a new approach to

B2B

customer

segmentation

Author: Teresa Cottam, Contributing Analyst
Editor: Ian Kemp, Managing Editor
ISBN: 978-1-955998-14-7

Sponsored by:

ETIYA

contents

setting the scene

The inflexibility of legacy customer segmentation is holding communications service providers (CSPs) back as they seek to evolve and expand their B2B operations. To maximize their commercial opportunities, they need to find smarter ways to segment their market that address the evolving needs of their customers, taking into account key trends such as hybridization, consumerization and verticalization, as well as new channel strategies and B2B2X models.

All of this means their supporting infrastructure must be flexible enough to empower dynamic segmentation, agile enough to pivot to new opportunities, and adaptable enough to build fresh, engaging experiences.

Research for the TM Forum report Mapping a path to telco revenue growth shows there's a growing consensus that short and mid-term revenue growth in the telecoms sector will derive from the B2B market, as businesses of all sizes digitalize, connect, automate and innovate. Whether it's industrial IoT or the "work from anywhere" opportunity, CSPs have started refreshing their B2B product portfolios, exploring new business models and innovating experiences in anticipation.

But none of this guarantees success. The B2B telecoms market is increasingly competitive and new, digital rivals are circling.

The B2B telecoms market is increasingly competitive and new, digital rivals are circling.

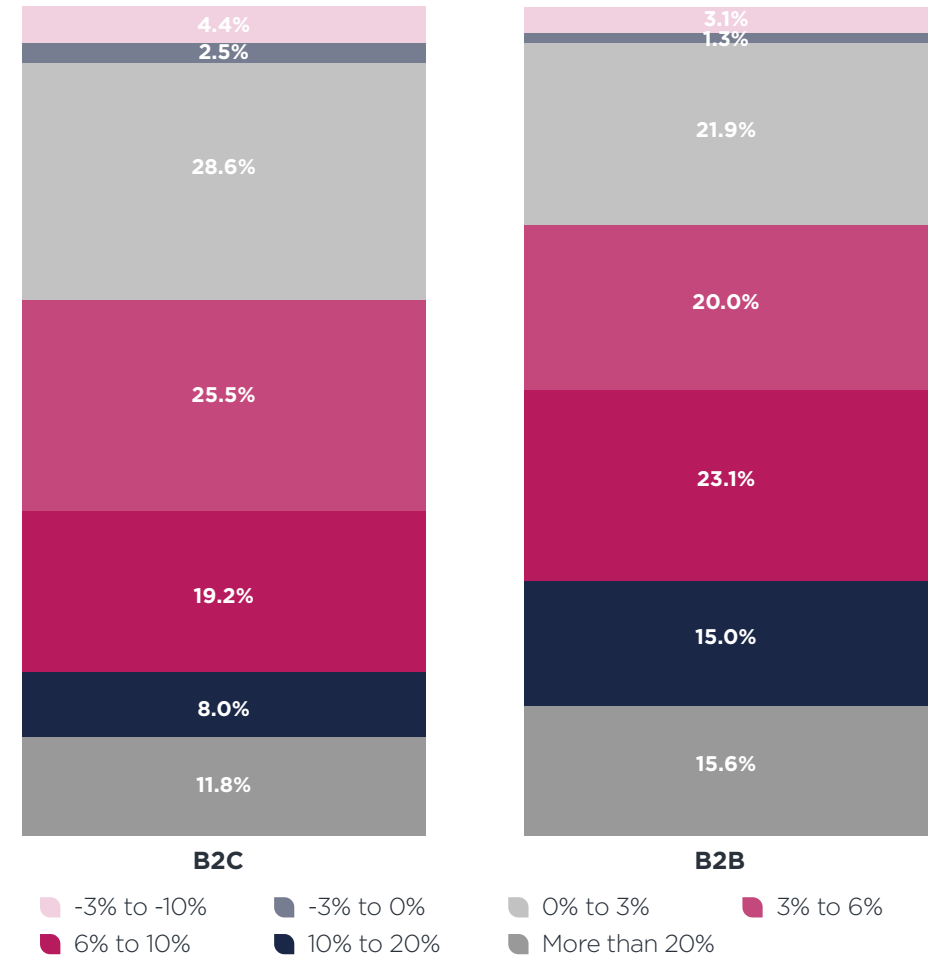To be successful, CSPs need to transform the way they market and sell to businesses. And doing so requires them to:

meet the needs of B2B customers for a more digital, on-demand buying experience, establishing a positive customer relationship to build further value

overcome the complexity and limitations of legacy business and operational support systems (BSS/OSS), which have prevented them from reducing costs and pivoting quickly to new opportunities

segment the market more effectively to maximize sales and marketing effectiveness and thus revenue potential.

This latter point is one that's often overlooked. Delivering smarter segmentation in the B2B market means moving away from a single segmentation criterion – number of employees – to one that better addresses the reality of the business market and the evolving needs of customers. CSPs have already begun setting up new business units to address underserved segments of the B2B market, such as micro and nano businesses, and are creating new offers for hybridized opportunities for people working from home.

This ebook looks at how CSPs can adopt a smarter approach to segmentation that supports revenue growth. In it we explain:

- Why the current fragmented approach is holding CSPs back
- How approaches need to change
- The increase in hybridization and how that complicates segmentation
- Dynamic segmentation
- What different types of customers want – the commonalities and differences
- True partnership as a new customer type
- The key takeaways.

CSPs' projections for revenue growth in the next 5 years

B2C	B2B
4.4%	3.1%
2.5%	1.3%
28.6%	21.9%
25.5%	20.0%
19.2%	23.1%
8.0%	15.0%
11.8%	15.6%

Legend:
- -3% to -10%
- -3% to 0%
- 0% to 3%
- 3% to 6%
- 6% to 10%
- 10% to 20%
- More than 20%

TM Forum, 2021

why a new approach to segmentation is needed

The main criterion for legacy B2B customer segmentation strategies was a single data point – the number of employees a business had – which acted as a proxy for likely spend. But the B2B market has changed substantially in recent years, making segmentations based on employee count increasingly irrelevant.

The traditional split between retail and enterprise services has been made obsolete by increased automation, remote working models and the move to cloud. A small enterprise by headcount is not necessarily small in terms of revenue any more, and levels of ICT spend might be high if they're using significant automation and sophisticated technologies to compete with larger rivals. Smaller headcount may, in fact, indicate a highly efficient and technologically advanced company, whereas higher headcount could indicate an inefficient digital laggard.

demarcation lines disappearing

The demarcation between small, medium and large enterprises was always arbitrary and inconsistently applied. These segments were established by governmental organizations, and were not designed for sales purposes. The advent of cloud and software-as-a-service (SaaS), combined with increasing digitalization, means there's often little discernible difference in how ICT is procured and consumed by different sizes of business – the nature and maturity of the business is more likely to determine ICT needs.

At the same time, large enterprises are fragmenting and becoming increasingly decentralized, which is forcing CSPs to reassess the way they sell to them. Meanwhile downward pressure on wholesale margins is seeing many CSPs think twice before handing off so much of their SME business to resellers. What was once an inconvenience – managing the needs of large numbers of low-spend business customers – has become an opportunity. Perhaps most significantly, though, many of the most promising B2B opportunities are coming from sectors that have either been traditionally under-served or are just emerging.

What was once an inconvenience – managing the needs of large numbers of low-spend business customers – has become an opportunity.

CSPs need a new approach to B2B market segmentation

Rise of automation
Headcount is no longer a good proxy for spend

Digitalization of the SME market
Makes the sector more lucrative to serve directly

Work from anywhere
Is creating new hybrid opportunities

Legacy B2B market segmentation is no longer effective

B2B2X
Emerging opportunity to support supply chains and interconnected business

Decentralization
Means more contractors, and more decision-making by individual workers

Pressure on wholesale margins
Makes it less viable to use resellers to address the SME market

Micro and nano business growth
More people are becoming self-employed, working in the gig economy or setting up new businesses

Customer expectations
Are driving demand for self-service, and decreasing the difference between segments

TM Forum, 2022

the effect of hybridization

Legacy segmentations were always too rigid and resulted in lost opportunities. They made it very hard for communications service providers (CSPs) to address opportunities that didn't fit neatly into their limited B2B segmentations.

One consequence was the emergence of a "shadow" B2B market whereby business users that were not convinced by the benefits of business packages opted for retail ones. Even if CSPs were aware of these "hidden" business customers, they couldn't target them with appropriate services because such services weren't supported by the underpinning business support systems (BSS).

work trends impacting segmentation

Increased homeworking during the Covid-19 pandemic created even greater urgency to address the long-standing problem of rigid and obsolete segmentations. As large numbers of workers suddenly began using domestic broadband, it not only became apparent that networks weren't dimensioned for such usage, but also that CSPs weren't structured to upsell and cross-sell better solutions – wasting valuable opportunities to meet customer expectations and increase revenues.

While the "work from anywhere" trend undoubtedly presents huge opportunities to CSPs, it's not the only thing hybridizing B2C and B2B telecoms. The advent of gig economy work and the increase in tiny nano businesses – such as micro-retailing and the "influencer economy" – have both changed the concept of work and the services required by households. Work is no longer a place people go, but an activity undertaken alongside many others. While industrialization required centralization, the digital economy is reversing this trend and distributing more types of work and workers more widely, connecting them via telecoms services.

Increased homeworking during the Covid-19 pandemic created even greater urgency to address the long-standing problem of rigid and obsolete segmentations.

These trends mean that CSPs must not allow their own internal demarcations, structures and systems to prevent customers buying the services they need. Instead, their systems and processes must be flexible enough for them to pivot quickly in a far more fluid B2B market.

Personalization v segmentation

CSPs need to utilize both hyper personalization and segmentation strategies. Product managers should continue to design offers for a specific target segment that ensures a commercially viable product.

Products themselves need to be configurable rather than personalized, as custom products are hard to update and expensive to design, maintain and support. Marketers, however, should use dynamic behavioral data to not only segment their market but also personalize the experience for individual B2B customers and users.

TM Forum's Open Digital Framework can help CSPs improve personalization and customer experience. It's an interactive, continuously evolving collection of tools, knowledge and standards that give CSPs a blueprint to deliver intelligent operations.

TM Forum has a range of resources designed to help CSPs improve their CX, such as: a Customer Experience Maturity Model to understand how they are progressing; guidelines to ensure they are using the right metrics to measure CX; and a guide to show CSPs how AI can help deliver a 360-degree view of the customer.

For more information contact Aaron Boasman-Patel.

customers want to be better understood

B2B customers are frustrated. They perceive CSPs to be too rigid and not responsive enough to their needs, which has led to a high level of customer dissatisfaction and churn. Net promoter scores (NPS) in the B2B market are far lower than in the retail sector, for example, and frequently negative.

This dissatisfaction is increasing as younger employees enter the workforce and assume decision-making positions. They're used to an on-demand, instant digital experience in their home life and can't see why this isn't available to them at work.

taking a dynamic approach

Customers likewise don't see themselves as fitting into the traditional boxes created by CSPs. They don't identify as a segment of anything, but as an individual business or business user that wants their needs to be met without hindrance or delay. Legacy segmentations have long restricted and frustrated them, rather than enabling their business and thus driving sales for CSPs.

As enterprises become more dynamic – right-sizing what they buy to their current business requirements – the challenge for CSPs is to move from a static, organization-centric view of customer segmentation towards a more dynamic, customer-focused segmentation based on usage data.

CSPs need a new approach to B2B market segmentation

1

A priori segmentation
Uses static classifications such as industry and number of employees to group customers. It is the simplest method of segmentation but its weakness is it doesn't take account of the digital maturity of individual companies, changing needs or where companies don't fit into a neat categorization

2

Value-based segmentation
Uses customer spend to group customers. Whereas traditional a priori segmentation used proxy measures for spend, such as number of employees, value-based segmentation avoids its inaccuracies and is more dynamic. Its weakness is that it assumes stability of spending

3

Needs-based segmentation
Uses the individual needs of a business or business user with products and experiences designed to meet those needs. This segmentation is more dynamic and avoids the hard demarcation lines associated with a priori segmentation or value-based segmentation

Less dynamic   *More dynamic*

TM Forum, 2022

The challenge for CSPs is to move from a static, organization-centric view of customer segmentation towards a more dynamic, customer-focused segmentation based on usage data.

customers want co-creation and partnership

Today's B2B customers expect a more retail-like experience – a trend often called consumerization of IT. This means they want digital autonomy, which translates as the ability to buy, manage and adjust their products digitally without the need to consult an account director.

The emphasis is on an easy user experience, instant fulfillment and self-configuration. The heavy customization of previous generations of enterprise services stands in the way of their ability to buy what they need instantly, which places the emphasis on productization, standardization of pricing, and high levels of automation.

improving the buying experience

B2B customers are not satisfied with the current digital buying experience delivered by their suppliers according to recent research from Sana, which found that 94% of B2B buyers report customer experience problems when buying online. The B2B buying experience is critical not only when CSPs initially onboard a customer, but increasingly to help them retain customers and benefit from repeat business.

CSPs are trying to improve the buying experience by investing in customer portals that are supported by configure-price-quote software and integrated, flexible business and operational support systems (BSS/OSS) that provide the easy, on-demand experience businesses expect. CSPs can take this a step further, however, by becoming more proactive and using AI to match customer behavior to products and offers, communicating this in bills to highlight the value delivered, where more value could be added and how offers are business-relevant.

The B2B buying experience is critical not only when CSPs initially onboard a customer, but increasingly to help them retain customers and benefit from repeat business.

Customers are also willing to do more of the work themselves – putting together their own quotes and self-configuring their services – so long as this is easy for them to do. But many want even more than this. They wish to work in partnership with CSPs to co-create new offerings or to have a single CSP support not just their own organization but their entire supply chain.

This crosses even more boundaries, changing the relationship between the CSP and its business customers. Addressing these opportunities, however, requires segmentation and marketing techniques that constantly adapt to the changing ecosystem and evolving customer expectations. Serving the small and medium-sized enterprise (SME) market, for example, can be particularly challenging (see chart).

Serving the SME market is challenging

Size
Creating offers for a sector that varies in size from microbusinesses of less than one employee to medium businesses with 250

Ticket size
Capturing spending that varies from hundreds of thousands of euros per year to a few hundred euros per year is challenging

Cost to serve
Varies enormously according to the location, number of sites and product complexity required

Sales channels
The varying choices - account managers, digital self-service and reseller channel - have very different cost implications

Digital maturity & growth plans
There is a wide variation in opportunity according to the speed of growth, digital maturity and tech savviness of SMEs

TM Forum, 2022

dynamic segmentation and customer-centric marketing

Legacy segmentations create hard divisions that stand in the way of customers getting what they need; legacy marketing approaches are often campaign-based, pushing products and offers at a time that may not feel relevant to business customers.

CSPs need to move away from these tactics and use more dynamic segmentations that utilize customer data to better understand customers' needs, with AI-driven recommendations to match requirements to relevant products and offers.

This transforms the entire sales and marketing approach from an organization-centric process to a customer-centric one that is informed by the needs of the customer. Automation combined with technologies such as analytics and AI makes the process scalable and more affordable, meaning that CSPs can extend the type of experience previously provided to large enterprises to smaller business customers.

a digital experience is key

Delivering this through digital channels also meets the needs of younger workers. That is important because 74% of millennial B2B buyers say they've swapped vendors simply because the new company offered a more consumer-like digital experience.

Service providers also have a very useful but underused channel to communicate their recommendations and make them more relevant to their customers' current needs. Bills are rapidly evolving from a static paper-based or electronic document into a dynamic digital portal that is at the heart of the commercial relationship between CSPs and their B2B customers. Bills can also be tailored to the needs of different stakeholders in the bill processing chain to make offers more personalized and relevant.

74% of millennial B2B buyers say they've swapped vendors simply because the new company offered a more consumer-like digital experience.

Going micro – a new segment for CSPs

A growing number of CSPs have created offers for the household aimed at the hybrid workspace-lifespace market to support those working from home. Initially this was a product-based offer, with CSPs such as Telefonica, AT&T, A1 and Virgin launching Connected Customer Assurance and Protection Services (CCAPS) that optimized in-home connectivity, boosted security for households and provided business and parental controls. In 2020-21, however, CSPs took things a step further by creating new units to support homeworkers and the smallest entrepreneurs, separating these from their wider small and medium-sized enterprise (SME) business units.

Examples include:

- BT Enterprise, which created its small office / home office (SoHo) unit in June 2021 to support businesses with 1-5 people plus homeworkers, and which is estimated to have an annual contract value of more than £500 million.

- Vodafone Business, which launched its SoHo unit in 2020 and rolled out its Business Pro offer in 2021. Vodafone describes this proposition as a core element of its 2025 growth strategy, which places great emphasis on the SME and SoHo segments.

- Virgin Media O2 (a joint venture between Telefonica UK and Virgin Media) launched its Volt offering for this market in October 2021.

segmentation maturity model

The table below shows a segmentation maturity model. For example, if a CSP has a basic segmentation model, typically it's based on the number of employees, is rule-based, one-to-many and customer data is fragmented. But the more advanced segmentation models CSPs are beginning to introduce are based on customer need, are highly personalized, update in real time and make use of AI predictions.

	Basic	Optimized	Advanced
Type of segmentation	A priori	Value-based	Needs-based
Offer	Based on number of employees	Based on spend	Based on customer need
Relevancy	Low Generic	Medium Tailored	High Personalized
Customer data	Fragmented	Single customer profile	Real-time customer usage
Currency	Static	Changeable	Dynamic
Granularity	One-to-many	One-to-few	One-to-one
Tailoring method	Rule-based	Customer analytics	AI predictions
Effort	Low	Medium	Low
Outreach	Onboarding	Mid-cycle campaigns	Contextual
Cross-sell/upsell potential	Low	Medium	High
Cost of marketing	High	Medium	Low

four steps to improve segmentation

It's essential to take a more dynamic approach to segmentation
Static segments make a lot of assumptions and at best only meet enterprise needs at a particular point in time. As the B2B market becomes more complex, and business requirements change rapidly, CSPs must take a more dynamic approach to segmentation based on predicted need rather than arbitrary demographics.

Optimize the buying experience
Reducing the barriers to sale is critical to success. But, importantly, the buying experience is not just about getting it right at initial onboarding; it's also about enabling B2B customers to continue to buy additional products and re-dimension existing services as their businesses change and flex. Business users increasingly expect their buying experience to be digital, instant and on-demand.

Ensure business support systems are agile enough to pivot to new opportunities
BSS should be flexible and agile enough to enable CSPs to experiment with new services and offers, react to rival offers, and respond to the evolving needs of their business customers. It's hard to plan for every eventuality in such a dynamic market, which means BSS flexibility is key to increasing commercial agility and ensuring ongoing success.

Utilize your billing data and bills to maximize marketing effectiveness
Billing data provides a wealth of information about customer behavior that can be mined for insights. CSPs should use this data to recommend relevant products and offers to business customers and highlight these on the most-read document in the B2B market – the bill.

digital bss – a gateway to monetizing new b2b opportunities

As the CSP market is changing rapidly, service providers need to rethink their strategies and adopt new digital business models to stay competitive and maintain the growth trends they enjoyed in the last decades. Companies should look beyond mass-market connectivity and focus on new segments, new market demands, and opportunities presented by new technologies.

The new name of the game is B2B focus, however, this poses various challenges to CSPs.

The segment itself is much more heterogenous than B2C and, with the emerging new business models, its complexity is increasing rapidly. Traditional, size-based segmentation methods will not work anymore, companies must take a more need-based, dynamic approach to segmentation, to be able to produce relevant offers to their target audience.

Servicing B2B customers was always about how to satisfy complex demands, with very tailored offers. In B2B, there is definitely no one-size-fits-all. Personalization is key, therefore a highly configurable system is needed that can provide tailored products, and also interfaces and functionalities, with a high degree of flexibility for their users. There is a new benchmark for B2B decision-makers: they want to enjoy the same flexibility and digital experiences at work that they are getting used to in their everyday private life, whenever they are in an online purchase or self-care situation.

Legacy BSS stacks are simply not capable to handle dynamic segmentation, product complexities and tailored approaches. However, with digital BSS and AI capabilities, those concerns are of the past, and companies can create radical new offers that suit the best for their B2B customers, as per their specific needs. Spaghetti systems,

ETIYA

cumbersome manual processes or insufficient customer usage and behaviour data will not hold CSPs back anymore. A 100% digital operation will allow them to focus on real customer needs, and they don't need to worry about technical capabilities.

And satisfied B2B customers will mean a whole new world of extra business opportunities and a different scale of potential new revenue streams. New technologies, like IoT and 5G and new lines of business, eg. ecosystem management will provide extra growth opportunities for CSPs, and to effectively monetize those opportunities, Digital BSS is indispensable.

Etiya digital business platforms

Get digital-ready fast, and reduce traditional BSS costs

Etiya Digital Business Platforms are 5G-ready, agile, full-stack, fully virtualized digital platforms that are pre-integrated into partner solutions.

Since the platforms use a modular, API-driven architecture, they are flexible. CSPs can select to launch a full-stack new BSS platform to replace their legacy systems, or to modernize step-by-step, by choosing which platform components they want first and add new solutions, as needed, later. Its cloud-compatible implementation significantly reduces up-front CapEx, enables fast implementation and a cost-effective digital transformation.

Etiya real-time, automated digital platforms use microservices to speed time-to-market for new products and enable easy experimentation with new business models and service concepts.

Etiya Digital Business Platforms can be implemented in parallel to comprehensive transformation projects so you can be 100% digital quickly, ready to launch digital-first sub-brands, sell a wide range of new content and services, even complex and highly tailored ones, quickly try new business models or enter new markets.

New technologies, like IoT and 5G and new lines of business, like ecosystem management, will provide extra growth opportunities for CSPs, and to effectively monetize those opportunities, Digital BSS is indispensable.

Discover emerging B2B opportunities

Etiya Digital Business Platforms do not only provide technical capabilities for a business operation. They offer a brand-new infrastructure to create an all-digital customer experience – not just for B2C, but also for the B2B segment – with dynamic segmentation and personalization capabilities, and the high configurability and flexibility demanded by today's Connected Customers.

Etiya Digital Business Platforms contain three main layers: Experience, Engagement, and Enablement. Data analytics, AI, and business intelligence functions are used to add intelligence to these layers and enable personalization, process automation, and efficiency.

Etiya Digital BSS helps companies to simplify and automate their processes and allows them to focus on real value creation for their customers. With the power of the latest technologies, AI and ML, companies can have real-time, in-context business insights, predictions and recommendations based on usage data and behaviours. This allows them to provide personalized offers and customer care, faster and smoother quoting processes, and a transparent and trackable order fulfilment. Such tailored and high-value customer experiences will increase differentiation and loyalty, and thus improve customer lifetime value.

In the new digital economy, CSPs need to transition from being a 'connectivity provider' into the role of a 'service enabler'. Etiya Digital BSS is helping in this transformation as well. It is a 5G-ready platform, with each BSS layer being seamlessly compatible with 5G networks. It features slice visualization and management, NAAS, partnership slice tailoring, SLA management, and it also allows the creation of unlimited slices within the network capability limits, and the creation of speed/capacity bundles.

Flexible, AI-based slicing and an agile BSS platform will allow operators to quickly develop and launch new offerings, experiment with new service concepts, capture new business opportunities, thus efficiently monetize 5G opportunities. The platforms also provide a comprehensive ecosystem management capability for a wide range of business models, especially on 5GISP.

Etiya Digital Business Platforms offer a brand-new infrastructure to create an all-digital customer experience with dynamic segmentation and personalization capabilities, high configurability and flexibility.

Etiya product portfolio

Etiya's innovative products provide end-to-end lifecycle management for sales and ordering, customer management, and product management processes.

Service providers can efficiently manage the customer quote-to-cash process, eliminating errors, while increasing customer value with personalized up-sell and cross-sell offers. From prospect to retirement, Etiya provides a 360-degree customer view to all sales channels and a consistent omnichannel customer experience across all devices, that is enriched with predictions and personalized recommendations driven by learning-based algorithms.

The product suite also provides tools for product developers to create, sell, and monetize innovative digital services from concept to retirement. Artificial Intelligence-based innovations include natural language processing, as well as predictive and prescriptive analytics. Etiya is also a pioneer in applying social media analytics to customer experience management.

Etiya's product portfolio includes the following catalog-based and algorithm-driven software products:

- Customer Relationship Management (CRM)

- Product Catalog Management

- Configure, Price, Quote (CPQ)

- Order Management

- Customer Service Management

- OmniChannel Digital Frontend

- Campaign Management

- Chatbot

- Digital Interaction Management

- Artificial Intelligence Platform

- Billing & Charging Management

Etiya solution portfolio

Etiya solutions are customized packages tailored to meet individual service provider needs and environments. They efficiently mesh existing service provider systems and data with forward-looking capabilities to solve customer issues and requirements. By combining innovative technologies with our consultants' deep telecom knowledge and long-term experience we help service providers transform their businesses with the following solutions:

- Data Analytics

  - Big Data

  - Data Warehouse

  - Business Intelligence

  - Advanced Data Analytics

  - Social Media Analytics

- Video Analytics - Image Processing Technologies

- 5G Intelligent Slicing Platform

- Customer Engagement Solutions

Etiya uses autonomous learning, algorithm-driven technologies, and sentiment analysis to reshape the customer's engagement journey. The customer's next step can be predicted based on behavior and emotions, so the service provider can proactively take the best action - in real time - to provide a superior customer experience. This is the essence of a personalized, situational and dynamic digital customer experience.

company highlights

Etiya is a leading software company providing customer experience-focused, AI-driven Digital Transformation with its own award-winning product portfolio. Founded in 2004, Etiya has more than 1200 employees and offices in 3 continents and 7 countries. Its microservice-based architecture, DevOps methodology, and AI-driven portfolio provide a competitive advantage to its customers by bringing agility and flexibility into their business.

Etiya provides turnkey, end-to-end digital transformation to many customers worldwide. Its products have been successfully implemented and proven in Tier1 service providers and have the scalability to handle millions of orders per day.

Its business processes and business entities are certified to the latest TM Forum standards, TM Forum Frameworx version 21.0 and achieved the highest number of conformant TM Forum Business Process Framework Level 3 Certifications and SID entities of any vendor.

It incorporates innovative AI technologies, including natural language processing (NLP) techniques, prediction and recommendation, in its portfolio.

It has won many awards from 3rd party independent institutions like TM Forum with its product portfolio and the customer experience-based projects that are provided to customers.

Etiya exists to move in an agile way beyond existing standards in its relationships with the customers, in innovation, and in its ambition to expand and grow.

Exceed, Every Day

Meet the Research & Media team

Author:
Teresa Cottam
Contributing Analyst

Chief Analyst:
Mark Newman
mnewman@tmforum.org

Principal Analyst:
Dean Ramsay
dramsay@tmforum.org

**Customer Success
& Operations Manager:**
Ali Groves
agroves@tmforum.org

**Commercial Manager,
Research & Media:**
Tim Edwards
tedwards@tmforum.org

Editor:
Ian Kemp
Managing Editor
ikemp@tmforum.org

Editor in Chief, Inform:
Joanne Taaffe
jtaaffe@tmfourm.org

Digital Marketing Manager:
Anna Kurmanbaeva
akurmanbaeva@tmforum.org

Global Account Director:
Carine Vandevelde
cvandevelde@tmforum.org

tmforum

For more information on B2B
segmentation and customer
experience, please contact
Aaron Boasman-Patel