

Examining How to Use a Survey-Based Approach to Forecast the Impact of New Competitors, Products and Services in the Telecom Industry

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Forecasts Using Survey Data

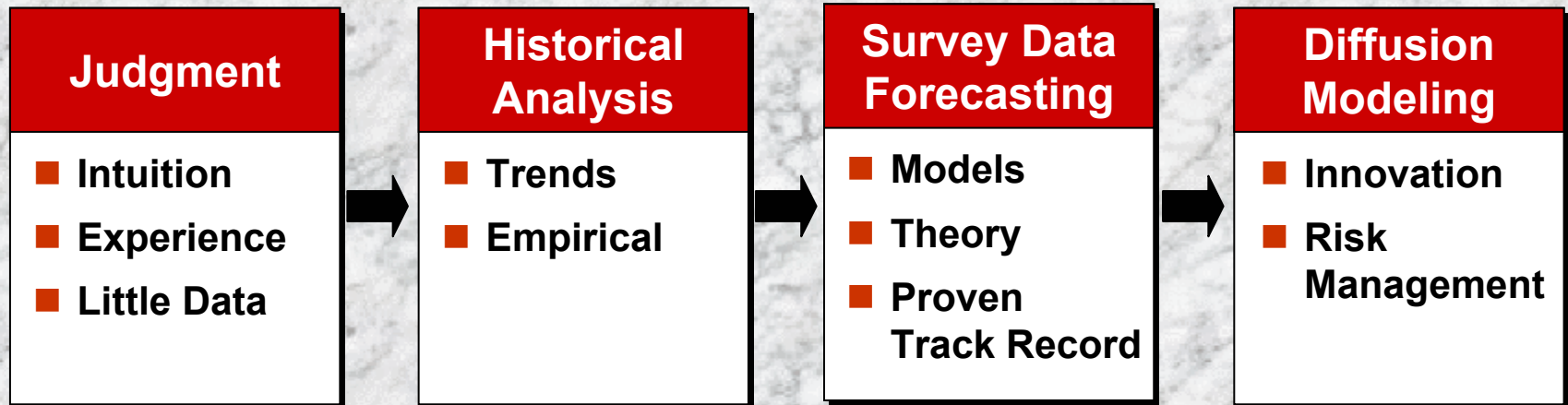
■ Telecom Applications

- **Short-term Forecasts of Products & Services**
 - ▶ Attitudinal Evaluations
 - ▶ Simulated Behavioral Evaluations
- **Customer Acquisition & Retention**
 - ▶ Loyalty Modeling & Inertia
 - ▶ Scoring your Database
- **Long-term Forecasts of New Technologies**
 - ▶ Future Conditioning
 - ▶ Diffusion Modeling

■ Successful Forecasts

- **High-speed Internet Access**
- **Satellite Communication**
- **DVD/Home Entertainment Centers**

Generations of Forecasting



Components of Survey-based Forecasts

Attitudinal Appeal

Combined Response:

- Purchase Intent
- Likability/Importance
- Price/Value
- Difference

Behavioral Decision

Response to Simulated Buying Opportunity

- New Product/Service
- Competitive Alternatives

Preference vs. Competition

Rank Order Appeal for New Product or Service vs. Considered Alternatives

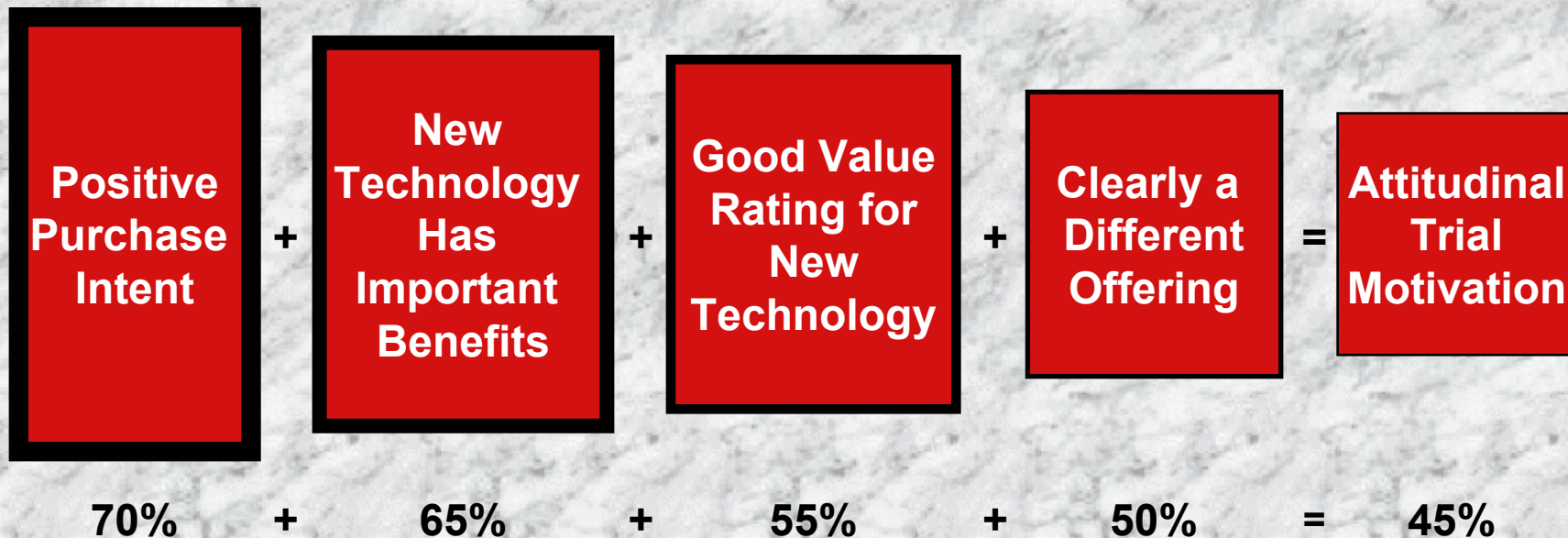
Combined Response

- Attitudinal Appeal
- Behavioral Decision Response
- Preference Relative to Competition

Conceptual Framework: An Example of Attitudinal Evaluation

■ Attitudinal Trial Motivation

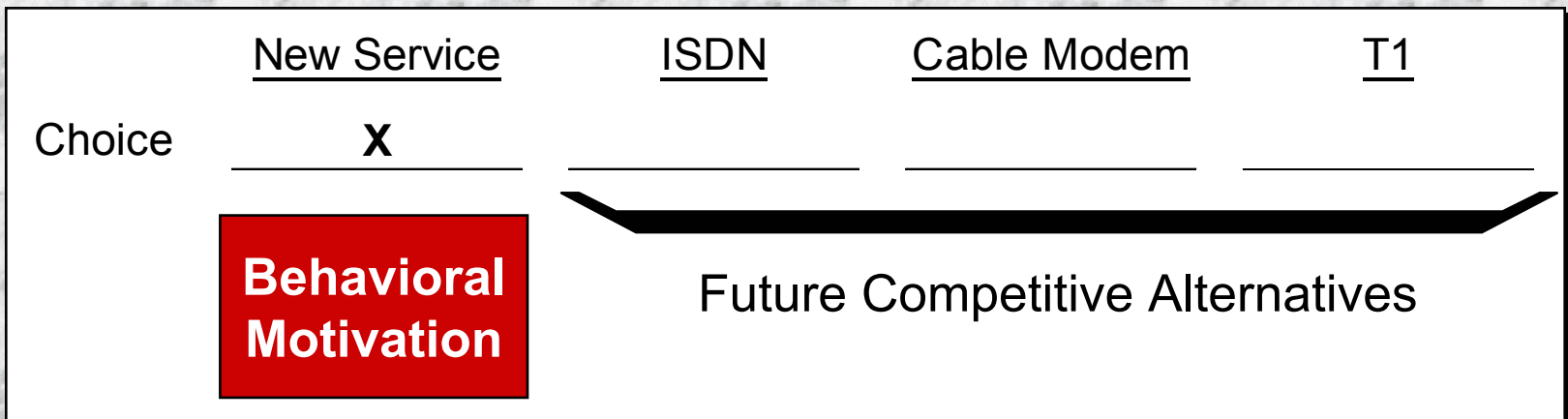
Eligible Individuals Who Have:



Conceptual Framework: An Example of Behavioral Evaluation

- Behavioral Motivation
- Simulates Marketplace Decision
 - Incorporates competitive alternatives
 - Imposes time constraint

If you were to make a purchase today, which product would you buy...



Conceptual Framework: A Preference Measurement Example

- Strength of preference for a new telecom product or service must be “most preferred” among competitive options

*Constant Sum Pairwise Trade-Offs
Between Competitive set of Products*

Cable Modem	3
T1	8
Total	11

T1	10
ISDN	1
Total	11

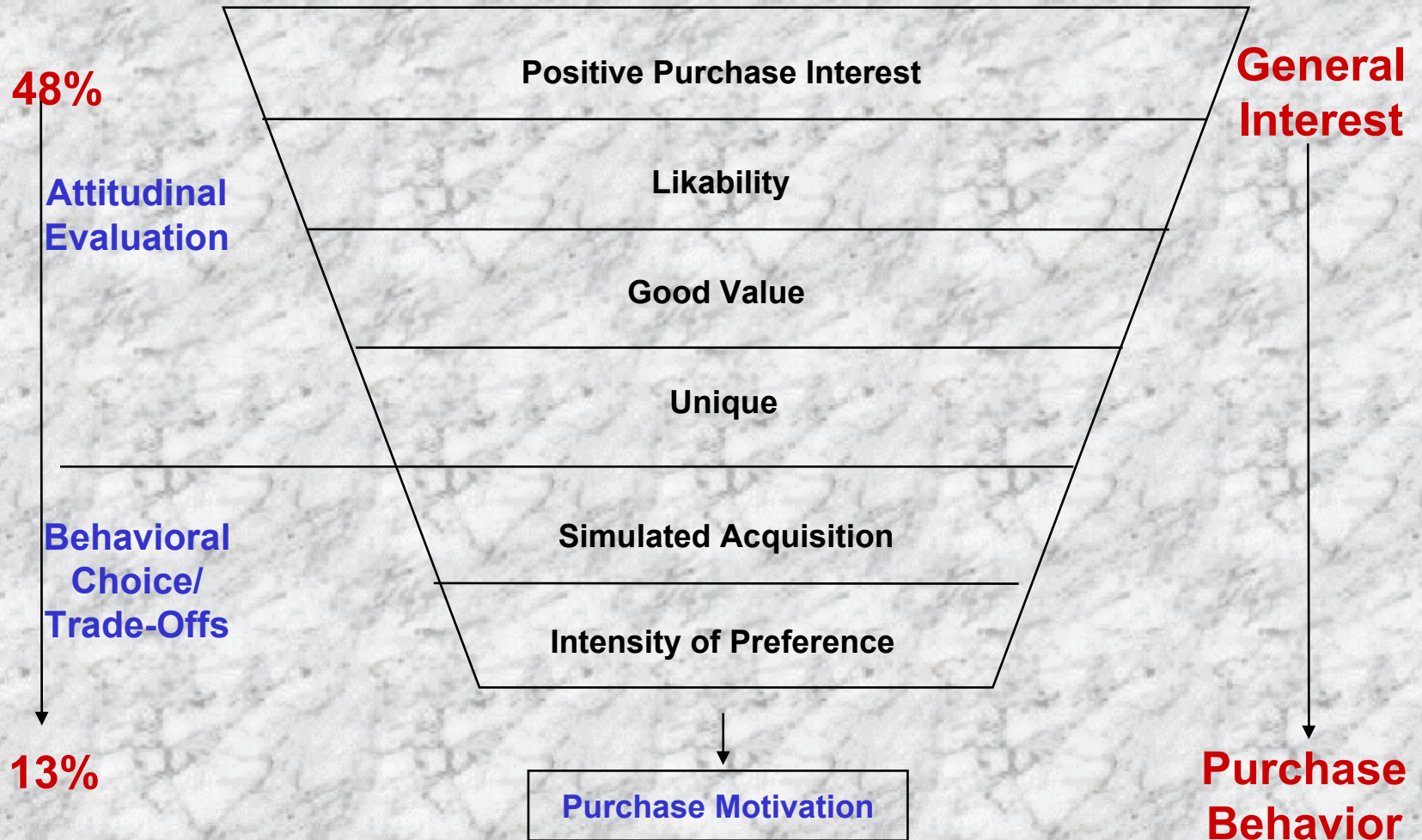
Cable Modem	7
ISDN	4
Total	11


T1	5
New Service	6
Total	11

Cable Modem	2
New Service	9
Total	11


ISDN	0
New Service	11
Total	11

Case Study: Estimation of Purchase Motivation for DSL Service





Predicting Loyalty towards Basic Services (Local & Long Distance)



Just Asking “Will You Switch?” Doesn’t Cut It!

- Research is conducted in an environment of “perfect knowledge”
- Customers typically “overstate” intentions
- What customers actually do varies dramatically given different market conditions
- What competitors actually do may vary too, requiring a “what-if” analysis

Using Survey-Based Data To Improve Acquisition/Retention (Assessor[®] Approach)

Loyalty/Satisfaction with Incumbent

- Satisfaction with overall service
- Likability of current provider
- Price/Value perception
- General switching intent in relevant communications category

Inertia Attitudes/Behavior

- Inertia attributes
- Shopping behavior
- Switching behavior in relevant communications category

Loyal vs. Indifferent vs. Disgruntled Customers

Trial Motivation of Alternative Providers

- Switching intent
- Likeability
- Price/Value
- Simulated choice

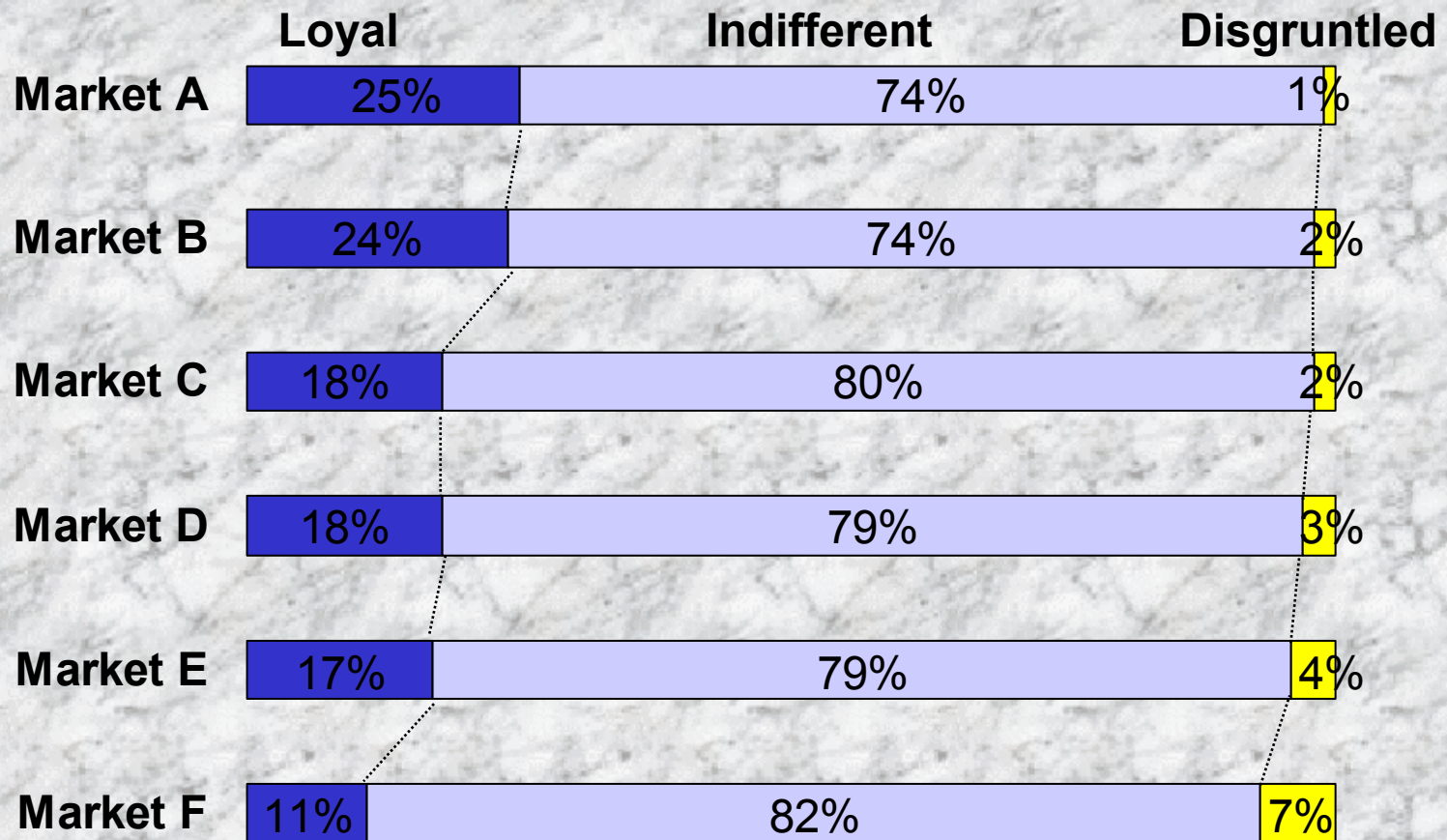
Inert vs. Neutral vs. Highly-Active Shoppers

Customer Disposition

- Loyal
- Inert
- Vulnerable
- Lost

Improve ROI for Retention/Acquisition Campaigns

Loyalty/Satisfaction with Incumbent: An Example

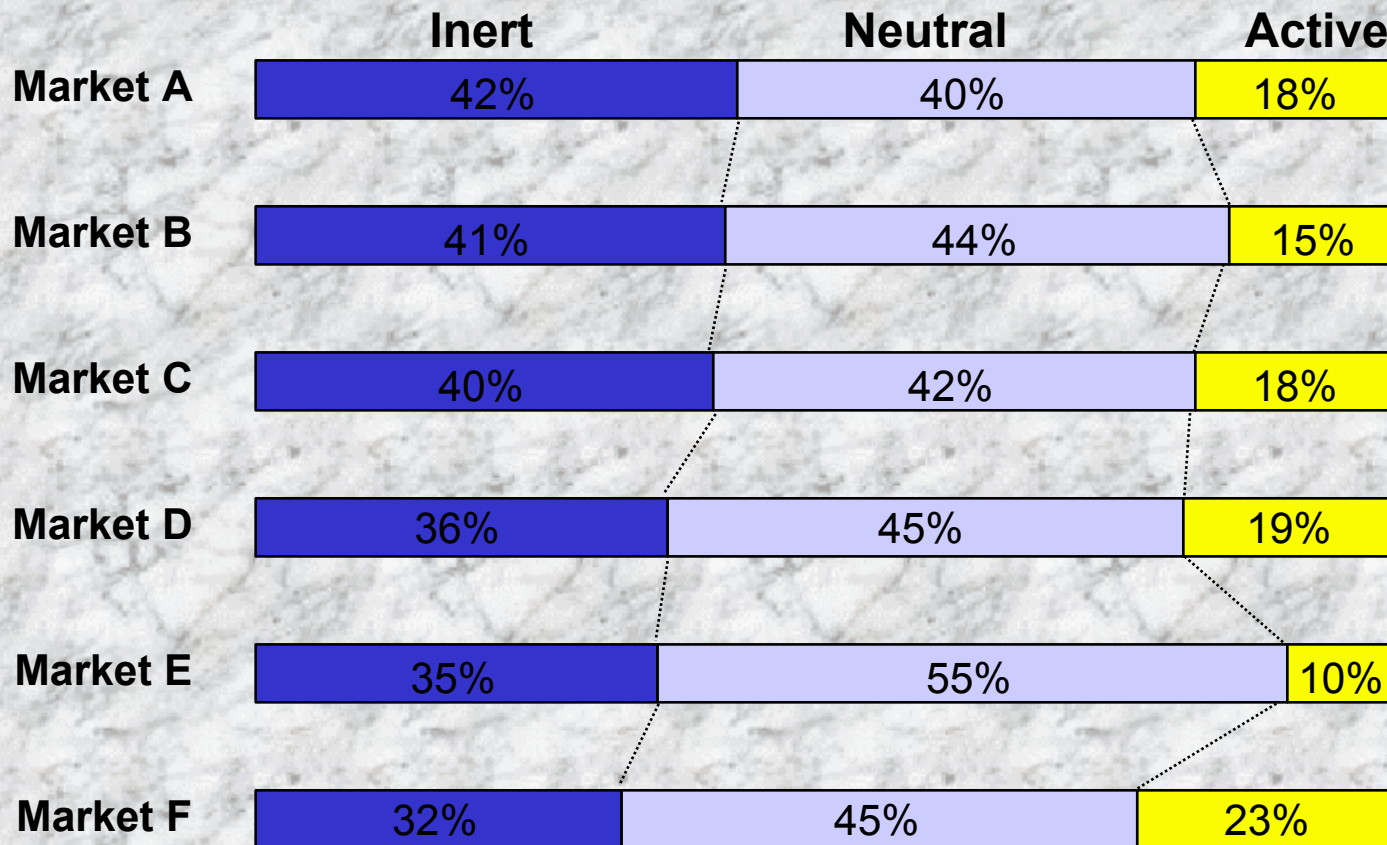




Inertia Attributes: An Example

- Which of these statements best describes how you will choose your local phone provider?
 - *I will work to find out about alternate providers, so I can get the best deal in town.*
 - *I won't search for the best deal, but would switch if a company called and made me a good offer.*
 - *I don't listen to phone offers, but may read offers I get in the mail asking me to switch.*
 - *I won't consider any offers to switch local phone providers.*

Inertia Attitudes/Behavior: An Example



Market Share in a Competitive Environment

- **Loyal:** Customers who like the incumbent and do not have a strong propensity to shop for new providers
- **Inert:** Customers who are relatively indifferent to the incumbent but don't like to shop around for providers, at least in the short run
- **Vulnerable:** Customers who do not necessarily like the incumbent and are likely to seek information on alternative providers; however, the hypothetical alternative offers are not appealing enough to trigger an immediate switch
- **Lost:** Customers who do not have a strong affinity for the incumbent are likely to shop around for alternative providers, and find the hypothetical offers appealing



Who Will Switch?

	<u>Total Market</u>	<u>Switchers</u>	<u>Index</u>
	%	%	
<u>Age:</u>			
18 - 34	26	35	135
35 - 64	63	61	97
65+	11	4	36
<u>Gender (R):</u>			
Male	41	38	93
Female	59	62	105
<u>HH Size:</u>			
1	17	13	76
2	30	29	97
3+	53	58	109
Single	62	62	100
Married	38	38	100
<u>Education (R):</u>			
High school or less	23	17	74
Some college	30	34	113
College grad or more	47	49	104
<u>Income (R):</u>			
Under \$30M	26	23	88
\$30M - \$70M	49	46	92
More than \$70M	25	32	128



Score Your Customer Database To Improve ROI of Retention and Acquisition Programs

- **Score every customer in your database with propensity to continue, or begin, purchasing the relevant service**
 - Propensity to continue/begin purchase = $f(\text{database predictor variables})$
 - Test scoring model on holdout sample
- **Profile customers with greatest gap between propensity and current purchase**
- **Tailor communications/advertising based on profile analysis**
- **Implement direct mail and promotional campaigns**
- **Measure ROI of direct mail and promotional campaigns**



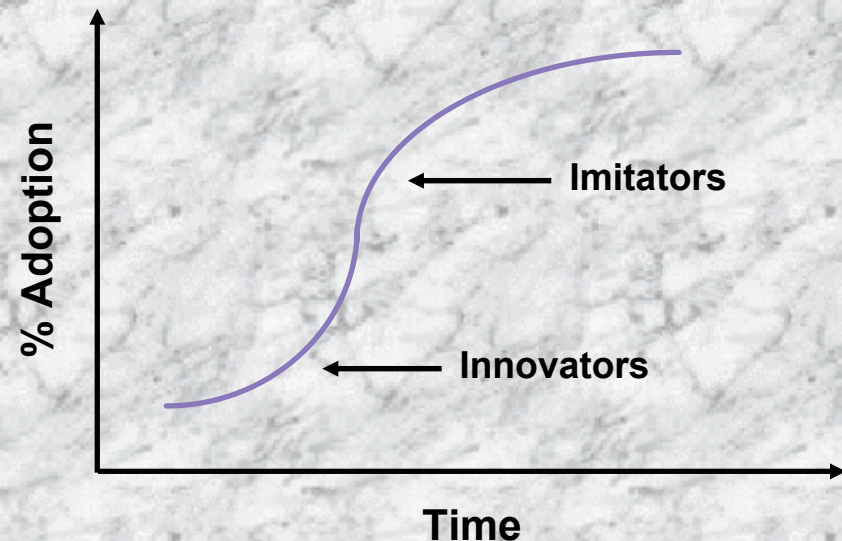
Diffusion Modeling: Next Evolution for Truly Innovative Products

- The adoption and growth of truly innovative products and services.
- Why is Diffusion Modeling difficult & different?
 - Context
 - Comprehension
 - Competition
 - Risk Management
 - Information Seeking

Diffusion Modeling: The Next Evolution

- Participants differ by how they respond to barriers and seek information and confirmation.

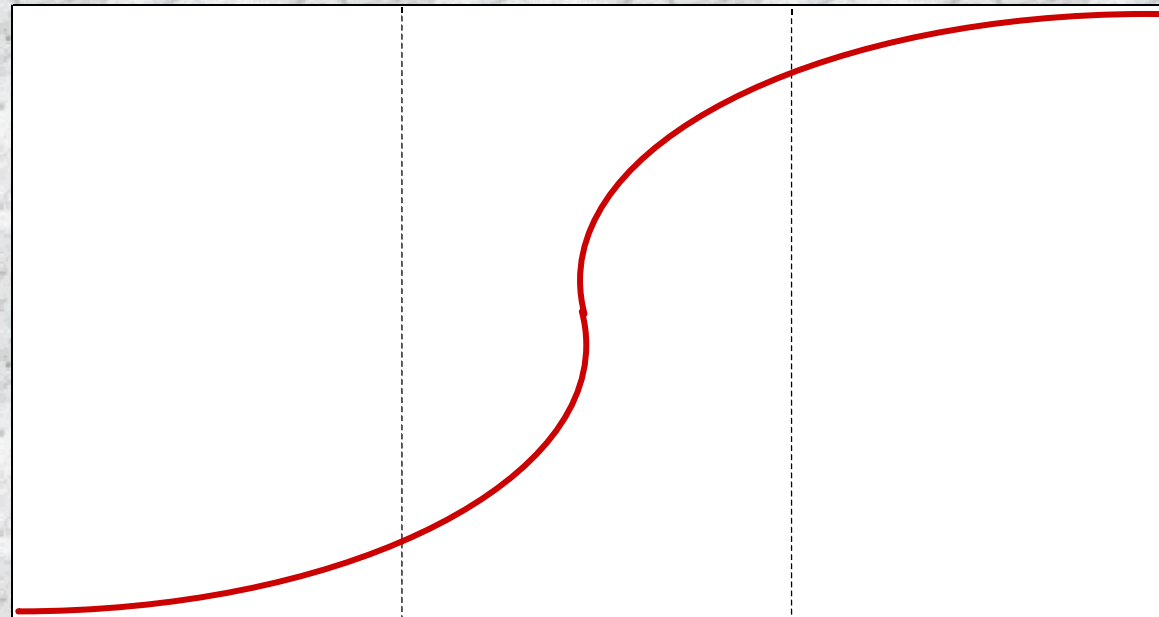
- **Innovators = Early adopters**
 - Risk takers
 - External influence (advertising)
- **Imitators = Later adopters**
 - Risk adverse
 - Seek proof, experience of others, word-of-mouth



Conceptual Framework: Simulating Diffusion Flow

Technology Adoption Among High-Tech Population

% of High-Tech Population Adopting New Technology



Strength of Word of Mouth/Bandwagon Effect

Product Development Cycle

Technology Launch

Early Adoption Phase

Expanded Adoption Phase

Future Conditioning Stimuli

Written/Pictorial concept about the new technology

Written/Pictorial/Video stimuli presenting the purchase and usage environment associated with the new technology

Written/Pictorial/Video stimuli such as simulated news articles, consumer reports and testimonies simulating the word of mouth effect

Forecasting Period

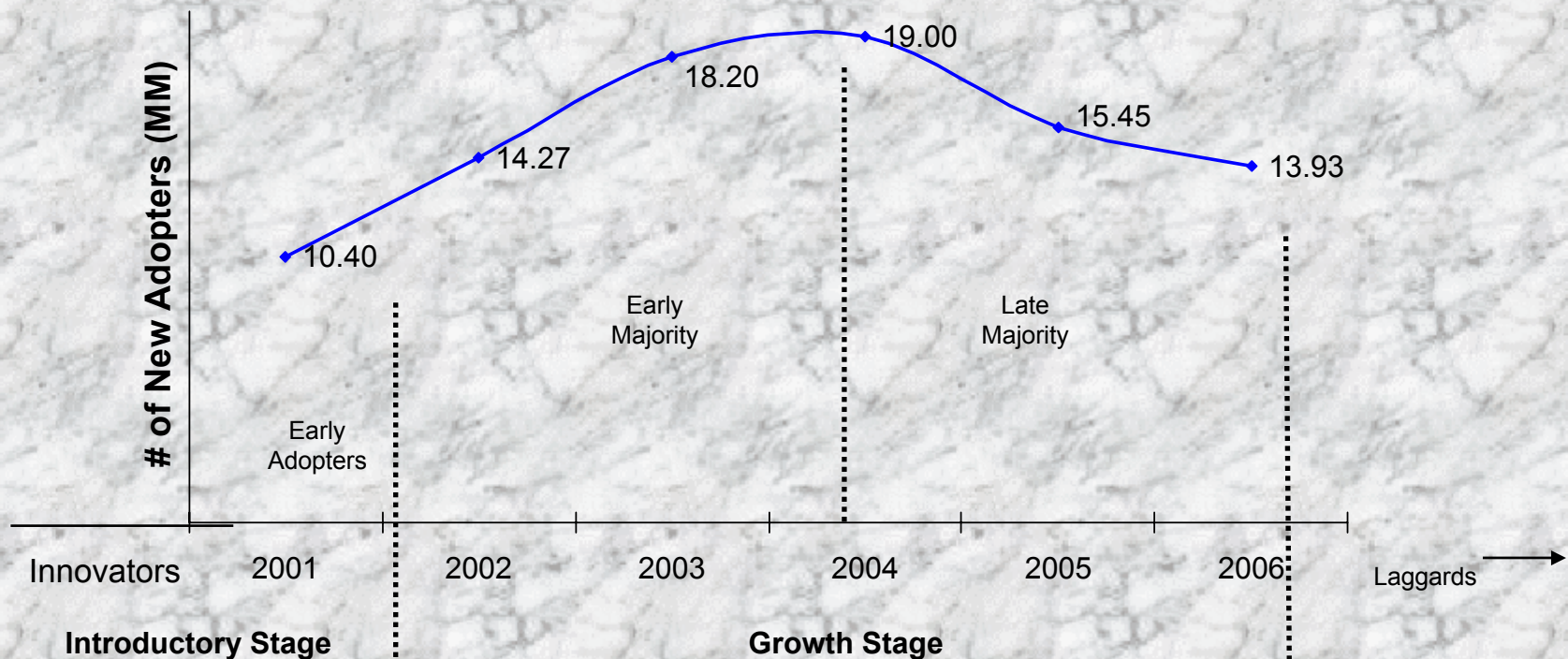
0 - 1 year

1 - 2 year

2 - 3 year

Case Study: Growth of one High-Tech Product

- Adoption of this product to remain strong through the next five years, peaking in 2003/2004
- Product appears to be moving from the Introductory Stage to the Growth Stage
 - Consumers entering the category now are more influenced by seeing or hearing about the products.



Questions?

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