

# Product/Service Bundling - Telecommunication Case

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**A large telecommunications provider required assistance in developing a mobile strategy that focused on the ever-growing cellular customer segment.**

## The Telecommunications Client

- **Mobile customers are a large, high profit, and high growth segment**
- **Competition in this area is increasing**
- Mobile offers are an increasingly important part of the overall customer relationship
- Despite the development of complementary products and services, the **client had no overall strategy** designed to specifically meet the needs of the mobile customer
- Therefore, it is critical that client **develop a bundling strategy** for mobile clients that will help
  - Synthesize industry and technology risks and opportunities
  - Define a shared view of mobile customers, segments and their needs
  - Develop integrated offers that will maximize share and profit in each segment
  - Coordinate efforts across multiple departments within the organization and avoid/limit duplication of product and market investments
  - Anticipate and proactively respond to competition

## Featured Client Case # 20 Telecommunication Bundling

- ① **Project**
  - Develop a mobile strategy based on product bundling
- ② **Approach**
  - Link market experiments with economics to optimize results
- ③ **Recommendations**
  - Winning the “best” customers requires segment-specific value propositions
- ④ **Results**
  - With new strategy, predicted an incremental \$6.8 B in NPV (vs. base case)

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Therefore, MII needed to fully understand the customer segments, their needs, and their interest and willingness to pay for wireless products..

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- Client project was designed to address four objectives
  - Understand the evolving mobile needs of client’s customer segments
  - Define the industry environment for mobile communications
  - Develop an integrated strategy to meet customers’ mobile communication needs

- Develop an implementation plan for strategy roll-out

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**Telecommunication Bundling**

**1 Project**

- Develop a mobile strategy based on product bundling

**2 Approach**

- Link market experiments with economics to optimize results

**3 Recommendations**

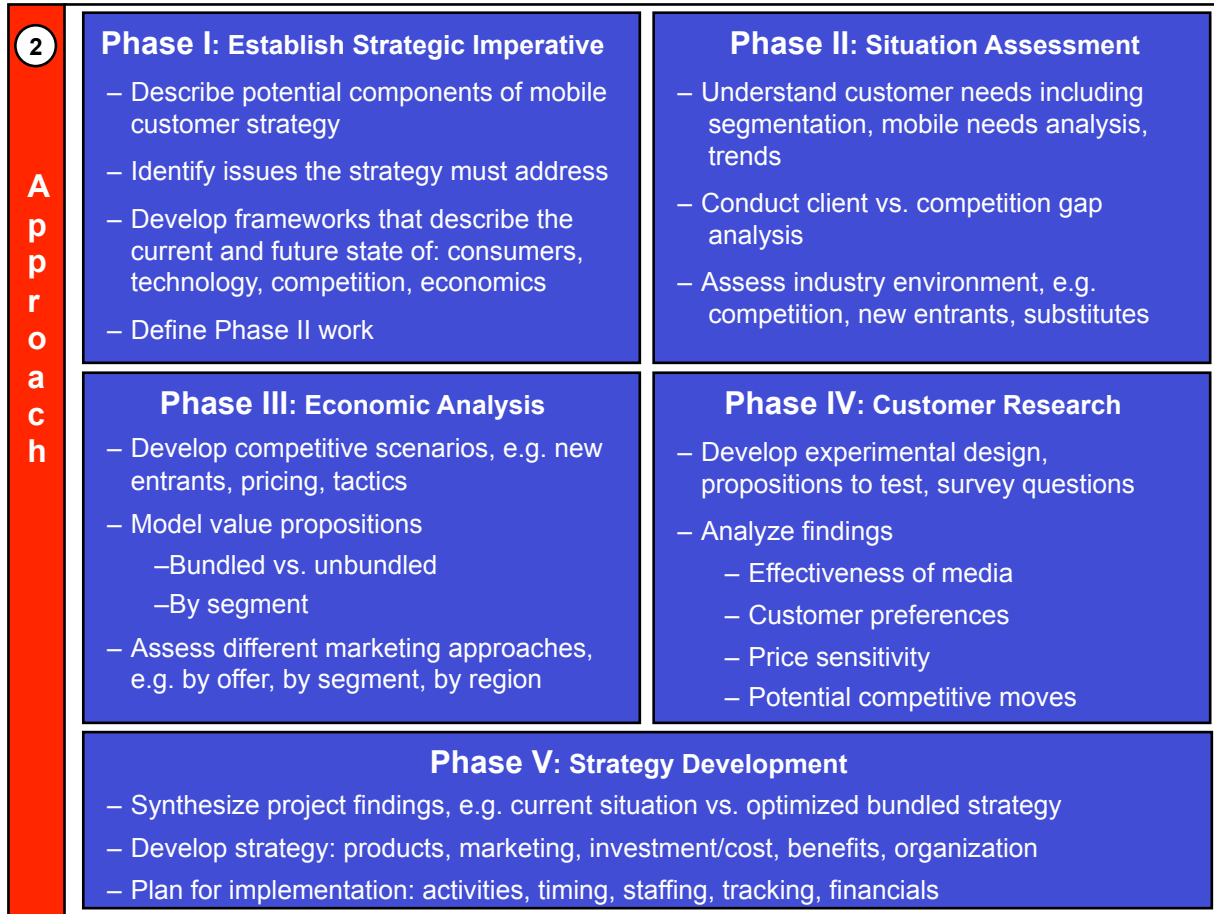
- Winning the “best” customers requires segment-specific value propositions

**4 Results**

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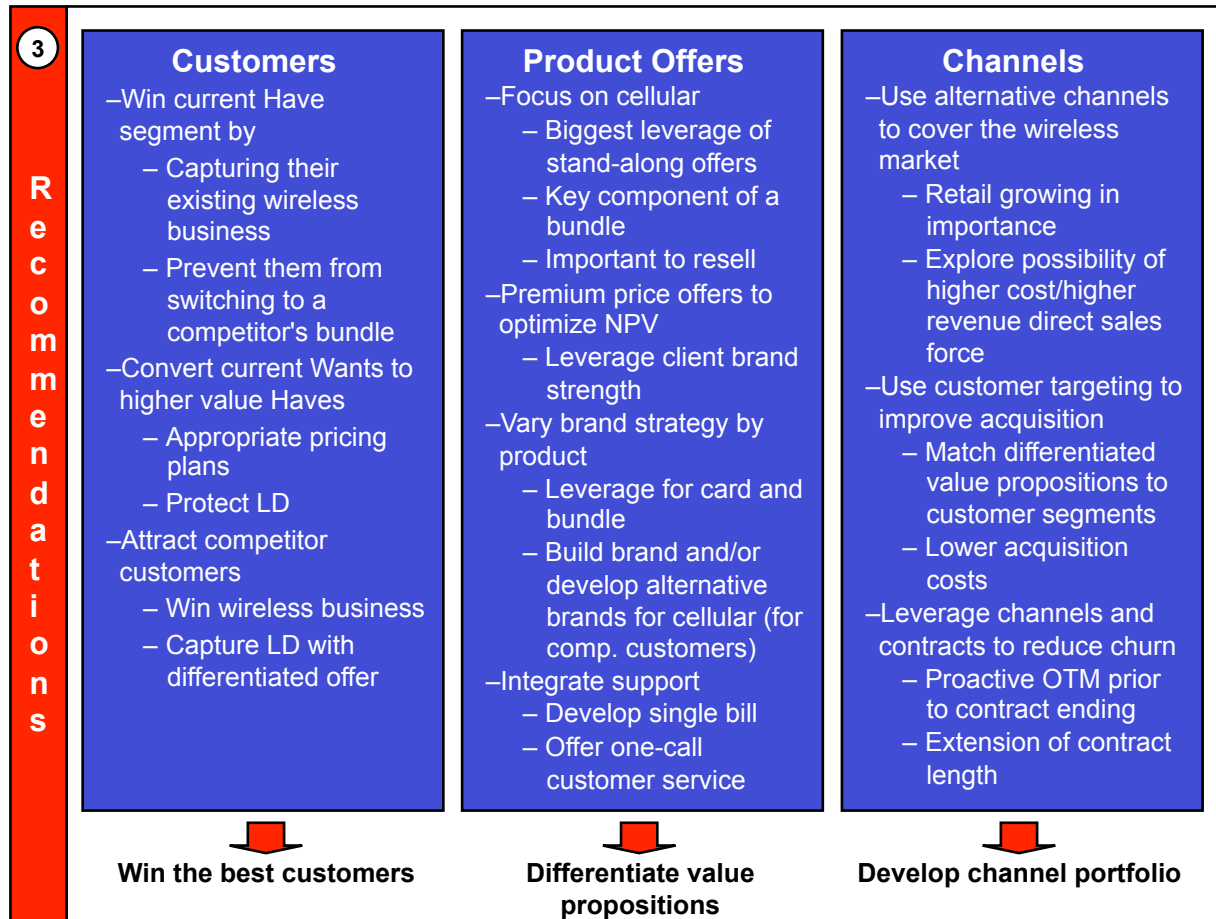
To accomplish this, MII used a 5-phase approach to developing optimal bundles and creating a new targeted strategy.



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MII recommended segment-specific tactics, product offers that focused on acquiring and/or retaining customers, and developing alternative channels.



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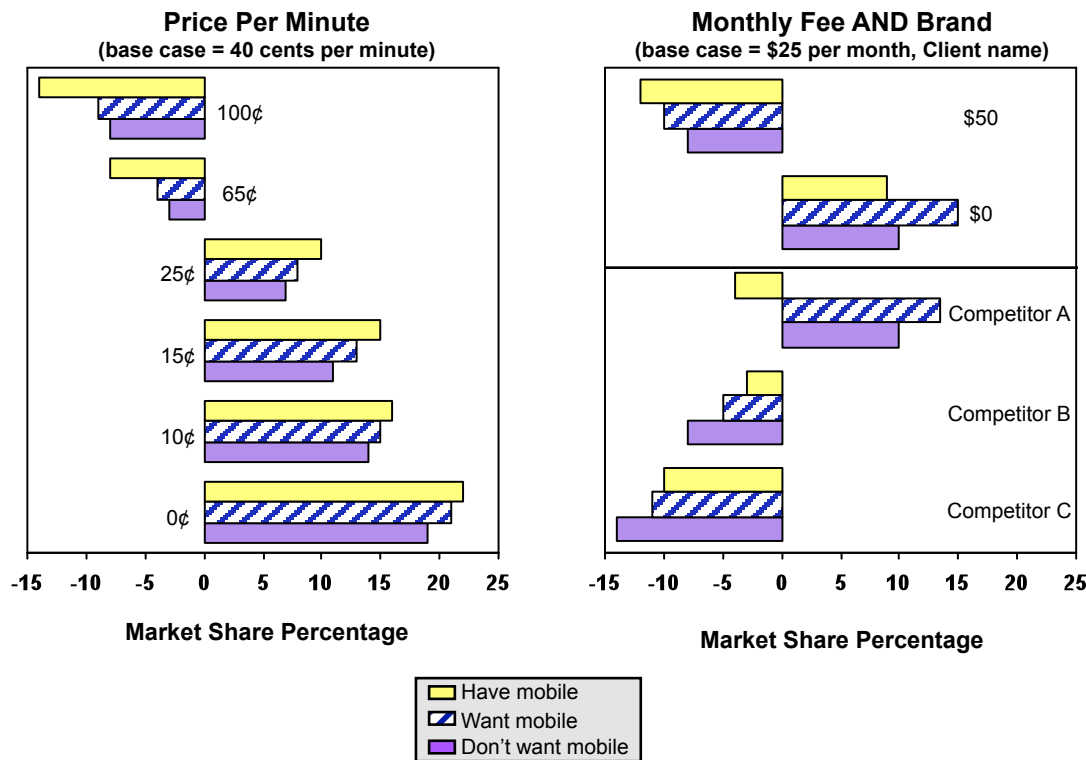
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Predicted results were based on detailed market share analysis of all bundle attributes tested.

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- Market share estimates were predicted for all attribute combinations (even those not specifically tested together)

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The resulting optimized bundles enabled MII to develop segment-specific recommendations.

**4**

- Predicted market shares were linked with the economic model to develop estimates of the incremental NPV for each segment and bundle combination
- MII was then able to optimize the bundles for each segment

	Client Customers			Competitor Customers		
	Have	Want	Don't Want	Have	Want	Don't Want
<b>Bundle Composition (mobile products)</b>	• Cellular	• All 3	• Cellular & Card	• Cellular	• Cellular	• Cellular
<b>Bundle Composition (additional products)</b>	• LD/ CATV	• LD/ CATV	• LD	• LD/ CATV	• LD	• LD
<b>Monthly Fee</b>	• \$45	• \$45	• \$45	• \$45	• \$45	• \$15
<b>Contract Length</b>	← 24 months →					
<b>Total Incremental NPV (\$MM)</b>	• \$1,061	• \$830	• \$568	• \$399	• \$423	• \$164
<b>Incremental NPV per Customer</b>	• \$58.43	• \$41.19	• \$21.58	• \$42.67	• \$55.95	• \$23.63

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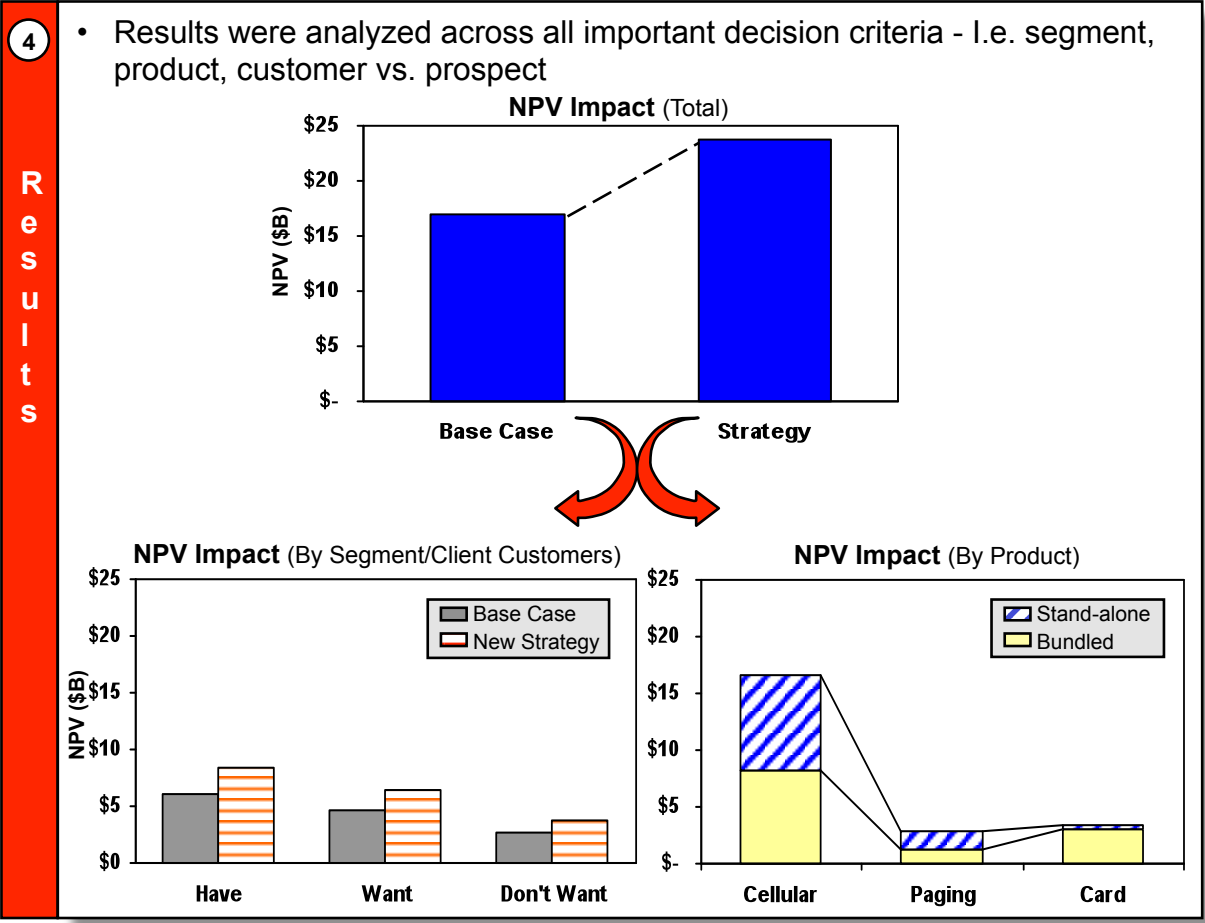
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As a result of MII's rigorous approach, the client could earn as much as \$6.8 B in incremental NPV from implementing the recommended strategy.



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