A new approach to market segmentation

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The ICT market traditionally divides its offerings into two main sectors: business (B2B) and consumer (B2C). However, the boundary between these traditional lines of business is blurring, making it harder for service providers to maximise their future opportunities.

At the same time, new peer-to-peer (C2C) and supply chain models (B2B2C) are further complicating the picture.

This paper looks at how the market is currently structured, as well as proposing alternative ways to think about market segmentation and customer offerings – particularly in light of the changes brought about by the COVID-19 pandemic.

We argue that the real difference in the digital world is how customers are supported (customer service) rather than the types of service they are buying, and introduce the concept of idiosyncratic service.

CURRENT
MARKET SEGMENTATION

Traditionally, the telecoms market was segmented into four areas (see *Figure 1*):

- business to consumer - B2C
- business to business - B2B
- business to government - B2G, which was often included within the B2B practice
- wholesale.

This segmentation is highly industry-centric and often monolithic. The B2C sector focuses on the leisure and communications needs of households; a small number of service providers specialise in the challenging B2G sector which supports large governmental organisations; the B2B and wholesale sectors are focused on meeting the needs of very large businesses. The 99%[1] of businesses that fall within the nano, micro and SME sectors often find themselves on the boundary between B2C and B2B service provider sales divisions – meaning they are either not adequately targetted and their needs adressed, or their support is simply outsourced to resellers.

Within each of these four main sectors, service providers further segment their customer base in order to better address the needs of different types of customers (see *Figure 2*). This has led to the creation of dozens of customer silos, based upon customer size, market, network technology, support needs, the services they bought, and so on.

However, this segmentation is an internal, organisational-centric categorisation; it is **not** a customer-centric way of defining the market. Many customers do not identify with these service provider segmentations and often find them too rigid for their evolving needs.

As the market continued to change, service providers responded by evolving their customer segmentations, introducing even more complex concepts such as

supply-chain segmentations (eg B2B2C and B2B2X) and the idea of the 'hybrid' customer persona, whereby the customer has both consumer and business needs (as is the case, for example, with a self-employed person).

These new concepts added complexity and granularity but still preserved the same legacy divide between business and consumer services that has becoming increasingly irrelevant. Nor do they address the central issue: that customers do not understand 'hybridisation' or perceive themselves to be 'hybrid' customers; they want true convergence and flexible offerings, as the boundary between work, homelife and play has begun to dissolve. This is even more apparent due to the changes in working life brought about by the COVID-19 pandemic. This has accelerated the move to a new mode of 'working from anywhere'.

Figure 1 Industry-centric segmentation

Figure 2 Expanded industry-centric segmentation

	Targetted at		
Supplied by	Consumer	Business	Government
Consumer	C2C	C2B	C2G
Business	B2C	B2B	B2G
Government	G2C	G2B	G2G

Source: Omnisperience 2020

Figure 3 Example of microsegmentation in industry-centric models

	B2C	B2B, B2B2C	B2G	B2B, B2B2X
Size	Spend: low, medium, high	Headcount: global enterprise, large enterprise, SME	Agency: central government, agencies & departments, local government, quasi non-governmental organisations (QUANGOs), other public sector organisations	Type: other network operators, MVNOs, global enterprises, OTT players, resellers
Service	Text, voice, data	eg cloud Connect, managed security services, SDWAN, global connectivity, roaming, data services		eg international transit/interconnect, roaming services, call termination, interworking services, backhaul
Play	Mobile, broadband, home phone, TV	eg mobile, fixed line, satellite, IT, security, CDNs		
Sector	Eg gamer, surfer, social media user, YouTube creator, communicator, streamer	Eg retail, travel & transport, manufacturing	Eg education, law enforcement, health, research etc	N/A

Source: Omnisperience 2020

Customers often do not identify with service provider segmentations, find them too rigid and not aligned to the reality of how they live, work and play.

MARKET SEGMENTATION
CHALLENGES

Traditional customer segmentations are under considerable pressure because the market itself is transforming. Segmentation is being challenged in the post-COVID world as a result of accelerated digitalisation and new modes of working. Typical problems with traditional market segmentation include:

Poor definitions and inconsistency create frustration
Each carrier is structured differently, with different boundaries between sectors and different internal definitions. Poor definitions create gaps, inconsistencies and overlaps that frustrate customers and cause problems for service providers. They also make convergent and more sophisticated offers harder to deliver and are an obstacle to optimising commercial outcomes.

Internal structures are standing in the way
Mature service providers have built internal organisational walls (departments, IT stacks, budgets) that are challenging to tear down and rebuild with a different design. Meanwhile, these walls and boundaries limit their ability to address emerging opportunities, affecting their commercial and operational agility.

Business models are transforming
Digitalisation is creating new business scenarios including supply chain business models such as B2B2C and B2B2X; while verticals are merging and overlapping as businesses diversify across traditional boundaries. Elsewhere, new types of business – such as nanobusinesses – are on the rise and many traditional businesses are moving to a new mode of working. All of this challenges traditional and rigid segmentation approaches. Ongoing market changes will require a far more flexible approach to understanding customer need than was previously the case.

Things are a new segment in themselves, but have entirely different support requirements
Connected Things (eg IoT and M2M) have different support requirements to services connecting human customers. This results in yet another layer of complexity. But while the 'Thing' may need automated support, the 'owner' of the 'Thing' is ultimately a human who has to deal with the consequences of its performance or non-performance.

Some customers are hidden in the wrong segmentation, resulting in missed opportunities
Selling more to existing customers – through cross-selling and upselling – is vital to future revenue growth and profitability. However, poor segmentation can stand in the way. For example, many business users have adopted consumer products and have therefore not been identified by their service providers as business users. This means they are not being targetted with business services that they might actually need.

Consumerisation is driving and changing expectations
Enterprise users now expect a similar experience and level of service to the one they receive in their consumer life. The advent of 'bring-your-own' models is also making it harder to sell enterprise services, as selling to individual business users is more akin to selling to consumers than to the traditional way B2B services were sold by a dedicated salesforce into a centralised IT function.

Segmentation is being replaced
Segmentation enabled a service provider to target their market in smaller, bite-sized chunks by grouping customers according to identifiable characteristics or behaviour. Each segment could then be targetted with a tailored offer. While marketing teams are trained to use this approach, think in a segmented manner and are proficient in writing customer personas, this technique is old-fashioned and offers little competitive advantage or return on investment. Instead, its static nature and broad presumptions often turn out to be too inflexible and inaccurate in today's dynamic market. More sophisticated approaches exist and are already being utilised to build deeper and more rewarding commercial relationships with customers.

![Omnisperience logo]

WHAT COMES NEXT?
IDIOSYNCRATIC EXPERIENCE

Segmentation is being superseded by more sophisticated marketing approaches that enable hyperpersonalisation based on better data utilisation and technologies such as AI (see *Figure 3*). These new approaches provide progressively deeper insights into customers, such as context and emotional state, to predict when and where a customer might buy. Significantly, rather than a marketeer defining the customer persona and assuming such a customer's needs, an idiosyncratic approach enables customers to define who they are and what they need. Service providers deliver service building blocks and the ability to self-configure so that appropriate solutions and tariffs can be self-assembled by customers or staff.

Figure 3 The evolution of idiosyncratic experience

- Generic
- Segmented
- Personalised
- Contextualised   Idiosyncratic
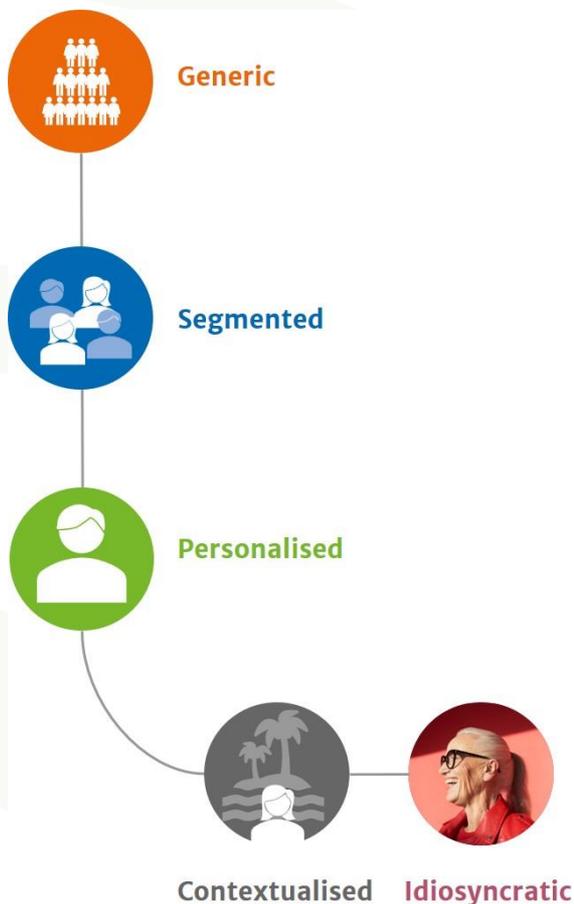
Source: Omnisperience 2020

Key concepts of idiosyncratic experience

- AI and humans will combine to deliver unique and authentic experiences.
- Generic or even tailored product offerings and experiences will become hyperpersonalised.
- Responsiveness to customer need will transform into accurate prediction of that need.
- Experiences will be contextual, adding richer dimensions such as place, time and immediacy resulting in new ad hoc and time-sensitive opportunities.
- Efficiency will be enhanced with empathy, messaging with be emotionally resonant.
- Channels will be convenient and convergent to provide a unified experience.
- The experience will be customer-driven with customers having the digital autonomy to self-define, self-select, self-support and have a far more active role in the experience, product offering and relationship.
- Self-bundling, self-definition and self-configuration will remove barriers to sale, with the only restrictions being what is technically possible and commercially lucrative.

What is idiosyncratic experience?

An **idiosyncratic experience** is hyperpersonalised, authentic, quirky, memorable and ultimately unique.

It's **created** by combining usage, contextual and preference data and adding novel content elements.

Its **purpose** is to meaningfully engage individual customers and build more rewarding relationships.

It is **used** to differentiate experiences, increase sales and optimise customer satisfaction.

6 THINGS YOU SHOULD KNOW
NOW

1.

Flexibility requires senior management sponsorship
Segmentation should not be a barrier to business. Service providers should focus on providing the service and experience building blocks from which customers can assemble the bundles they need. Barriers to increased flexibility should not be underestimated as they are both technological and political. Senior management needs to ensure their organisation overcomes such issues quickly and that internal politics don't stand in the way of revenue growth.

2.

Standard definitions are essential for effective automation and increased speed
Definitions should be standardised to enable easier inter-working between partners, but they should also be customer-centric. Services offered to customers should not be determined by internal definitions and boundaries, but by what customers actually want to buy (and they are the experts on this, not you). Instead of pre-defining which services can be offered to which customers, service providers should enable customers to choose what they want and pay more attention to explaining and guiding them through their purchasing options. Legacy definitions such as customer size (eg number of employees) is no longer a reliable indicator of how much the customer is willing to spend.

3.

B2P and B2T are key new concepts
The difference in service provision is really between who or what is being supported. Things need to be supported differently to people; corporate services that are largely automated (eg global connectivity) require different support to personal mobile accounts. By focusing on the support requirements service providers can segment the market according to those requiring specialist, personal or automated support. This leads to business-to-person (B2P) and business-to-thing (B2T) models, where 'thing' incorporates all automated or semi-automated services that can be handled by AI and impersonal support services.

4.

Self-definition is part of 'selfie-service'
One way of avoiding the increasingly difficult issue of segmenting customers is to allow customers to segment themselves. Enabling customers to define themselves by selecting the types of services they want to receive (self-definition) takes self-service and self-provisioning to the next level.

5.

The bill payer defines the relationship
The end customer is to some extent irrelevant – the key relationship is with whoever is paying the bill. If a service is B2B2C then it is a business service, paid for by an enterprise. Most current IoT services are business services.

6.

Growth will come from the gaps between current segmentations and boundaries
Many of the biggest opportunities in the B2B market will come from better meeting the needs of hidden or non-traditional business customers; supporting smart objects (IoT); and addressing areas that are poorly served because they fall between the gaps in legacy segmentation approaches (eg SMEs, amateurisation/UGC, micro and nano businesses).

About the author

Teresa Cottam is Omnisperience's subject matter expert for customer and employee experience, customer service, customer satisfaction and the future workplace. She is a renowned expert on SME and enterprise telecoms with considerable vertical market expertise which she uses to help B2B service providers understand the needs of their customers.

Teresa previously held senior positions at Analysys Mason, Chorleywood Consulting (Informa) and Ovum. She is a judge of the GSMA Global Mobile Awards (GloMo's) for customer experience and enterprise innovation, and for the UK Cloud awards.

About Omnisperience

Omnisperience is a leading independent research and advisory firm focused on the telecommunications, media and technology (TMT) industry. Its purpose is to help B2B service providers become more profitable by understanding and meeting the evolving needs of their customers. It provides in-depth expertise and fresh insights that help customers reimagine their businesses and improve commercial success.

This is achieved through insightful primary research, distinctive analysis, factual and authoritative papers delivered through direct and consistent interaction with B2B telecoms service provider clients. Deliverables are pre-tailored to the needs of clients in formats that make them easy to consume and apply to the target audience. Omnisperience engages and inspires your teams, partners and customers, delivering Value Through Experience.

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