Consumer customers

S-38.041 Networking Business

Consumer's problem

Conflicting interests

Consumer surplus, CS ·········

Consumer utility, u ·········

Consumer price, p ·········

········· Producer profit

········· Producer cost, c
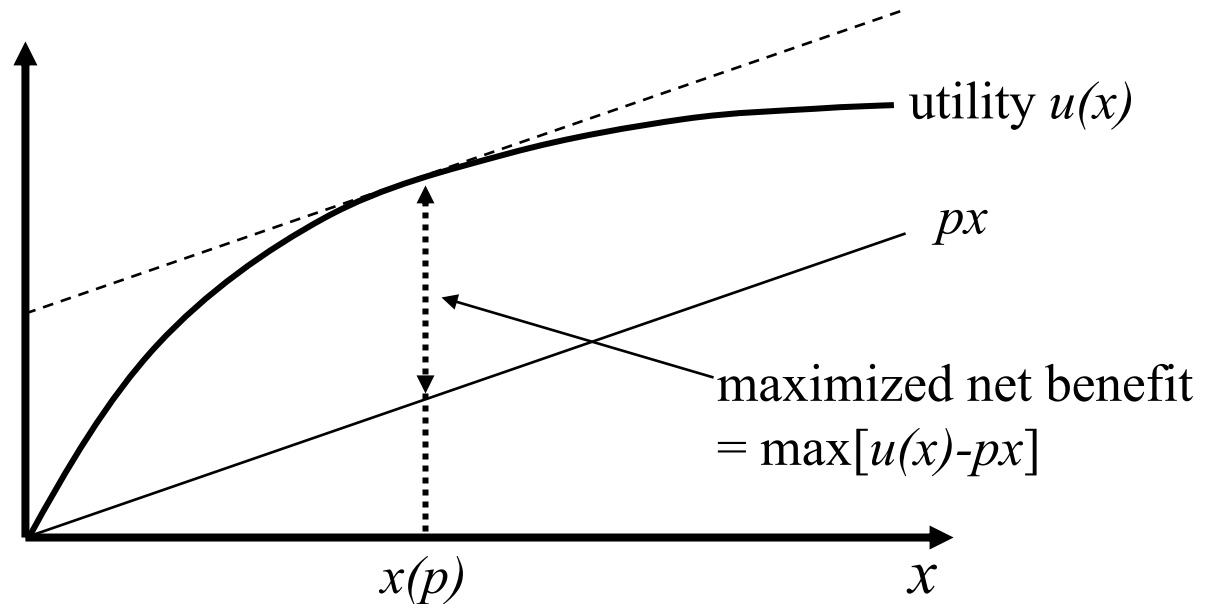
Product, quantity x
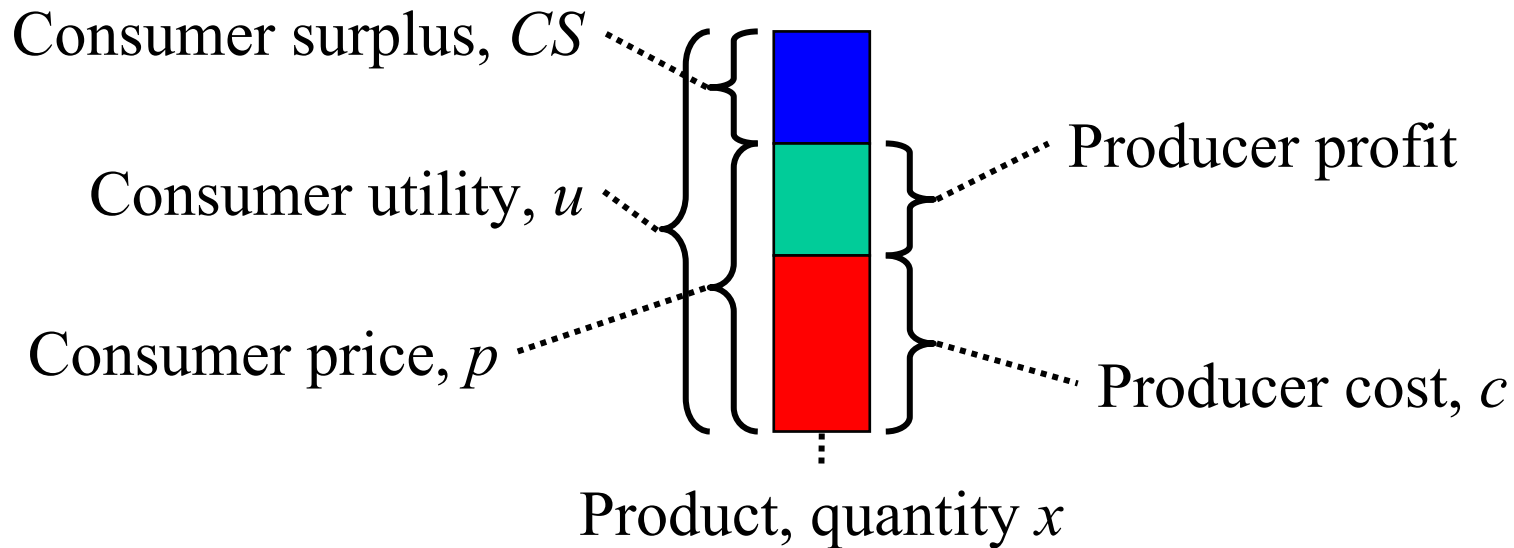
- Consumer tries to maximize consumer surplus, CS
- Consumer's utility from a product is dynamic
- Producer tries to maximize producer surplus, profit, $p\text{-}c$
- Social planner tries to maximize social welfare, $u\text{-}c$

Consumer's problem
Utility function

- *u(x)* is typically increasing and concave
- Consumer chooses x(p) because of maximal net benefit
- Cummunications expenditure is small wrt total income
   => Level of income has little impact on *u(x)*

Consumer's problem

Multiple consumers and services

- Consider a market with n customers selecting from k services

$$CS_i = \max_x [u_i(x) - px]$$

Vector quantity of services, $x = (x_1, \ldots, x_k)$
Customer i belongs to $N = \{1, \ldots, n\}$
Assume $p(x) = \Sigma_i\, p_i x_i$, for a vector of prices $p = (p_1, \ldots, p_k)$

- Demand function for customer i is $x^i(p)$, given vector p
- Aggregate demand function is $x(p) = \Sigma_i\, x^i(p)$, total demand
- Consumption may cause side-effects (externalities)
- Service demand may depend on other services (cross elasticity)
  - Substitutes
  - Complements

Consumer service portfolio

Home telephone

- Number to family/location (analog, ISDN, VoIP)

Home Internet

- PC broadband Internet access (copper, cable, fiber, WLAN)
- Value-added services (email, home page, security, …)

Home TV/radio broadcast

- Signal source (cable, terrestrial, satellite)
- Signal type (analog, digital/MPEG, digital/IP streaming)

Personal cellular handsets

- Personal life management
- Services bundled on SIM card (GSM, WCDMA)

Service provider portfolio

	Local teleoperator	CATV operator	Terrestrial operator	Satellite operator	ISP	Cellular operator	Content operator	
	●	○						Home telephone service
	●	○						Broadband Internet access
	○	○	○		●	○	○	Value-added Internet services
			●					Terrestrial TV broadcast
		●						Cable TV broadcast
				●				Satellite TV broadcast
					○	●	○	Cellular service
	○	○	○	○	○	○	●	Multimedia content

Legend
- ● Core business
- ○ Likely expansion
- ○ Possible expansion

Household spending

Communication as % of household consumption
(OECD average)

Content?

Internet?

Mobile?

4%

3%

2%

1%

1970   1980   1990   2000
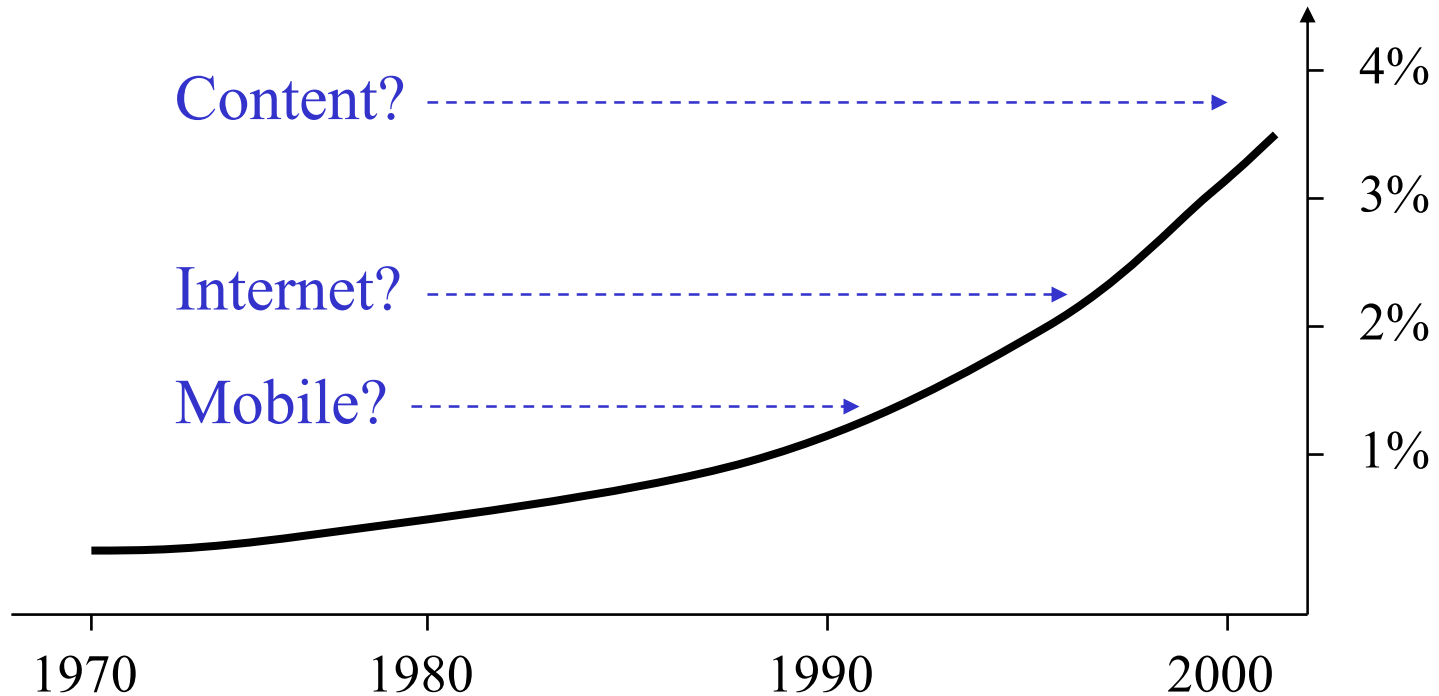
Source: OECD

Media consumption
Mobile is not yet recognized

USA — 8.5 hours: Television 4.5h, Radio 2.7h, Print 0.6h, Internet 0.6h

Singapore — 9.4 hours: Television 5.0h, Radio 2.0h, Print 1.1h, Internet 1.3h

Finland — 9.4 hours: Television 3.8h, Radio 3.4h, Print 1.9h, Internet 0.4h

Finland, business users — 8.5 hours: Television 3.2h, Radio 3.0h, Print 1.9h, Internet 0.4h

Media consumption, hours per day
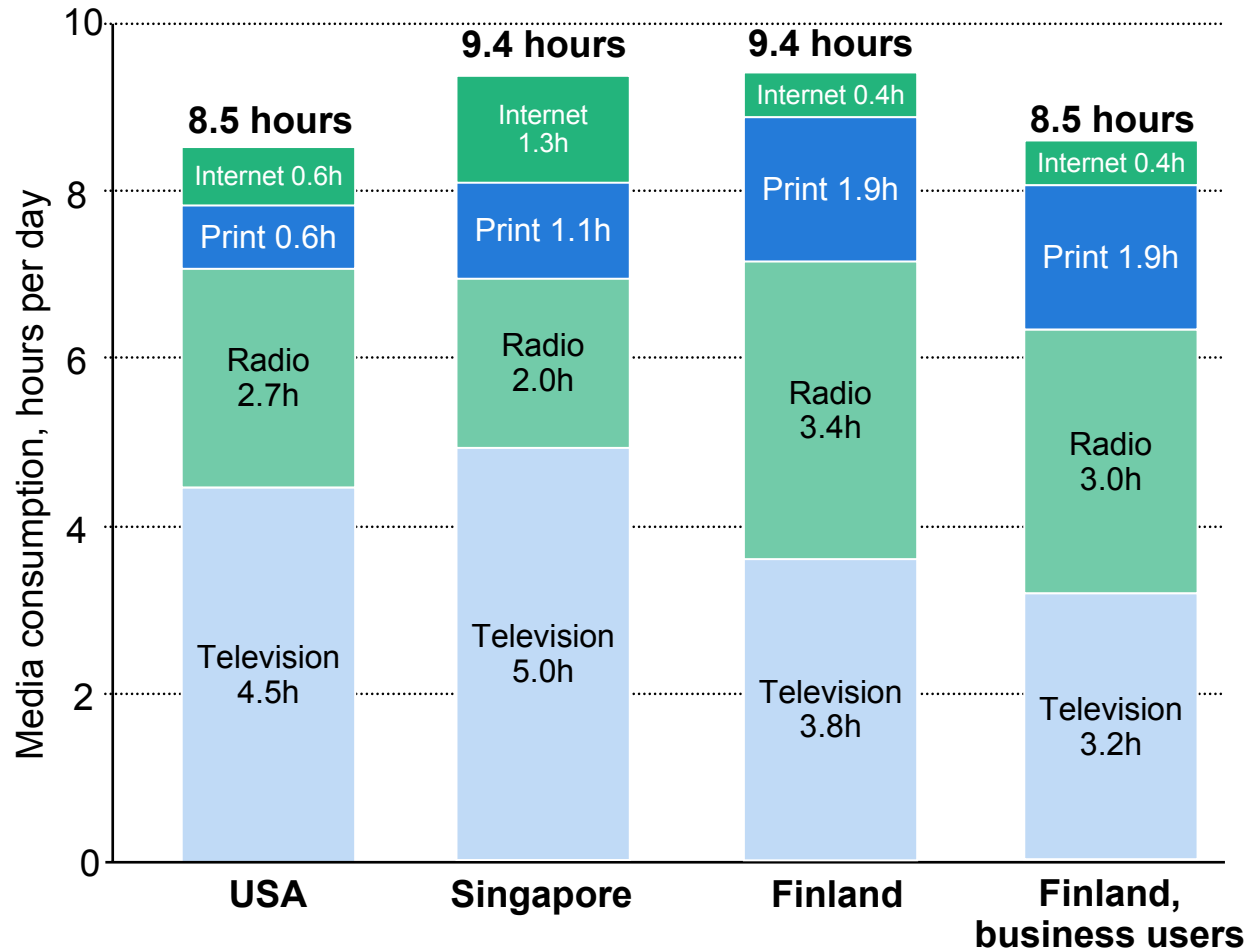
Source: Mediacom 2002, OMD Research 2001,
Suomen Gallup 2002

Kids have adopted mobile culture

(% of age class)

Legend: 2000, 2001, 2002
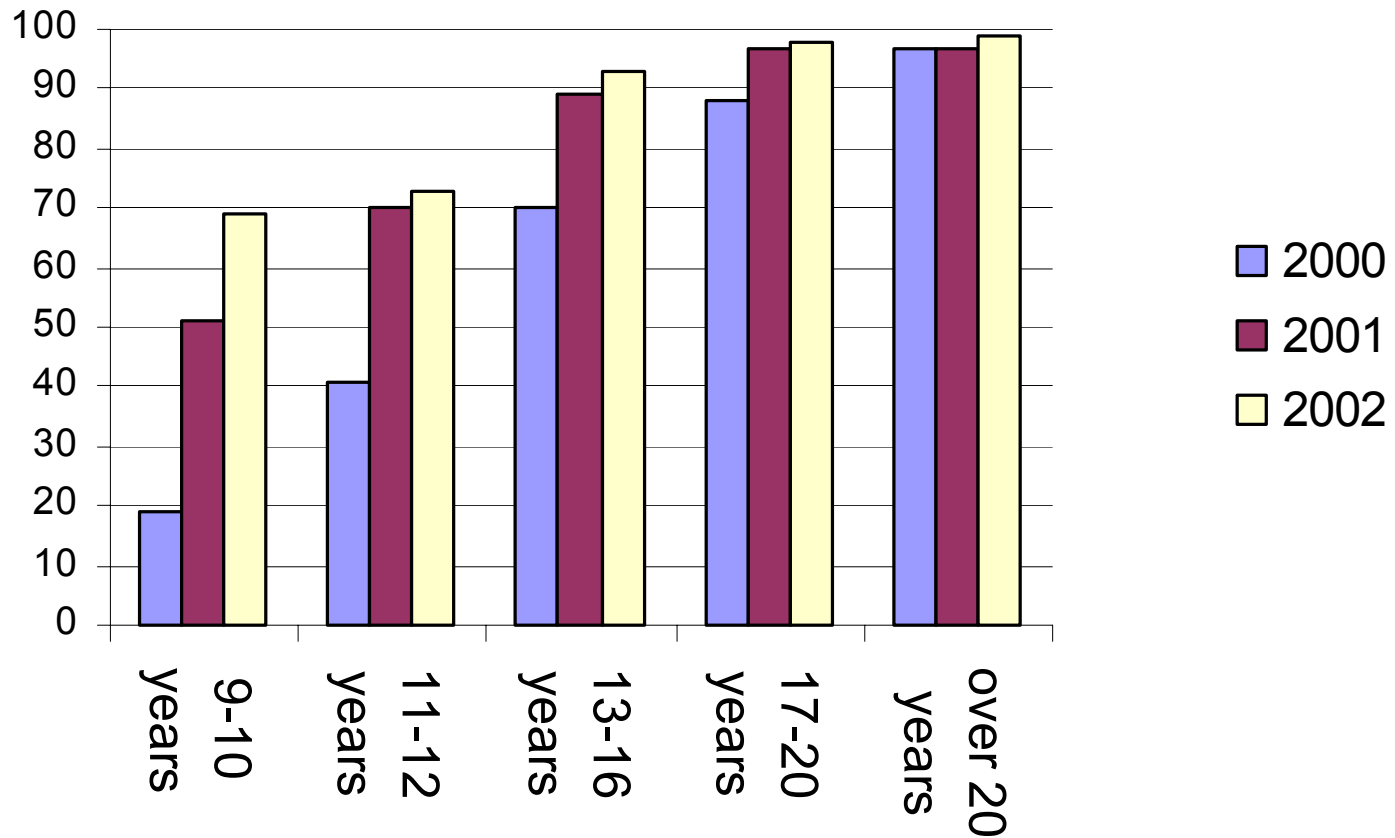
Source: Lapset, nuoret ja matkaviestintä 2000-2002

Case Japan: daily usage time

Mobile Internet

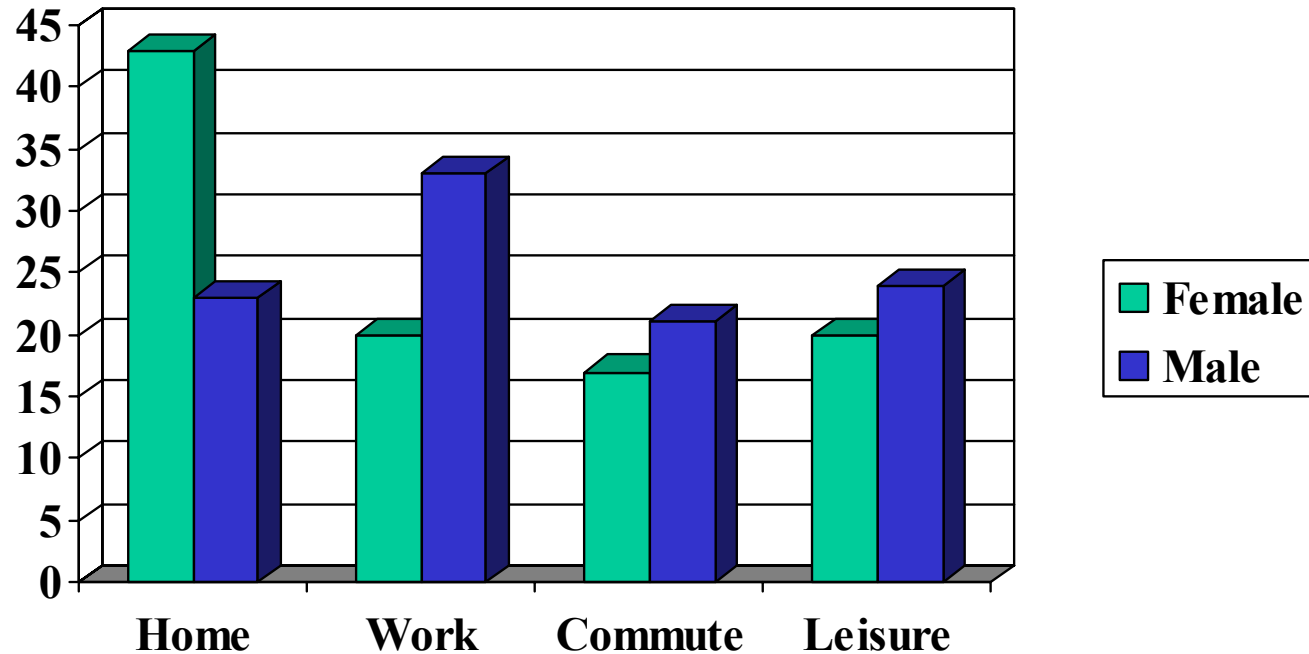| Minutes/day	Female	Male	Overall
<5	48.28	56.07	53.85
5-10	22.06	19.86	20.49
10-20	13.78	9.88	10.99
20-30	8.20	5.74	6.44
30-60	4.68	4.25	4.37
60-90	1.27	1.44	1.38
>90	1.72	2.76	2.46

- More than 50% of users use less than 5 min per day
- No clear correlation
    - between time of day and content
    - between amount of usage and content

Source: MoCoBe.com survey, 2003

Case Japan: daily usage location

Mobile Internet (%)

- Usage follows the duration of presence (except commute)
- No clear correlation between location and content

Source: MoCoBe.com survey, 2003

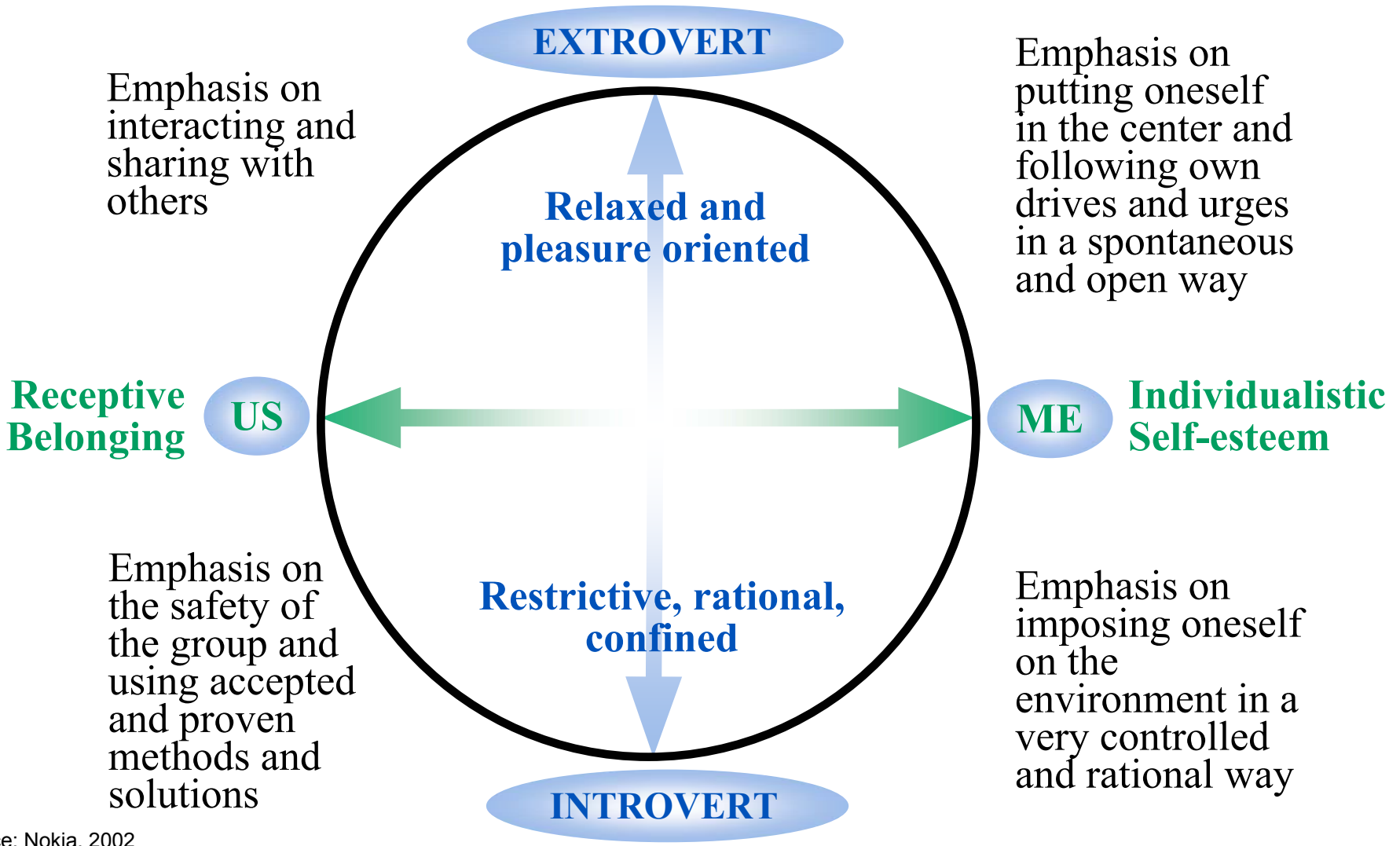# Case Japan: usage summary
Mobile Internet

- Personality drives the usage patterns, not location or time
    - contextual marketing should focus on personality
- 73% of users consider email/chat as #1 app
    - ringtones/pictures is #2 with 6% of respondents
    - email is a killer app!
- Only 26% of users pay extra for mobile Internet content
    - 60% of those who pay extra, pay less than 4 USD/month

Framework of consumer orientation

EXTROVERT

Emphasis on interacting and sharing with others

Emphasis on putting oneself in the center and following own drives and urges in a spontaneous and open way

Relaxed and pleasure oriented

Receptive Belonging

US

ME

Individualistic Self-esteem

Restrictive, rational, confined

Emphasis on the safety of the group and using accepted and proven methods and solutions

Emphasis on imposing oneself on the environment in a very controlled and rational way

INTROVERT

Source: Nokia, 2002

The Six "MindStyle" Segments

EXTROVERT

I listen, choose, then share

I want to enjoy myself

"Sharers"
Interaction, sharing

"Experiencers"
Fun, exploration

I balance my resources amongst the things that are important to me

I want to you to like & admire me

"Balancers"
Duties, people

"Impressors"
Profile, image

ME

"Maintainers"
Family, stability

"Controllers"
Order, rationality

I want to keep what's important to me

I need to control how you see me

INTROVERT

Source: Nokia, 2002

What do the Mindstyles tell us?

- The Mindstyles describe 6 different Life Strategies that people use to approach life's priorities and challenges.

- Understanding these different strategies provides strategists and designers with insights on what is relevant and important to different groups of consumers.

MindStyles: Experiencers

A 'typical' Experiencer:

Who: young, male or female

Life Stage: Pre-family

Mindset: Hedonistic/self-indulgent & spontaneous, seek excitement

Activities: with friends, active sports, clubs, internet

Attitude towards technology: High mobile phone usage. Technophiles. More edgy, will move on if too mainstream

To attract Experiencers:

- Bold and expressive marketing
- New and different products
- Rich communication capabilities
- Entertainment features (for sharing)
- Opportunities for self-expression

The experience they seek:

- I can have fun with my device
- I can always contact my friends
- I can get more out of life

MindStyles: Impressors

A 'typical' Impressor:

Who: in twenties/early thirties, managerial position

Life Stage: single, urban

Mindset: Want to be admired, and many aim to be rich

Activities: Cinema/holidays and all entertainment are selected on the basis of how they reflect on themselves

Attitude towards technology: Open to new technology nurturing continued friendships and making them look good!

To attract Impressors:

- Brand credibility
- Competent and successful imagery
- Smart, sophisticated products
- PIM functionality
- Personal services

The experience they seek:

- I know I look good
- People respect me

MindStyles: Controllers

A 'typical' Controller:

Who: probably male, 25-40

Life Stage: during children

Mindset: Want to be respected, hide inadequacies by challenging others/ norms

Activities: Collect memorabilia, a lot of TV, e-mail and internet

Attitude towards technology: Interested in things rather than people, fearful of technology

To attract Controllers:

- Safe, respectable choice of brand and products
- Control over communication
- Entertainment features for own consumption

The experience they seek:

- I am in control of the way I present myself
- I feel protected from social pressures
- I can escape when I need to

MindStyles: Maintainers

A 'typical' Maintainer:

Who: Older, forties or older

Life Stage: during or post kids

Mindset: Home matters most. Cherish safety and stability of private world

Activities: with the family, traditional activities, magazines, newspaper, TV

Attitude towards technology: Technophobes. Practical mobile phone usage

To attract Maintainers:

- Technology made simple & friendly
- Benefits in terms of preserving lifestyle
    - Enhancing family communications
    - Saving time and money
- Services providing practical support

The experience they seek:

- Makes my life easier

MindStyles: Balancers

A 'typical' Balancer:

Who: Middle ages

Life Stage: During kids

Mindset: Driven to achieve in all aspects of life - work, family & personal devlopment

Activities: Spend time with family, DIY

Attitude towards technology: High mobile phone usage

To attract Balancers:

- Brand as a reassurance of quality
- Reliability
- Facts regarding benefits of products
- PIM functionality
- Time and money saving services

The experience they seek:

- Makes my life easier

MindStyles: Sharers

A 'typical' Sharer:

Who: middle ages

Life Stage: with kids

Mindset: Pragmatic. Tend to emotional rather than physical need states.

Activities: spending time with family, nature, parks, walks. Busy lifestyle

Attitude towards technology: Positive but focussed on benefits, not the technology itself.
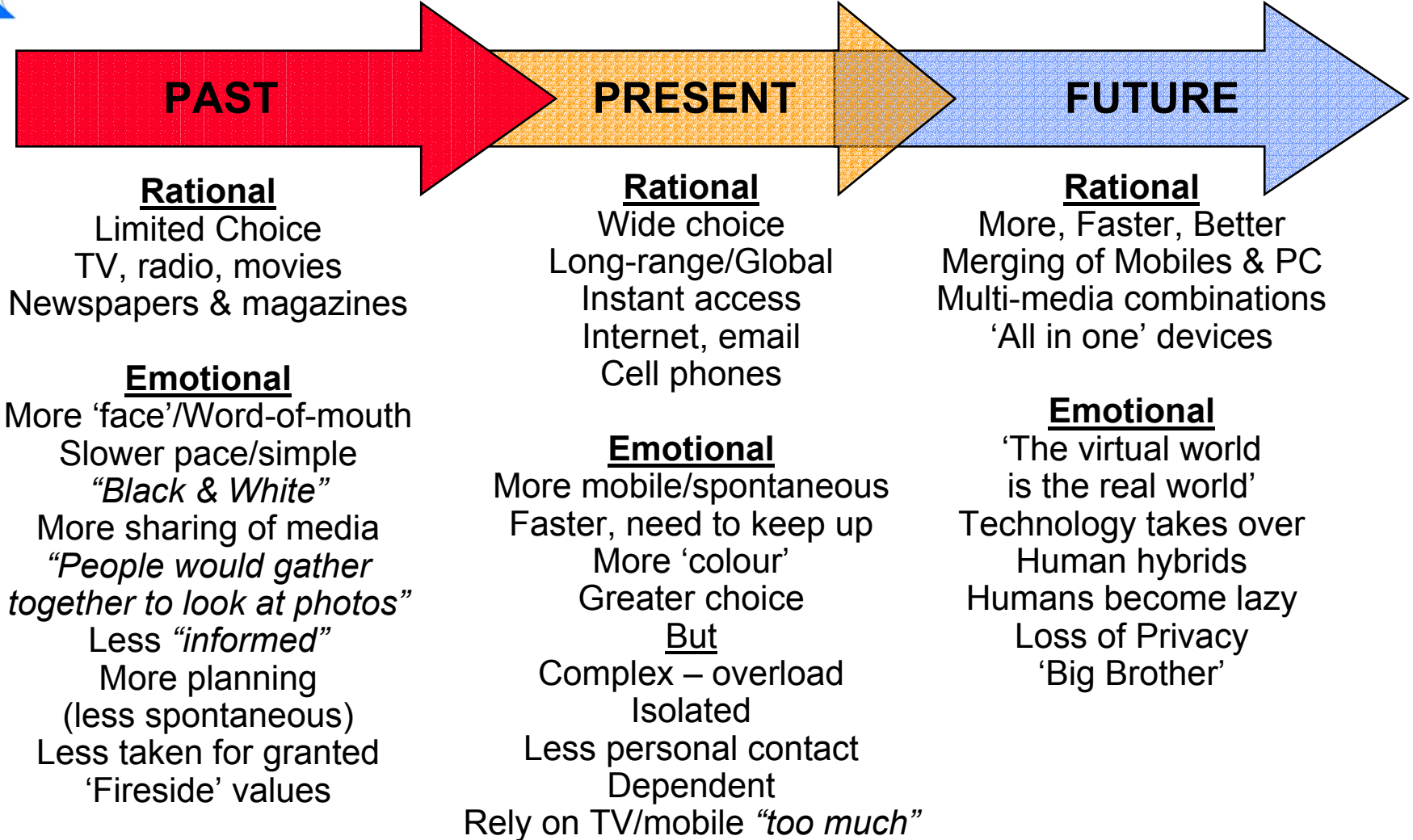

To attract Sharers:

- Brand as a corporate citizen
- Practical value to support busy lifestyle
- Creative/expressive capabilities

The experience they seek:

- Supports my lifestyle
- Enriches my life

Traditional vs new media

| PAST | PRESENT | FUTURE |

Rational
Limited Choice
TV, radio, movies
Newspapers & magazines

Emotional
More 'face'/Word-of-mouth
Slower pace/simple
"Black & White"
More sharing of media
*"People would gather
together to look at photos"*
Less *"informed"*
More planning
(less spontaneous)
Less taken for granted
'Fireside' values

Rational
Wide choice
Long-range/Global
Instant access
Internet, email
Cell phones

Emotional
More mobile/spontaneous
Faster, need to keep up
More 'colour'
Greater choice
But
Complex – overload
Isolated
Less personal contact
Dependent
Rely on TV/mobile *"too much"*

Rational
More, Faster, Better
Merging of Mobiles & PC
Multi-media combinations
'All in one' devices

Emotional
'The virtual world
is the real world'
Technology takes over
Human hybrids
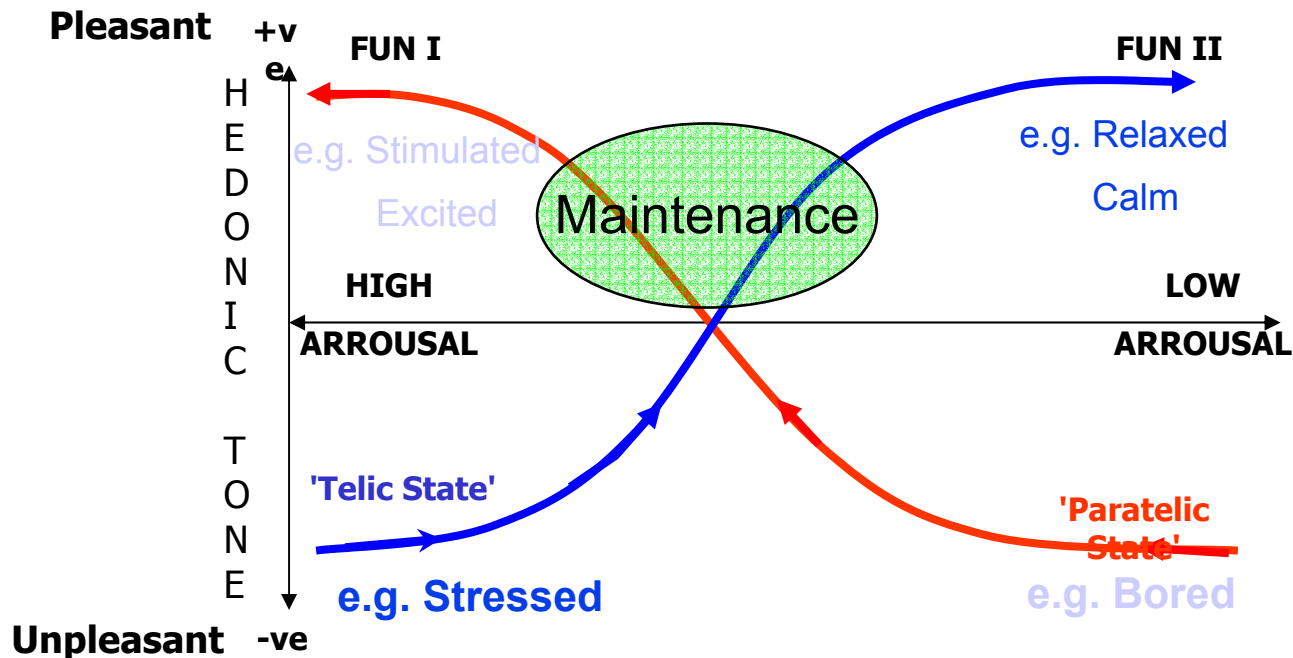Humans become lazy
Loss of Privacy
'Big Brother'

Source: Vanjoki, 2003

Two Types Of 'Fun'

- Consumers make a distinction between two types of 'Fun' in relation to entertainment. **<u>Fun I</u>** is active, stimulating and exciting, to escape from boredom. **<u>Fun II</u>** is more passive, relaxing and calming to escape from stress. People use Media and Entertainment alternately to create these moods. **<u>Younger</u>** identify more with **<u>Fun I</u>** and **<u>Older</u>** with **<u>Fun II</u>**.

Pleasant **+ve** **FUN I** **FUN II**

HEDONIC TONE

e.g. Stimulated Excited

Maintenance

e.g. Relaxed Calm

HIGH **ARROUSAL** **LOW** **ARROUSAL**

'Telic State' **'Paratelic State'**

e.g. Stressed **e.g. Bored**

Unpleasant **-ve**

Source: 'Reversal Theory', Michael Apter

How do I manage my world?

WWW

Browse

Communicate

My phonebook

My bookmarks

My landmarks

Track