

# Getting to a Segment of One

Making communications more personal

By J. de Francisco López

**Traditional demographics-based segmentation tools alone are not enough and cannot identify critical new and changing end-user behaviors. Understanding these changing behaviors is essential for service providers to develop effective, new business models. Today's drivers of end-user value are shaped more by use cases, behaviors and relationships with communications technologies than by just age, income or gender.**

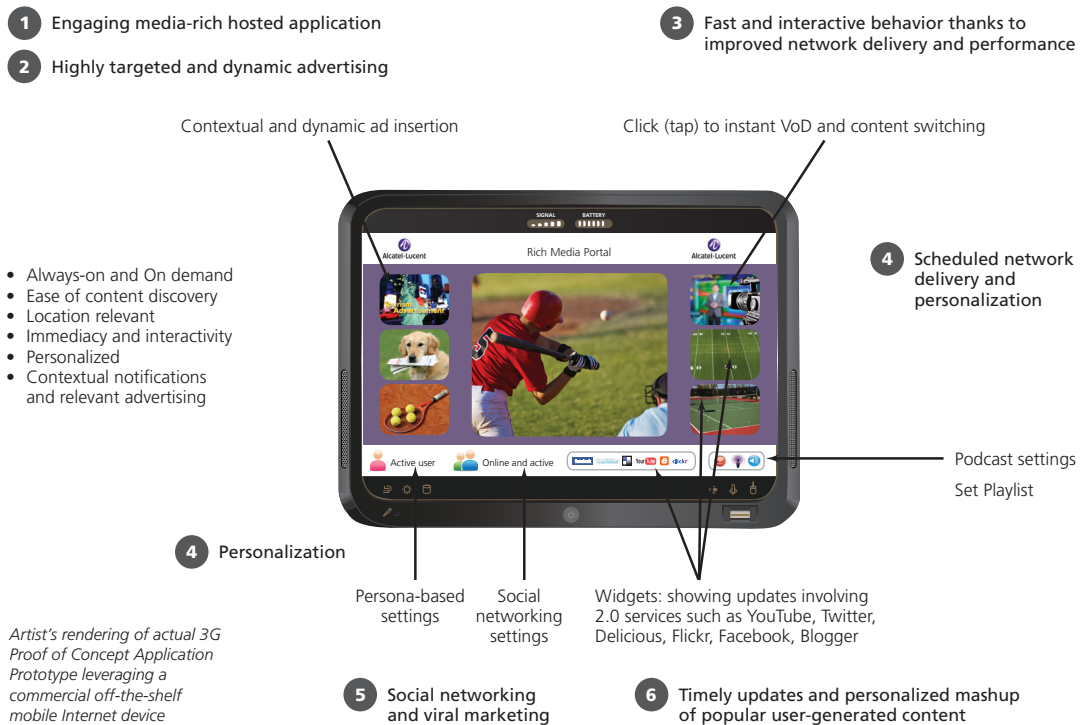
## Introduction

In an environment where customers can readily choose where to take their business – and are savvy enough to want personalized, user-friendly services instead of just taking whatever is offered by a network operator – traditional mass market analyses are no longer sufficient to ensure success.

End users today are demanding personalized services in ways never expressed before (Figure 1). As a technology, IP is the enabler and is at the root of these changes. It has done two things that build on each other:

- It has enabled new forms of competition and business models to enter the market; and
- It is empowering subscribers to demand choice and control – key to a new generation of data-centric users – which is now transcending market segments thought to be homogenous until just recently.

Figure 1: Example of a customizable Mobile Media Portal, delivering a mashup of location relevant information



Artist's rendering of actual 3G Proof of Concept Application Prototype leveraging a commercial off-the-shelf mobile Internet device

At Alcatel-Lucent, we believe that, while demographic-based segmentation variables – such as age, gender and income – may help the industry understand the general direction of the market, these techniques alone will not provide the critical insight needed to address the individualized needs of today's telecom customer. This is because major market dynamics and individual subscriber behaviors are changing rapidly. As a result, traditional marketing approaches alone will leave service providers out of touch with their customers.

The advent of IP, along with rapidly growing fixed and mobile broadband access, allows customers to communicate in ways that displace traditional telecom services. E-mail, instant messaging and VoIP are now very popular means of communications, and Rich Internet Applications along with new social networking technologies have created higher user expectations for multimedia and immersive experiences. As a result, new forms of value are being defined by end users, for end users.

Based on the Web 2.0 environment, emerging platforms such as Microsoft's Popfly or Yahoo's Pipes, and social browsers such as Flock, are enabling exciting user-generated mashups that aggregate and blend content from popular services such as YouTube, Flickr and Facebook. Most content management systems already integrate tagged content, allowing subscribers to search for related items and to be both creators and consumers of communications services.

In some cases, these changes are weakening their relationships with network operators since many of these new user behaviors involve new business models, not all of which are based on the traditional subscriber-pay model. Instead, the new business models often end up offering subscribers free access to communications services, limiting the revenue potential of operators who stick to the traditional subscription-based way of doing business (see our article in this issue entitled, *Business Transformation: Advanced Business Models for Converged Communications*).

To keep pace with these fundamental changes in behavior, service providers must change not only what they are doing, but how they are doing things. And since new behaviors are being adopted differently by various subscribers, a one-size-fits-all approach for addressing them in this current context will not be effective.

At Alcatel-Lucent, we believe that understanding the human factors with regard to Quality of Experience (QoE), Quality of Service (QoS) and delivery, as well as adopting a more targeted approach to understanding and identifying end-user behavior patterns and usage contexts, should be a strategic imperative.

### **The Need to Adopt New Emerging Marketing and Service Delivery Models**

These trends have significant implications for service providers as the consumer value proposition shifts from basic connectivity to customization and from verbal communications to shared multimedia experiences. A new generation of services is emerging. These services are aware of the relevant context, the user's role as well as preferences and usage patterns. To remain competitive, service providers must differentiate themselves by adding value to these services and effectively managing QoE – all well beyond the connectivity platform.

To address this challenge, network operators need to adopt new business models, transcend the boundaries between wireline and wireless services and monetize always-on sessions. Today, the trend is for consumers to be far more engaged with communications technologies and define value well beyond basic voice and data services. Key drivers now include contextual personalization, service customization, collaboration tools, content sharing and community enablement. Service providers' strategies need to reflect the varying degrees to which people engage with these technologies to connect with other people and communities. In short, new and adaptive business models must be learned and mastered.

Long tail economics is one type of new business model. Amazon.com offers a good example of how this model works. The company does not maximize its long-term sales from just the most popular selling titles but rather from personalized recommendations and subsequent sales of related products that have a specific appeal to individual users. The long tail effect continually feeds niche revenue streams from customers looking for more personalized products that suit their specific tastes. Amazon's success is dependent upon

identifying recommended add-ons for a distinct audience and then ensuring that they connect readers-to-readers and readers-to-books as well as to other associated merchandise. Another interesting example is Blip.tv – an online video service tapping into the fast growth of user-generated content. The company is hosting and supporting content creators, while taking care of their promotion, advertising and distribution. The goal is to capitalize on quality content and cost efficiencies delivered by the mid-tail, which differentiates their offer from other popular services such as YouTube, while focusing on niche and well identified communities and from traditional broadcasters whose businesses involve mass markets and much higher production costs.

The ability to personalize communication services is the essence of “segment of one” marketing, which can translate well for network operators, especially those offering services that are perceived to hold high value by end users. This dynamic also comes into play in advertising-driven business models that require an understanding of subscriber needs and preferences in order to deliver targeted messages that will resonate with them.

### **Alcatel-Lucent – Enabling Innovation for a Better End-user Experience**

At Alcatel-Lucent, we believe it is necessary for service providers to have insight into behaviors – how their subscribers interact with technology, content and services – if they are going to remain relevant in this fast-changing environment. This behavioral approach will allow service providers to innovate by extending the “segment of one” concept to the broadest possible base of subscribers. This requires tapping into data mining and analytics to harvest key intangible assets that exist within their businesses.

Data analytics is an emerging area of research and a source of competitive advantage. Behavioral patterns can be coupled with a mix of leading and lagging indicators, which would include social networking graphs, bandwidth consumption and traffic patterns, usage of specific applications and branded services to support personalized experiences.

Once these profiles have been established, service providers are able to manage their infrastructure and service delivery assets as well as tailor offerings to meet QoE requirements not just for their end users, but for advertisers and brands who want to reach them. The end-result is to personalize the offers in a way that makes each subscriber feel they are being served uniquely.

Many service providers already use some of these tools and techniques to support traditional market segmentation strategies, but most would acknowledge that they are not yet leveraging them to their fullest potential. The trends in this area can be truly game changing as they enable more intimate customer relationships. These new business models can not only deliver revenue growth, they can also mitigate the risk of service providers losing market share to new media market entrants.

Alcatel-Lucent’s deep understanding of human factors and networks, can help service providers integrate behavioral targeting into their market research initiatives and create the right mix of services today. Service providers can leverage this expertise and our global research on blended services and packaged offers to effectively capitalize on emerging trends to build a foundation to grow revenues and profits in today’s fierce competitive environment. ●

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