IP as a delivery model. Marketing silos are breaking up, in favor of comprehensive push-and-pull solutions to customers. Companies that are slow to adapt appropriately to these new consumer behaviors are at risk of falling behind faster-moving competitors.

About the Accenture Digital Household Segmentation Study

To address the industry challenges created by new and evolving consumer behaviors in a convergent world, Accenture conducted a global Digital Household Segmentation Study. We surveyed consumers in the United States, Europe and Asia about preferences and usage of home entertainment, communications services and devices.

By combining study findings with Accenture's insights from global client engagements, we have developed a set of compelling insights about new and evolving consumer behaviors and the influences of households, social networks and new interactive technologies on buying decisions. These insights about consumer behavior changes, and the practical steps they suggest for implementing more effective business

intelligence capabilities, can help communications and high tech companies influence customer purchasing for profitable revenue growth.

Our study used factor and cluster analysis, along with other statistical techniques, to identify, test and validate the nature of eight distinct consumer segments across global markets.



ABC	ABC's World News (CC)	Local Programming
CBS	CBS Evening News (CC)	Local Programming
FOX	< Local Programming	
NBC	NBC Nightly News (CC)	Local Programming
PBS	Nightly Business... (CC)	NewsHour with Jim Le...
UPN	<< Local Programming	
WB	<< Local Programming	
i	< Bonanza	Green Acres
TELMUN	Noticiero Telem... (CC)	Vida de Blanco
UNO	Noticiero Univ... (CC)	Heridas de Amor

Sophisticated analyses looked at consumer trends and behavior patterns to understand how digital activity can be an indicator of buying preferences, and how a consumer's extended household and social network influence buying decisions.

The Accenture Digital Household Segmentation Study underscores the importance of understanding and being able to respond to:

- What kinds of digital activities are likely to be occurring for customers.
- How those activities help define a customer's network of relations.
- Which devices are preferred for which services.
- Who the important influencers are within the household and social network, and what that means for the types and intensity of digital activity for the customer and the customer's network.

- Why and how purchasing decisions within social networks are made.
- Armed with the sophisticated consumer models enabled by this Accenture study, and with powerful business intelligence solutions, companies can now have a competitive edge to attract and retain customers, grow revenue and achieve high performance.



From old to new— three transformational themes for consumer behaviors and segmentation

Accenture's Digital Household Segmentation research was conducted in two major phases. The first was an ethnographic study involving in-home interviews and a review of "entertainment diaries" kept by members of a household over the course of several weeks. In the second phase, we conducted quantitative research, leading to a comprehensive consumer model based on a sophisticated segmentation of digital entertainment and communications markets.

Our ethnographic research focused on seven types of activities:

- Extent of creation of digital content
- Intensity of usage of communications services and devices
- Computer use in the context of all activities

- High-activity involvement
- Extent of decentralized decision making
- Activity across an extended household and social network
- Influence of children in the household

The research findings, based on observations of people individually and in household groups in their own homes, enabled Accenture industry experts and thought leaders in marketing and customer analytics to identify transformations now occurring in the digital home and consumer landscape. Based on thorough analysis, we formulated and tested hypotheses about current and emerging consumer behaviors, to further understand those behaviors and to explain how some seemingly contradictory trends can co-exist in the same market.

The three hypotheses we tested center on important transformations in the overall ecosystem of consumer communications and entertainment—transformations that are already having a profound impact on how service providers plan and execute marketing campaigns:

Old: Marketing to individuals.

New: Marketing to individuals within their social ecosystems.

Old: Understanding customers as passive consumers of content.

New: Understanding customers as active creators and sharers of content.

Old: Focusing on individual, centralized decision making.

New: Focusing on collaborative, decentralized decision making.

Transformation #1

From individuals to households and social networks

Companies must now create and implement marketing strategies based on an understanding of people's active interaction within social networks and extended households, which they influence and by which they are influenced.

Based on findings from our research, the global communications environment—including mobile and fixed communications, television, new consumer electronics devices and, especially, the Internet—has made the understanding of “household” behavior much more complex than it was previously thought to be. Before, influences on a social network tended to be primarily local. Now, influences may come from anywhere around the world. The growing use of Internet chat rooms and blogs, for example, means that anyone with Internet access can influence purchasing decisions throughout the globe.

Teenagers are also having a much more profound effect on the communications and entertainment purchases of a household than ever before. Young people have embraced new media and communications technologies with such fervor that, in many cases, they are driving global adoption. Recent statistics, for example, show that large percentages of young people regularly engage in online activities such as downloading music from the Internet (64 percent usage), instant messaging (66 percent) or creating a personal website (32 percent). They are also increasingly likely to have DVRs, mobile phones and handheld devices that connect to the Internet.³

The imperative within this transformation is clear: to achieve high performance, communications and high tech companies must do more than simply understand that “family and friends” exist and that they make phone calls to each other. They must also understand the dynamic sets of behaviors among those entities across a wide range of digital activities.

Transformation #2

From content consumers to content creators

High-performance companies will capitalize on the strong emerging consumer interests in creating and sharing their own digital communications and entertainment.

The effectiveness of traditional marketing channels is changing as the impact of the Internet extends into more aspects of living. Traditional approaches for reaching mass markets, such as TV, radio and print media, must be supplemented (or replaced) by new channels such as content aggregation portals (e.g., YouTube), SMS broadcasts, podcasts and blogs. Each of these channels is built upon the active participation of consumers in the creation and sharing of their own digital content.

Personalized content created by consumers also can become an important part of their social networks, underscoring the impact of Transformation #1. Our research results show that families with young children will create personal content, but only share it with a small social network. As children get older, the social network grows and sharing expands beyond the immediate family structure. For example, many participants in our study are extremely active with podcasting—the creation of personalized audio or video files that are posted and shared via the Internet. These people have an expanding network of friends that communicates through these podcasts.

Understanding which consumers are active content creators, collaborators and sharers enables companies to achieve better focus with the composition, targeting and promotion of solutions and bundles. For example, households that participate in networks where digital photos are shared can be targeted with bundles that include a camera, photo-editing software, storage for digital photos and a subscription to a commercial image library.

The trend toward the creation and sharing of content has an impact on the growth of average revenue per user (ARPU). Consumers who are more active in digital content creation and sharing generally have a much higher ARPU than more passive consumers of traditional media such as television. Identifying these active consumers and targeting them with attractive propositions can improve revenues and profits.

Transformation #3

From individual and centralized decision making to collective and decentralized decision making

Companies must understand and influence how households make purchasing decisions based on their social ecosystem and within an overall household budget.

As more members of a household use their own mobile phones, Internet, instant messaging accounts, and so forth, reliance on the "household" wired phone and a single computer diminishes. This means that buying decisions become more complex, even over and above the complexity added by the heightened influence of extended families and social networks.

The Accenture Digital Household Segmentation Study has underscored the complex dynamics within households and social networks when it comes to buying decisions. Children, especially teenagers, are increasingly exerting a stronger influence on household buying dynamics. Studies have found that the buying power of children is doubling every 10 years. In the US, the direct buying power of kids is more than \$40 billion annually; they also influence \$146 billion worth of expenditures each year.⁴

Our research data shows that the segments with the most communications and entertainment activity are also those with the highest percentage of children. These segments also showed the highest amount of collaborative or decentralized decision making. Children are stretching the boundaries of the household and can be strong indicators for more relevant and nuanced marketing techniques. Companies must ask what kinds of propositions and product packaging are needed for segments that are heavily influenced by children and characterized by more collaborative decision making.

Successful companies will be those that maximize their share of a household's limited budget for communications and entertainment. Companies whose multi-play offers appeal to many within a household and social network can speak more effectively to the multiple parties influencing the ultimate buying decision.

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New segments for a convergent, multi-play world

Because of the power and urgency of these three transformations, a new approach to segmentation is needed. Service providers and high tech companies must now be able to differentiate between different types of customers: those whose behaviors have been affected by these transformations, and those who are moving more slowly.

Such differentiation—which supports the creation of more targeted offerings—is possible based on Phase 2 of the Accenture research, where we used statistical techniques and computer-based tools to test and prove the existence of new and distinct segments across the markets. We identified and characterized eight distinct household segments, present to different degrees across the globe:

Early Adopters

These high-value users are extremely interested in the “latest” devices and services. Although personal computers are a part of their lives, they are not heavy PC users. Early Adopters are primarily families and couples; they have the highest content sharing rate (66 percent) and can be reached through conventional channels, especially television.

Technocentrics

This segment is comprised of sophisticated users of technology and heavy consumers of entertainment. These households often contain teenagers, actively use entertainment/communications devices and services (especially TV), and rely on collective decision making. They are highly oriented to computers, and also use higher-value, IP-based services.

Convenience Consumers

This group, also called “simplifiers,” makes purchases based on “what’s in it for them.” They display a degree of ambivalence about the Internet—finding it useful, but not suitable for all their needs. Many within this segment are in households with no children. They have a low rate of content sharing (16 percent) and tend to make more individual buying decisions. Marketers looking to reach this group would most likely focus on things such as pre-packaged, inclusive bundles.

Companies whose multi-play offers appeal to many within a household and social network can speak more effectively to the multiple parties influencing the ultimate buying decision.

No Frills

These customers want just the “basics.” Although they are not necessarily antagonistic toward technology developments, such developments do not dominate their lives. Those identified in this segment tend to be at a lower income level, and are fairly minimal users of computers and TV; they see home-based entertainment as just another form of relaxation. Companies targeting this segment should be focusing on lower-cost, practical services rather than offerings with too many “bells and whistles.”

Family-Centrics

Members of this segment see the Internet more as a means of sharing and communicating than for creating content. They have less interest in leading-edge technologies, and are more prone to be interested in mainstream family TV and entertainment content offerings.

Socialites

Socialites see entertainment as a reward. They are personally involved in the creation and sharing of media content. Many in this segment are in households with no children, yet they also have the highest number of extended household members. Content-led services that reflect trends and fashions are most likely to be appealing to this group. For example, they may send a text message to members of their social network when the newest ringtones are available for download.

Entertainment-Focused

These consumers are a mix of couples and families starting out with young children, and tend to belong to a higher income segment. They are focused on television and digital imagery. Their focus is on entertainment for the family, and thus they often have concerns about the Internet because they are concerned about protecting children from inappropriate content. This segment will respond well to family-oriented commercial content offers that appeal to pre-teens.

Content Creators

This group is made up of heavy users of personal computers. They have embraced the latest technologies to create and share content, rather than just consuming off-the-shelf or downloadable content. Offers that provide content creation solutions will appeal to this segment.

Accenture's segmentation approach can propel companies toward high performance through more targeted offers and promotion campaigns.

This new segmentation approach provides a primary foundation that can propel companies toward high performance through more targeted offers and promotion campaigns. For example, Figure 1 compares the decision-making processes of the eight different types of consumers identified in our study. The data offers insights into the types of interactions along a social network that occur for these different kinds of consumers. The No Frills segment, for example, maintains a great deal of independence in decision making, while Technocentrics are much more collaborative.

What about the question of whether a household is comprised primarily of consumers of content or creators of content? As noted, that information can make a big difference in the campaigns and offers made to members of such a household.

According to our segmentation, Early Adopters and Technocentrics (see Figure 2) have a dramatically different profile, and are much more oriented toward the creation of digital content than are the other segments.

As noted earlier, tracking which segments are particularly active in their consumption of communications services, computing and entertainment is especially important, because higher activity levels translate into greater average revenue per user. As shown in Figure 3, Technocentrics and Early Adopters show high levels both of traditional TV-based activities, as well as computer-based activities. Content Creators and the Entertainment-Focused segment also show high levels of activity. Providers might target these segments with offers or promotions that leverage high media consumption—e.g., “buy three services and get one free.”

A number of comparative global insights are also made possible by the Accenture research (see Figure 4). Early Adopters and Technocentrics, for example, (33 percent of the addressable market) can be identified as the “leader” segments, with high value and involvement and a slightly younger profile. These segments are particularly strong in China and Korea, but are also part of the market opportunity in Europe and the United States. These consumers are already convinced of the value of digital devices and services. They create and share their own digital content and can be expected to be highly receptive to innovative new services.

Content Creators are stronger in France. Socialites show up more often in Korea and Germany. Family-Centrics are prevalent in Korea and Japan. Consumers in the Entertainment-

Focused segment—the highest income segment—are more prevalent in the United States, the United Kingdom, Korea and Germany. These consumers are frequently time constrained and so can be expected to be receptive to bundles and multi-play propositions that stress convenience and time savings. Service quality is also a high priority for this segment, so they may be willing to pay a premium price for higher-value service.

Korea and China in particular show a younger profile, with over half under 30, and with relatively fewer home-Internet users over the age of 40. This reflects rapid development in these markets which has had a notable impact on younger segments of the population. Companies should especially consider Internet channels to market to these younger consumers, but they should also look at continuing some of their traditional marketing for older consumers who are not online and who are not reflected in this Internet-based research.

Across the countries, Early Adopters, Technocentrics and Convenience Consumers (the leader segments) tend to have a younger profile, with key age groups 18-24 and 35-39 (some of these latter are younger parents). Also across the countries, Entertainment-Focused and Content Creators tend to have a slightly older profile but key age groups vary by country.

Figure 1: Extent of collaborative decision making, by segment

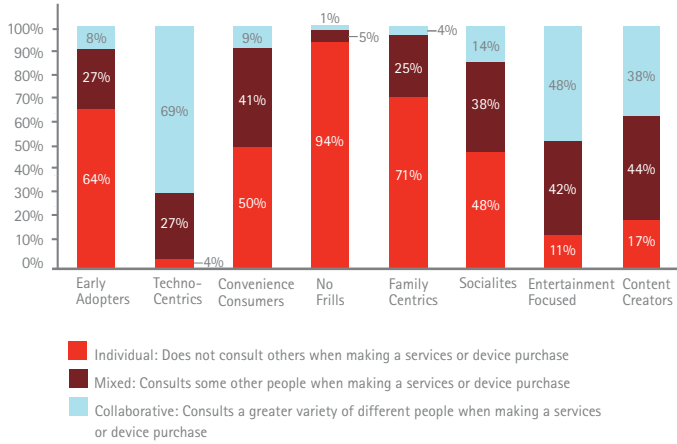


Figure 2: Propensity for digital content creation, by segment

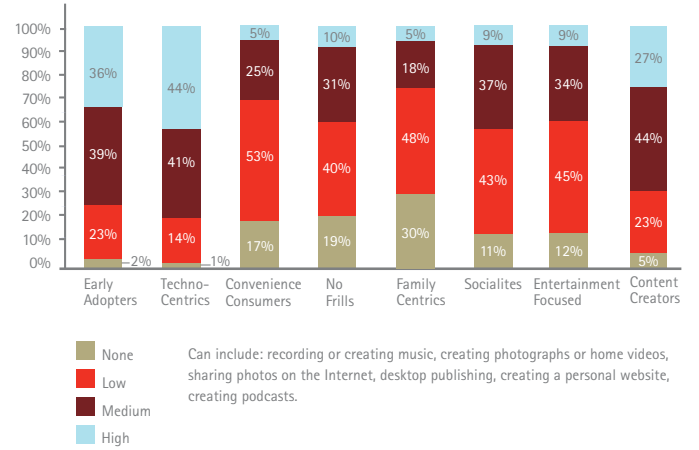


Figure 3: Consumer activity intensity, by segment

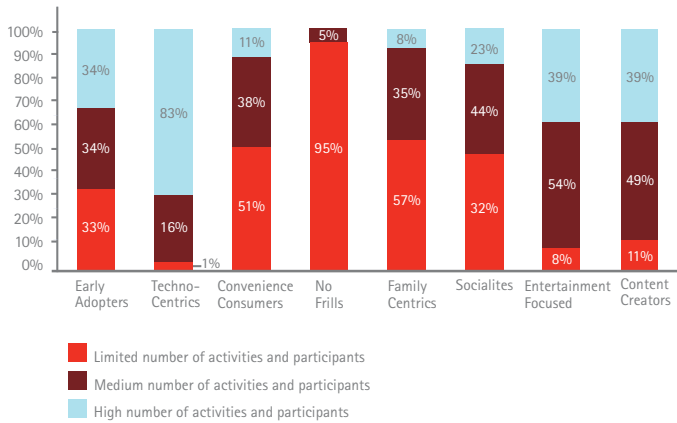
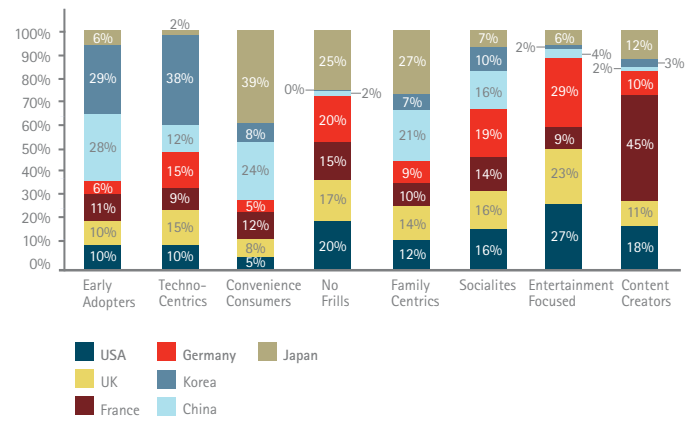


Figure 4: Country breakout by segment (weighted equally by country)



Implications for service providers and high-tech companies

Adapting existing customer marketing strategies to take advantage of the household environment and social ecosystem of the customer base is a challenge, but vital if companies are to differentiate their products and service offerings in the digital age and achieve high performance. Currently, many communications and high-tech companies do not have the appropriate marketing and insight capabilities in place to attain or leverage the perspective of the household and social network. The absence of household-centric segmentation capabilities can, in turn, negatively affect a company's ability to attain its revenue goals for convergent offerings and bundles.

In response to the findings from the Accenture Digital Household Segmentation Study, companies now must develop new capabilities and adopt new approaches. They must:

Understand customers "in motion."

Companies must devise ways to analyze customer activity, not just the types of devices owned by customers and the products and services they use. Organizations must develop new capabilities for real-time or near-real-time analytics. Those capabilities can help companies stay ahead of consumer trends—both generally and relative to individual consumers—so that new products and services are always there, waiting for a consumer in motion to evolve toward a particular set of behaviors and needs.

Think in terms of households.

Households and social networks are at the heart of selling advanced communications and content packages. The Accenture study shows clearly that the

buying decision process is much more household centric than individualistic. Companies must understand the household make-up in order to create and sell the right base package at the appropriate touch points. Providing flexible option packages can facilitate customization to all household members to shape offerings to their needs.

Establish "viral" household and social network marketing capabilities.

The household operates as a micro-community, one that is often influenced by one or more social networks within a larger community. Using a "viral" marketing approach to market to a community—where a message is delivered to one entity in the household or network, who then influences other members—spreads marketing messages more effectively than simply marketing to individuals. Creating offers to leverage this community perspective can yield improved results.

A key to success is to better understand the make-up of a household, the interactions of people within that household, as well as the importance of the larger social ecosystem.

Partner with other companies to create richer customer data.

Today, the effectiveness of marketing, sales and service depends on the quality of customer data. Calculating lifetime customer value, targeting and pursuing the most profitable customers, creating the right value propositions, creating targeted lists for marketing campaigns—all these capabilities depend upon the richness, accuracy and integrity of customer data, now understood as data about customers within a larger household and social network.

Combining internal and external data provides a more comprehensive view of the customer.

A key to success for companies, therefore, is to better understand the make-up of a household, the interactions of people within that household, as well as the importance of the larger social ecosystem. Such an understanding requires compilation of a richer and more robust household data set. Accomplishing this may necessitate alliances with new partners external

to one's own industry, to enable the sharing of customer data. This data sharing has two benefits for improving marketing effectiveness. First, it creates a more realistic picture of the total purchases and buying power of a household. Second, it enables more effective data mining, which can uncover insights about the needs, wants, influence patterns and decision making style within a household and across social networks.

Develop new analytic techniques and tools.

Along with a richer set of data, high-performance companies will need new analytic capabilities to deliver insights about customers' buying habits, needs and desires within households and social networks. These capabilities are also important for attributing an extended segmentation to the whole customer base to make new customer segmentation strategies operational and bring them to life. Data mining and business intelligence capabilities provide the

ability to see purchasing patterns and to create more compelling household offers, leveraging the insights from the expanded customer household view.

For example, certain buying patterns may indicate that an elderly parent is living within the family unit; other patterns may indicate the presence of small children; still others point to the activity of teenagers. Taken together, this data creates a much fuller picture of the household than marketers have ever had. Augmented by new understandings of who influences what kinds of decisions, better marketing programs can be put in place to reach a household and its members along the relevant social network.

The second stage in the development of better analytics—beyond understanding the intricacies of household make-ups—is an understanding of that household in movement, and in real time. The true holy grail of 21st century marketing is understanding who is influencing what and whom—when and where.

The payback

Achieving high performance in today's multi-play world requires a major shift in focus, along with an increase in capabilities. An overly simplistic customer view can have negative financial impacts, by taking companies down the wrong marketing paths—leading to under- or over-selling instead of "right" selling. Applying the insights gained through household-centric segmentation enables significantly better targeting, pricing, product development and marketing, which in turn can lead to increased revenues, reduced costs and improved profits.

The financial benefits of household-centric segmentation will occur across the entire value chain of communications and high-tech companies:

Optimized marketing spend.

Selling the right multi-play package to the corresponding household can result in significantly lower package sales acquisition cost (SAC) compared

to selling individual services. Further optimization can be achieved by increasing SAC on relevant multi-play package elements, while realizing much lower or even no SAC on less visible elements. Asynchronous SAC allocation will be more appealing to consumers, while lowering the overall SAC level.

Enhanced margins.

Better segmentation enables the creation of multi-play packages—focusing primarily on the provision of superior offers, not on discounting offers. Convenience and easy control of communications and content (e.g., multi-device synchronization) allow for premium-priced multi-play packages that are more compelling than non-integrated offerings.

Increased sales.

Selling in an individual market can be very limiting. By understanding households' decision-making processes, and then engaging in more viral marketing techniques within those households, companies can improve sales.

Higher usage and activity.

"Right selling" means that more relevant offers are made based on knowledge of household behaviors, so more services are actually used. Most major carriers still earn more than 70 percent of their revenues from about 20 percent of their customers. By focusing on households' true potential value, market share can be increased.

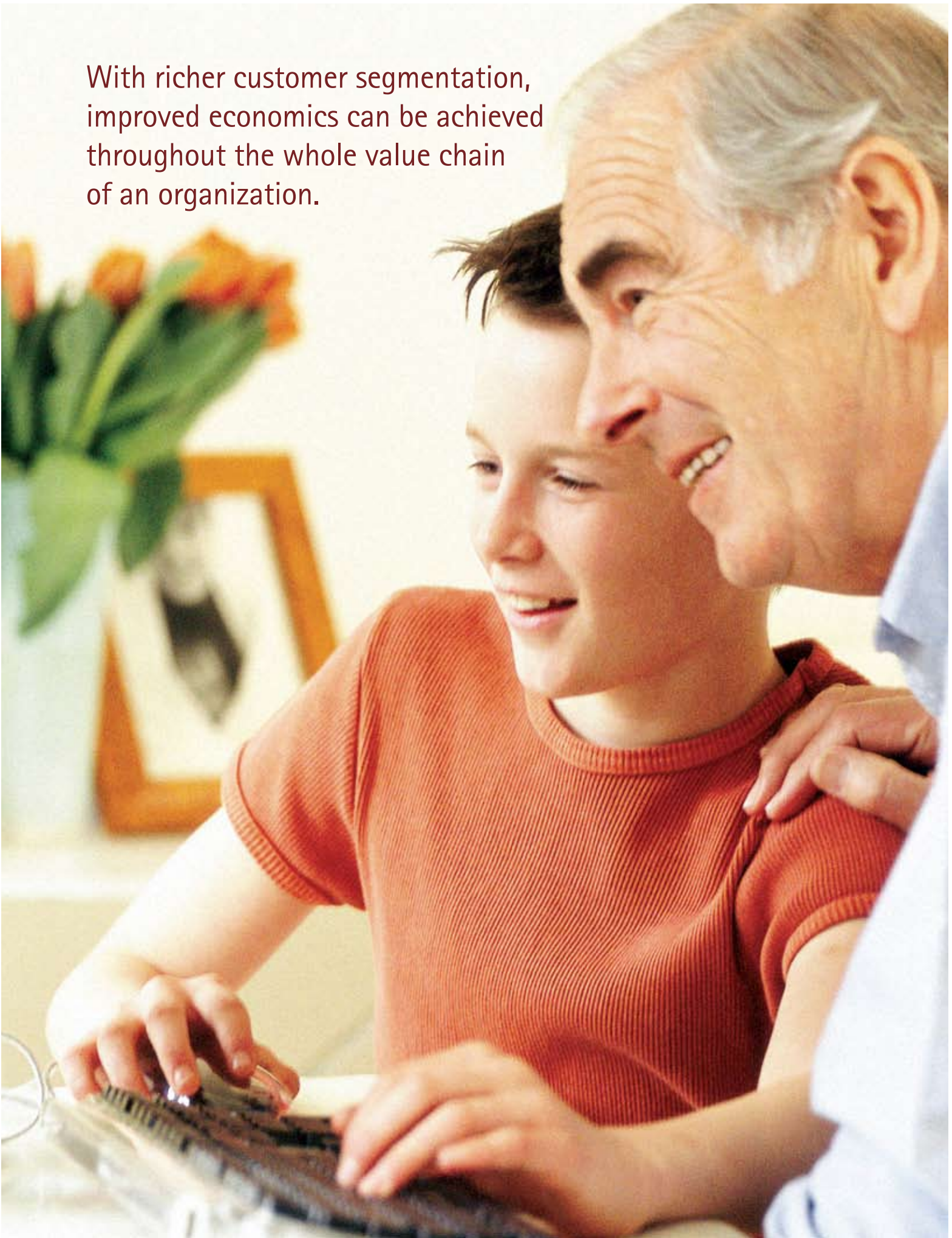
Improved retention.

Packages that provide relevant benefits to all household members can improve loyalty and lifetime profitability.

Increased customer touch point ROI.

The retail cost of a company having its own outlets can be better utilized, and brand spend and equity can be successfully leveraged.

With richer customer segmentation, improved economics can be achieved throughout the whole value chain of an organization.





Taking the first steps

Here are some immediate steps communications and high tech companies should take with regard to developing more sophisticated customer segmentation capabilities.

Generate an initial set of insights.

Apply the household/social network segmentation approach in an initial phase to generate a set of rapid insights based on a customer sample. Perform a household analysis to generate a quick overview of heterogeneous households. This analysis would involve a household breakdown by product usage, such as the percent of fixed-line activity, percent of mobile activity, device ownership and so forth. Perform basket, spending and churn analyses incorporating social demographics; estimate the potential for bundled or multi-play purchasing and one-stop shopping propositions. These insights can help a company determine what bundles should look like for those targets, estimate the potential for

bundle uptake and the associated value, and determine where and how certain products can be marketed.

Create and test a set of customer propositions.

Determine propositions based on product and service availability. For example, where DSL is available, analyze the potential from customer segments living within the coverage area. If no coverage exists, define alternative propositions, such as a mobile flat package bundling services and mobile devices. Then, define in a more sophisticated way certain "smart" bundles, such as different contract length propositions for specific products, to create higher retention rates through better product variety.

Analyze the value propositions.

Conduct various analyses (e.g., a conjoint analysis) to determine the value of different propositions, such as cross-sell or up-sell offers for existing customers, and definitions of bundles

for new customer targets. When comparing customer segments, evaluate the different cost dynamics of acquiring new customers vs. selling to existing ones. Which propositions work the best for both strategies? Which have the highest likelihood for take-up within the various target groups?

Develop a business case.

Create a more rigorous business case based on these initial activities. If the results are promising, begin plans to implement the necessary infrastructure such as an integrated data warehouse, analytics and CRM capabilities to enable more effective household and bundle selling at scale. Each customer contact point, for example, must be enabled to sell and service each bundle.



Conclusion:

Achieving high performance through deeper knowledge of today's consumers "in motion"

By enriching companies' understanding of consumers and their social networks, Accenture's Digital Household Segmentation Study can enable more effective segmentation, as well as a higher return on marketing and sales investments. Finding ways to influence today's consumers is challenging, but provides a significant payoff. Understanding the consumer's social ecosystem—the extended household and the larger social network—and then tailoring offering design, sales, marketing and service experiences based on that knowledge will be vital for all communications, high-tech and media/entertainment companies striving for high performance in the years ahead.

Contact us

Accenture has worked with major companies around the world to help them develop business intelligence capabilities that successfully turn insight into action. The innovative assets and distinctive intellectual property coming out of these experiences is at the core of the Accenture Business Intelligence Solution, part of our distinctive industry suites of offerings:

- Accenture Communications Solutions
- Accenture High Tech Solutions
- Accenture Media & Entertainment Solutions

These proven sets of offerings can help companies to better understand the behaviors and preferences of their existing and potential customers. Enterprises can realize significant improvements in business performance because they can design and execute optimized market approaches focused on the right customers and targeting their most important value drivers.

For more information about the **Accenture Digital Household Segmentation Study**, and about how **Accenture can help your company achieve high performance through household-based marketing segmentation and advanced business intelligence solutions**, call us at **+1 312 737 8290** and mention **"CHT Household Segmentation"**; or send an e-mail to **comms.and.high.tech@accenture.com**.

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Endnotes

1 Roper Reports Worldwide, 2004.

2 Tim Wragg and Jon Berry, "Harnessing the Grapevine," in "Making a Difference: The Impact of Powerful Research," Copyright © ESOMAR 2005.

3 Kaiser Family Foundation, "Generation M: Media in the Lives of 8-18 Year-olds," <http://www.kff.org/entmedia/7251.cfm>.

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