

Effective Generational Marketing:

Rethinking your company from the ground up

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“THE FUTURE?”

**The things that got us here will
not get us there.”**

-Peter Drucker, Business Innovator

State of our industry:

More consumer choice = more competition

1. VoIP (Digital Phone)

- **Retail Internet phone market expected to reach \$1.4 billion by 2008**
 - 20.4 million users by 2010
 - 2 out of 3 people have heard of VoIP
 - » **AT&T is bundling VoIP with their U-Verse IPTV service**

2. BPL (Broadband over Power Lines)

- Turns every electrical outlet into “always on” Internet connection
- Same speeds as DSL/cable modems
 - Manassas, VA deployment
 - Motorola creates Powerline MU for MDUs earlier this year

3. WiMAX

- Like Wi-fi only greater reach (30 mile range)
- Future: Voice, video and data at speeds up to 70 Megs to thousands of users
 - Sprint is spending \$3 billion to reach 100 million people by YE 2008
- Mobile WiMAX is expected to reach 80 million by 2013
 - Need “sticky” services that target 18-35 year olds

4. FTTH (many by Municipal Utilities)

- FTTH connections have doubled in past year
 - Reached 2.14 million in September (2/3 are Verizon)

More consumer choice = more competition

5. IPTV

- AT&T's U-Verse TV is growing 2,000 customers per week
 - They are spending \$6.5 billion to build-out infrastructure
 - Just spent \$1.25 billion in TX and are expanding Southwest in 08
- IPTV will reach 18 million homes in 13 states within next 12 months
- Verizon's FiOS has over 500K customers in 12 states
 - Growing 2,000 customers per day
 - Interactive video games coming 1st quarter
 - » Food Network recipes/fantasy sports stats

6. Wireless

- T-Mobile is trying to eliminate landline service with **HotSpot@Home**
 - Home Wi-fi switches seamlessly to cell network
- Verizon is bundling landline & cell for \$60
 - Unlimited local and LD, plus 200 minutes of wireless
 - » Unveiling new "Voyager" phone to compete with iphone
- Comcast, Time Warner & Cox are all in wireless biz
 - Integrating video and wireless
- VCast Mobile and now AT&T Mobile offering mobile video
 - 8 channels like ESPN & MTV

Our industry is changing

- **Existing competitive environment is heating up**
 - Wireless is substitute for wireline (cutting the cord)
 - Lots of competition for Internet service
 - WalMart is just starting to sell satellite broadband in 800 stores (Hughes)
 - Dish & DIRECTV offering DVR, HDTV, VOD
 - HD will pick-up this year- should see “dramatic” increase
 - LD prices are going down due to VoIP & wireless plans
- **Declining access lines**
 - Changes in customer behavior
 - Wireless
 - VoIP
 - Declining populations
- **Data is increasing & local phone/access is decreasing as total percentage of revenue**
- **Customers are evolving**
 - Generation X and Millennials
 - Different needs and different values

Regulatory changes that affect revenue

- Access is decreasing
- MOU are declining (erosion of access minutes)
- Changes to USF

Bottom line:

You don't automatically get all the customers

- Some customer segments are more attractive than others
 - They generate more revenue
- The services you provide and the image you project determine which groups of customers you will serve

So who buys what you're selling
and how do you reach (and keep) them?

You have 5 generations of customers

Picture the generations as a train rolling through time



<u>Gen Z</u>	<u>Millennials</u>	<u>Xers</u>	<u>Boomers</u>	<u>Silents</u>	<u>GIs</u>
?-2005	2004-1983	1982-1965	1964-1945	1944-1925	1924-1901
	100 million	69.5 million	78.2 million	54.9 million	70.4 million
▽ Just forming					▽ Disbanding

What makes your customers tick?

- **Silents (1925-1944) Ages 63-82 years old:**
 - Learned values from their parents, the GI generation
 - Sense of duty (were kids during WWII)
 - Strong work ethic and unwavering loyalty
 - Cautious, need job security
 - Value “your word”
 - Are very frugal savers (they were kids during depression)
 - Have amassed considerable wealth

- **Boomers (1945-1964) Ages 43-62 years old:**
 - Questioned the ethics, loyalty, frugality and culture of their parents (GIs and Silents)
 - Only 25% are college educated
 - The “me” generation—nothing in moderation
 - They don’t save—they spend passionately
 - They love to spend on their kids and grandkids (Xers and Millennials)
 - They have inadequate retirement savings
 - **They like things that make them feel young**
 - These are the youngest “older folks” in history
 - As they enter middle age, they are becoming more “moral” and are concerned about “doing the right thing”
 - » Political correctness
 - » Censoring explicit lyrics
 - » PETA
 - They are wealthy, and getting wealthier

Over the next few years, 7 TRILLION \$\$ will transfer from one generation to the next, and the Boomers will get the bulk of it.

- **Xers (1965-1982) Ages 25-42 years old:**
 - **Perception: Lazy, insecure, non-political, overeducated, underachieving, flannel-wearing, grunge-loving slackers with body piercing who drink \$4 lattes**
 - **Reality:**
 - **50% are college educated**
 - **Children of divorce, they have a strong desire for the nuclear family**
 - EXTREME child involvement
 - Children (Millennials) are a huge influence in telecom purchasing decisions
 - **Competitive, hardworking and entrepreneurial**
 - Dot com boom
 - **Much more frugal (more like their grandparents)**
 - Frightened by parents' excess and lack of savings
 - **Are becoming affluent in their 30s and 40s**
 - Will soon get richer. As Boomers leave the workforce, fewer Xers competing for lucrative jobs.
 - **Grew up before widespread Internet and wireless use**
 - Have embraced technology
 - Are very technologically savvy and proficient

- **Millennials (1982-2004) Ages 3-25 years old:**
 - **Entering their 20s and becoming heads of households**
 - **Largest consumer appetite our country has ever seen**
 - 5X larger than their parents
 - **Have no concept of waiting or saving—want (and get) immediate gratification**
 - Older, more affluent 2-income parents
 - Blended families create more grandparents and parents to spoil them
 - Grandparents are living longer
 - Families are having fewer children, so more money to spend on them
 - **Very into hip, cool new technology and branded products**
 - They created the success of iPod
 - **Voracious users of the Internet, but don't read the newspaper**
 - Social networking is all important
 - **Have grown up with telecom choices and advanced technologies**
 - TiVo, HD, DVDs, broadband, wireless phones, texting, IM, **Social Networking**
 - **Many of them will never have landline phone service**
 - 20% of wireless customers plan to drop their landline—the majority in this age group
 - Many will get a wireless phone at age 8 and keep it until adulthood
 - **Very forgiving about quality and service**

Who are your best customers (i.e. where's the \$\$\$?)

Gen Z

Millennials

Xers

Boomers

Silents

GIs



Reality check...

- **If you don't give them the services they want, they'll get them somewhere else**
 - Mobility, broadband & video (i.e. CONTENT)
- **There is little brand loyalty**
- **Landline phone service isn't important**
- **Content RULES**
 - Customers are into time shifting, interactivity, gaming, user generated content, mobile content, etc.

What do the demographics of your service area look like?

Princeton, MO

- 29% are 65+ (Silents)
- 30% of households are headed by 65+
- 27% of households have children under 18 (primarily Boomers/Xers)

Leon, IA

- 23% are 65+ (Silents)
- 21% of households are headed by 65+
- 31% of households have children under 18 (primarily Boomers/Xers)

Lamoni, IA

- 23% are 65+ (Silents/Traditionalists)
- 17% of households are headed by 65+
- 23% of households have children under 18 (primarily Boomers/Xers)
- 43% of population is 15-24 years old (Millennials)

What does your CUSTOMER BASE look like?

- **CASE STUDY #1**

Traditional ILEC versus big modern cable company:

ILEC

47% of 55+

33% of 18-34

30% of 35-54

1.5% digital cable pen.

32% high speed Internet

Cable Company

40% of 55+

60% of 18-34

54% of 35-54

37% digital cable pen.

60% of high speed Internet

18-34 year olds:

47% had digital cable, 71% had HS Internet

55+:

10% had digital cable, 22% had HS Internet

55+:

5% had watched a PPV movie within 3 months

35-54 year olds (Xers/Boomers): 43% satellite dish penetration (double other age groups)

35-54 year olds (Xers/Boomers): 39% had a DVR

Lessons learned

- Traditional image, low Internet speeds, focus on local service, history = 55+ customers
- Exciting marketing, faster Internet speeds, lots of new services (video), packages of services = 18-54 customers
- 18-54 are:
 - Very forgiving on service and quality issues—give high satisfaction marks
 - Will switch providers for a better deal (75% of 18-34 in Case #1 had switched for a package) but are also the most likely to switch back

What do you WANT your customer base to look like?

- **Boomers**
 - Passionate spenders/HUGE consumers w/lots of disposable income
 - They want technology and are willing to pay for it
 - Are the most affluent of the customer groups
 - Need to feel young
 - Tech savvy but need more hand holding
- **Xers**
 - EXTREME child involvement
 - Make many purchasing decisions based on their kids
 - Many have already cut the cord or will soon
- **Millennials/Gen Y**
 - They live online
 - They are influencing the majority of purchasing decisions/they are your customers NOW
 - They influence \$200 billion in purchasing a year
 - They are also HUGE consumers spending their parents/grandparents disposable income
 - Will probably never have landline phone service
 - They don't care much about quality or service
 - Word of mouth/social networking is all important

Game plan for success

- **To get the Boomers, Xers, Millennials:**
 - **UPDATE YOUR IMAGE**
 - Create a clean, modern and **UNIQUE** brand personality that is easily recognizable
 - **Don't underestimate the "COOL" factor**
 - If two companies offer similar services at a similar price, customers will gravitate toward the company that appears fun and exciting
 - **MODERNIZE YOUR SERVICES AND OPERATIONS**
 - **Be the first to introduce the new stuff**
 - VOD, unified messaging, online self-provisioning, cool wireless phones, faster Internet speeds
 - **CONVERGENCE**
 - **Digital living room- home networking, smart home functions, etc.**
 - **Use your web site (bill payment, self-provisioning)**
 - Let them use the web site to get involved
 - » Create a virtual store and let them "shop" for services
 - » Let them vote on new channels and show updates

– TARGET, TARGET, TARGET

- **Create packages of services that appeal to your specific customer base**
 - You may be geographically diverse and have different rates, line-ups, competitors
- **Contact customers where they want to be contacted and with the messages they want to hear:**
 - Silents: Newspaper
 - Boomers/Xers: E-mail
 - Millennials: MySpace/Facebook
 - Target specific offers to specific groups via e-mail:
 - » Build an e-mail CRM database
 - Reach Xers through their kids

Design services for your customers

For example: Wireless

- "Tween" cell phone market will double from 5.3 million to 10.5 million by 2010
 - One of the fastest growing cell phone markets
- 40% of 13 year olds have phones
- 73% of 17 year olds have phones
 - Only 68% of adults have phones
- The number of 9 year olds with phones has doubled from less than 4% to over 8% in the last 6 months
- **Kids, especially tweens and teens, use LOTS of minutes, text, picture and video messages**
- You have to be kid "cool" but appeal to parents
 - Helio
 - Built for MySpace interaction
 - GPS- broadcasts your location to your buddies
 - Custom news to your screen along with Yahoo search
 - Unlimited text, pic and video messaging
 - Cool handsets
 - Disney Mobile
 - Family Monitor: Parents set "allowance" for voice minutes, text and picture messages
 - Parents set day and time of day phone can be used
 - Parents can locate phone at all times via GPS
 - Kids get cool Disney stuff- games, tones, music, video