

## Prosumers Essential to Accelerating New Markets for Service Providers

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## Introduction

Over the past four years, the Cisco® Internet Business Solutions Group (IBSG) has studied a new category of consumers characterized by a blurring between consumers' personal and work lives. Cisco IBSG terms this new category "prosumers," and continues to study this segment because prosumers' unique behaviors have significant implications for the service provider (SP) industry.

This blurring of work and personal lives typically manifests across five core work styles:

1. Using employer-paid devices such as cell phones and laptops for personal use
2. Using employer-paid applications such as email for personal use
3. Doing work on personal time
4. Working from home versus the office
5. Working "on the go" or on, off, and around the corporate campus<sup>1</sup>

The most recent Connected Life Market Watch Survey conducted by Cisco IBSG in late 2009 revealed four new points about prosumer behavior that underscore prosumers' value as an emerging market segment for SPs.

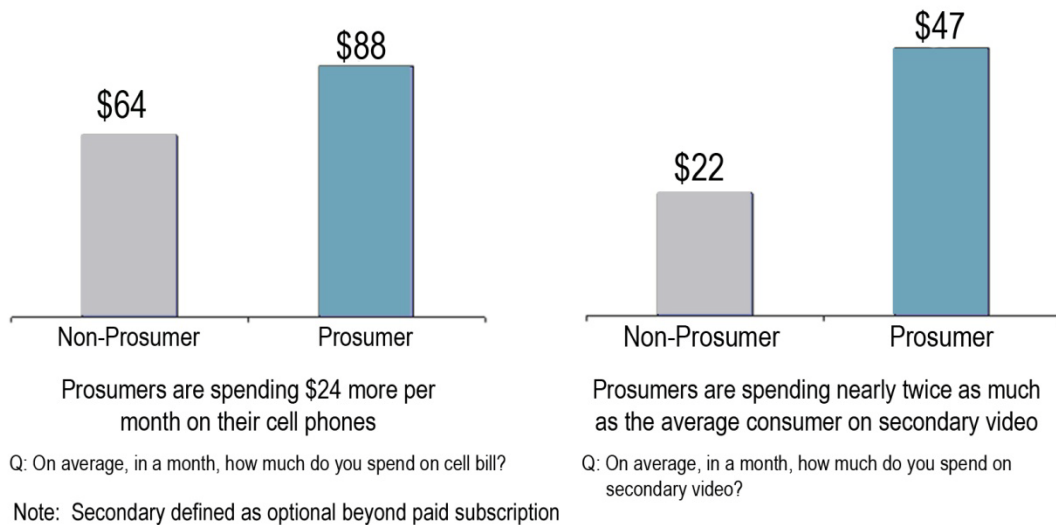
## New Insights into Prosumers

**Prosumers Use More Value-Added Services.** Prosumers present an attractive opportunity for service providers to capture consumer spending. Cisco IBSG's research found that prosumers are adopting more value-added services such as premium movie channels, video on demand (VoD), and Internet video than typical consumers. For example, VoD adoption among prosumers is 22 percent higher than among non-prosumers. Moreover, when prosumers adopt a new service, they spend more than other consumers (an average of \$12 per month more on VoD and \$24 per month more on cell services; see Figure 1).

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<sup>1</sup> A point of view discussing the foundational work that identified prosumers as a distinct segment can be obtained at [http://www.cisco.com/web/about/ac79/docs/wp/Prosumer\\_VS2\\_POV\\_0404\\_FINAL.pdf](http://www.cisco.com/web/about/ac79/docs/wp/Prosumer_VS2_POV_0404_FINAL.pdf)

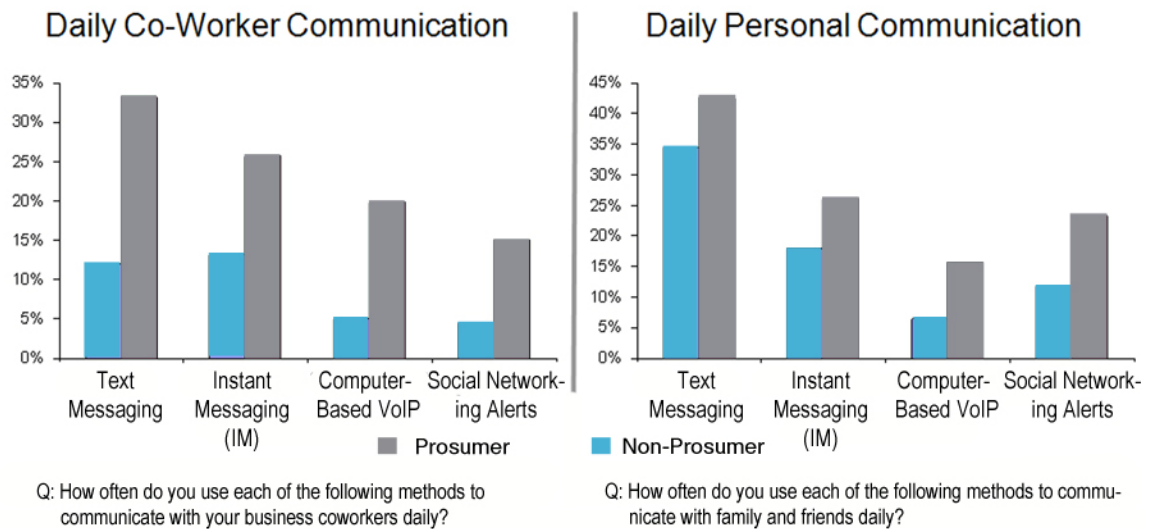
Figure 1. Prosumers Spend More on Mobile Services and Video than Non-Prosumers



Source: Cisco IBSG Connected Life Market Watch Survey, 2009

**Prosumers Want To Be More Connected.** Not surprisingly, prosumers showed significant interest in having both a personal mobile network in their home and a shared calendar that can be used to coordinate the schedules of family members, friends, and coworkers. In the personal arena, they were also interested in the ability to view home security cameras while on the move, and to watch TV programs on their mobile devices. On the professional side, they are interesting in maintaining connectivity to the corporate network while at home or on the go. In addition, to avoid carrying two phones, they want to use the same mobile tools (such as email, address books, and other unified communications features) in both professional and personal pursuits (see Figure 2).

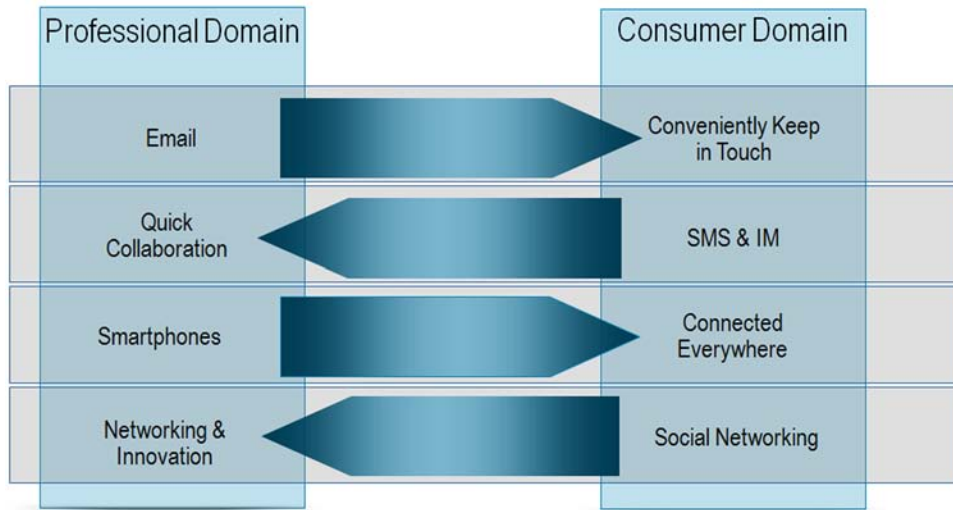
Figure 2. Prosumers Want To Be Connected, No Matter Where They Are



Source: Cisco IBSG Connected Life Market Watch Survey, 2009

**Prosumers Can Accelerate Adoption of New Services.** The research shows that prosumers help new technologies, products, and services reach the mainstream market. To be successful in introducing new products and services to the masses, SPs must bridge the technology gap between innovators and the early majority, to use a metaphor popularized in Geoffrey Moore’s “Crossing the Chasm” (see Figure 3).

**Figure 3.** Prosumers Can Be a Conduit for Migrating Solutions from One Domain to Another



Source: Cisco IBSG Connected Life Market Watch Survey, 2009

Prosumers are not just above-average consumers of technology—they are influencers. They have broad and deep relationships, use social media, and freely share information and opinions about the technologies they are using. As a result, their interactions open untapped markets to accelerate adoption. Courting the prosumer segment is a strategy to help mitigate the risk of failing when entering new markets or introducing new services, helping to drive new service innovation.

Prosumers also act as a conduit for migrating solutions from one domain to another. We have seen this happen before—email and smartphones, which started as business solutions, rapidly became primary means for consumers to stay in touch with friends and family. Short messaging service (SMS), instant messaging (IM), and social networking were adopted by businesses almost as quickly as they became available for personal use.

### **Prosumers Are Disproportionately Found in Small and Medium-Sized Businesses (SMBs).**

Thirty-five percent of prosumers classify themselves as working in very small businesses with one to five employees (see Figure 4). Only 10 percent of non-prosumers characterize themselves as working in an SMB.

This is significant to service providers for three reasons:

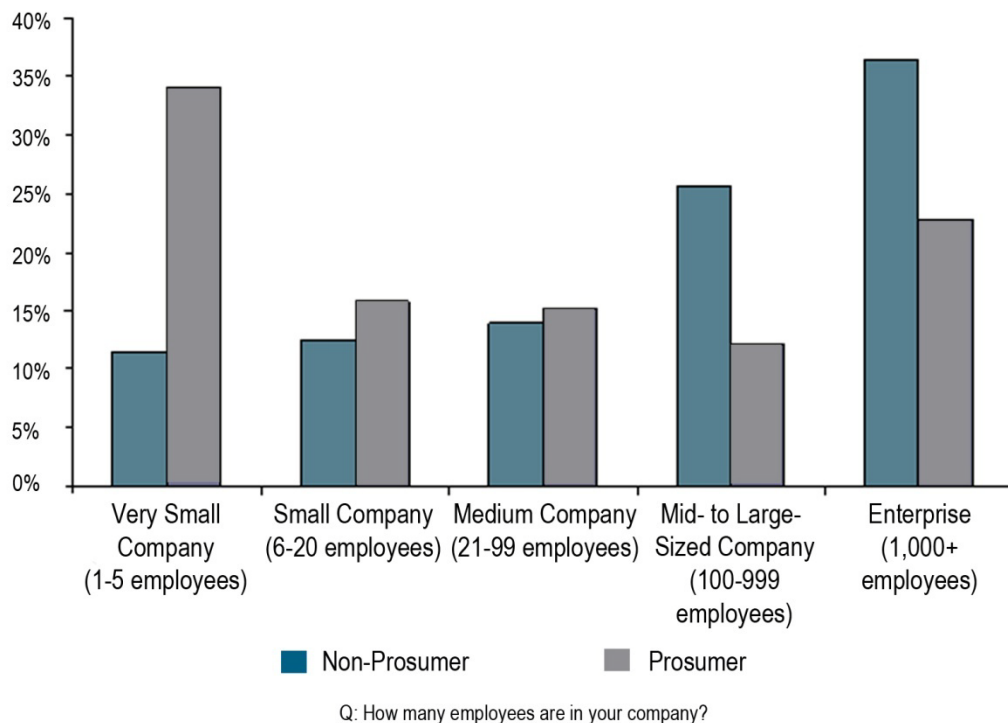
1. Knowing that prosumers are concentrated in SMBs allows service providers to target their messaging.
2. SPs can create new products and services that are a good fit for SMBs as well as their prosumer employees.
3. Understanding prosumers’ work environment provides greater opportunities for service providers to create better prosumer channels.

## Reaching Prosumers

Few SPs have made a concerted effort to woo prosumers. In fact, prosumers are not easy to influence through mass-market techniques because of their unique behaviors and expectations. It helps to know where to look for them.

One of the key findings of the survey is that disproportionate numbers of prosumers are found in SMBs; **prosumer densities increase as company size decreases**. Approximately 15 percent of all workers can be described as prosumers, and they tend to occupy professional and managerial positions (“executive,” “manager,” “director,” and “professional” were the most frequently cited positions).

**Figure 4.** Prosumers Are More Likely To Be Found in Smaller Businesses



Source: Cisco IBSG Connected Life Market Watch Survey, 2009

Because prosumers lead multidimensional lives that blend work and home activities, selling to prosumers requires a multidimensional approach that appeals to both realms simultaneously (see Figure 5). SPs might need to persuade companies to pay for something that may be deployed for personal use—or convince consumers to purchase something that may benefit their employers. The strategies are inextricably linked.

Figure 5. Selling to Prosumers Requires Appealing to Them Simultaneously as Consumers and as Employees

		Sell Through	
		Consumer	Professional
Sell To	Consumer	<ul style="list-style-type: none"><li>▪ Adopt standard mass-market sales strategies via retail and / or web channels</li><li>▪ Emphasis on staying in touch with family</li></ul>	<ul style="list-style-type: none"><li>▪ Create strong awareness of solutions in workplace</li><li>▪ Subsidize consumer cost through enterprise entitlements</li></ul>
	Professional	<ul style="list-style-type: none"><li>▪ Identify the dedicated workers willing to spend to support their careers</li><li>▪ Focus on time-saving tools</li></ul>	<ul style="list-style-type: none"><li>▪ Target enterprise IT organization via direct sales force or VAR channels</li><li>▪ Emphasis on productivity gains and cost savings</li></ul>

Source: Cisco IBSG Connected Life Market Watch Survey, 2009

Prosumers do not respond particularly well to marketing approaches successfully used with typical consumers (see Table 1), and are looking for a different overall experience. They are relatively immune to typical advertising that relies on mass media and focuses on the individual benefits of an offer. Instead, they are more likely to respond to targeted messages that they receive on their own terms, at a time of their choosing.

The benefits that motivate prosumers are different from those that appeal to non-prosumers because of prosumers' blended lifestyles. Prosumers respond best to messages that show how products and services can help them merge their personal and professional activities.

**Table 1.** Marketing to Prosumers Requires a Different Approach Across Key Interactions

	Traditional Consumer	Typical Prosumer
LEARN	<ul style="list-style-type: none"> <li>Traditional advertising focused on individual benefits of offer</li> </ul>	<ul style="list-style-type: none"> <li>Targeted campaigns focused on “productivity” with family &amp; work</li> </ul>
BUY	<ul style="list-style-type: none"> <li>Product shopping experience</li> <li>Variety, price are essential</li> </ul>	<ul style="list-style-type: none"> <li>Solution-buying experience</li> <li>Convenience, value are essential</li> </ul>
GET	<ul style="list-style-type: none"> <li>Retail pickup and installation instructions available with time</li> </ul>	<ul style="list-style-type: none"> <li>Ease of acquisition and installation are time-critical</li> </ul>
USE	<ul style="list-style-type: none"> <li>Single-purpose technology; want a few critical, robust features</li> </ul>	<ul style="list-style-type: none"> <li>Multipurpose technology, but must pass “productivity” test</li> </ul>
PAY	<ul style="list-style-type: none"> <li>Less concern about transaction security. Ownership of charges.</li> </ul>	<ul style="list-style-type: none"> <li>Charge ownership complex. Issues of privacy and misuse.</li> </ul>
SERVICE	<ul style="list-style-type: none"> <li>Willing to be patient; issues typically not mission-critical</li> </ul>	<ul style="list-style-type: none"> <li>Downtime = lost productivity</li> <li>Expect instant response (SLAs?)</li> </ul>

Source: Cisco IBSG, 2009

“Selling through the business to reach the consumer” can be illustrated by a woman who needs to work from home, but feels that her current home network is too limited. What she really wants is a Wi-Fi router to give her more flexibility in the home, but she has refused to invest in one just to improve her personal experience at home. Using a prosumer marketing approach, a big-box retailer might work with employers, allowing them to offer employees a voucher they can use to buy home Wi-Fi routers at a discount, if employees are willing to pay some of the cost. This is a win-win-win: the woman obtains the convenience, speed, and flexibility of the router for personal as well as business use; the employer pays a minimal amount of the cost of the router and gets a more productive employee; and the retailer makes an easy sale with low acquisition cost (see Figure 6).

Figure 6. Example of Prosumer Marketing Approach that Sells Through the Business to the Consumer



Source: Cisco IBSG, 2010

Another prosumer marketing approach is selling through the professional to reach the consumer. Here, a common practice in the mobile phone industry is for SP retailers to set up kiosks in the corporate cafeteria to persuade employees to buy phones for their spouses and children. The bridge between personal and work life is clearly crossed, but to the benefit of all parties.

### Why Should SPs Bother?

The prosumer segment may be small, but it is growing rapidly (witness the 10.5 percent increase in the number of prosumers between the 2008 and 2009 Connected Life Market Watch surveys). The enormous popularity of Apple's iPhone and iPod, YouTube, Facebook, Twitter, and the like demonstrate how trends migrate quickly to the mass market when prosumers are involved. It's time to take action to serve the prosumer market, addressing it with targeted products, services, marketing, and customer experiences.

SPs need to focus on known areas of focus for prosumers:

- They need to be connected to work and family—anytime, anywhere.
- They want simple-to-use, seamless solutions.
- They are interested in entertainment, and spend more than the average consumer in this category.
- They want to access work files at home as easily as they do at work.
- They are mobile, and usually own several devices such as a mobile phone, iPod, and laptop computer.
- They are frequent, intensive users of the Internet and mobile technologies at work and home.



Capturing this desirable segment requires a systematic program of research, development, and testing of prosumer-oriented offerings—plus education of prosumers about the value of a product or service. The investment made in prosumers today will be profitably realized in the mass market tomorrow.

For more information on prosumers, please contact:

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#### More Information

Cisco Internet Business Solutions Group (IBSG), the company's global consultancy, helps CXOs from the world's largest public and private organizations solve critical business challenges. By connecting strategy, process, and technology, Cisco IBSG industry experts enable customers to turn visionary ideas into value.

For further information about IBSG, visit <http://www.cisco.com/go/ibsg>.

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