

CASE STUDY - TELECOM SEGMENTATION



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OVERVIEW OF CUSTOMER SEGMENTATION:

customer segmentation (also known as market segmentation) is the division of potential customers in a given market into discrete groups. That division is based on customers having similar enough:

1. Needs, i.e., so that a single whole product can satisfy them.
2. Buying characteristics, i.e., responses to messaging, marketing channels, and sales channels, that a single go-to-market approach can be used to sell to them competitively and economically.

There are three main approaches to market segmentation:

- *A priori* segmentation, the simplest approach, uses a classification scheme based on publicly available characteristics — such as industry and company size — to create distinct groups of customers within a market. However, a priori market segmentation may not always be valid, since companies in the same industry and of the same size may have very different needs.
- *Needs-based* segmentation is based on differentiated, validated drivers (needs) that customers express for a specific product or service being offered. The needs are discovered and verified through primary market research, and segments are demarcated based on those different needs rather than characteristics such as industry or company size.
- *Value-based* segmentation differentiates customers by their economic value, grouping customers with the same value level into individual segments that can be distinctly targeted.

Benefits of Customer Segmentation

At the expansion stage, executing a marketing strategy without any knowledge of how your target market is segmented is akin to firing shots at a target 100 feet away — while blindfolded. The likelihood of hitting the target is a matter of luck more than anything else.

Without a deep understanding of how a company's best current customers are segmented, a business often lacks the market focus needed to allocate and spend its precious human and capital resources efficiently. Furthermore, a lack of best current customer segment focus can cause diffused go-to-market and product development strategies that hamper a company's ability to fully engage with its target segments. Together, all of those factors can ultimately impede a company's growth.

If best current customer segmentation is done right, however, the business benefits are numerous. For example, a best current customer segmentation exercise can tangibly impact your operating results by:

1. **Improving your whole product:** Having a clear idea of who wants to buy your product and what they need it for will help you differentiate your company as the best solution for their individual needs. The result will be increased satisfaction and better performance against competitors. The benefits also extend beyond your core product offering, since any insights into your best customers will allow your organization to offer better customer support, professional services, and any other offerings that make up their whole product experience.

2. **Focusing your marketing message:** In parallel with improvements to the product, conducting a customer segmentation project can help you develop more focused marketing messages that are customized to each of your best segments, resulting in higher quality inbound interest in your product.
3. **Allowing your sales organization to pursue higher percentage opportunities:** By spending less time on less lucrative opportunities and more on your most successful segments, your sales team will be able to increase its win rate, cover more ground, and ultimately increase revenues.
4. **Getting higher quality revenues:** Not all revenue dollars are created equal. Sales into the wrong segment can be more expensive to sell and maintain, and may have a higher churn rate or lower upsell potential after the initial purchase has been made. Staying away from these types of customers and focusing on better ones will increase your margins and promote the stability of your customer base.

BUSINESS PROBLEM:

One of the leading telecom companies would like to define marketing strategy by analyzing their customer's behavior. The company provided sample data set which summarizes the behaviors of active customers of a mobile network operator.

EXPECTATIONS FROM THE TRAINEES:

- ✓ Identification of the relationships/ affinities between services.
- ✓ Clustering: Apply a data reduction technique factor analysis for variable reduction technique and a clustering algorithm to reveal the behavioural segments of credit card holders
- ✓ Identify cluster characteristics of the cluster using detailed profiling.
- ✓ Provide the strategic insights and implementation of strategies for given set of cluster characteristics

DATA AVAILABLE:

- Telco Data.csv

Region: Geographic indicator

Tenure: Months with service

Age: Age in years

Marital: Marital status

Address: Years at current address

Income: Household income in thousands

Ed: Level of education

Employ: Years with current employer

Retire: Retired

Gender: Gender

Reside: Number of people in household

Tollfree: Toll free service (1 - Using, 0- Not Using)

Equip: Equipment rental (1 - Using, 0- Not Using)

Callcard: Calling card service (1 - Using, 0- Not Using)

Wireless: Wireless service (1 - Using, 0- Not Using)

Longmon: Long distance last month Usage

Tollmon: Toll free last month Usage

Equipmon: Equipment last month Usage

Cardmon: Calling card last month Usage

Wiremon: Wireless last month Usage

Multline: Multiple lines (1 - Using, 0- Not Using)

Voice: Voice mail (1 - Using, 0- Not Using)

Pager: Paging service (1 - Using, 0- Not Using)

Internet: Internet (1 - Using, 0- Not Using)

Callid: Caller ID (1 - Using, 0- Not Using)

Callwait: Call waiting (1 - Using, 0- Not Using)

Forward: Call forwarding (1 - Using, 0- Not Using)

Confer: 3-way calling (1 - Using, 0- Not Using)

Ebill: Electronic billing (1 - Using, 0- Not Using)

Custcat: Customer category