

# Segmenting the digital household

Exploring the diversity of sentiment  
in today's digital home



Building a better  
working world



## Diversity in the digital household

Households are enjoying unprecedented levels of connectivity, transforming their social and home lives as well as their viewing and working habits. This is driving major changes in what they consume and how they do so. But doubts also exist as many seek digital downtime, stick with the familiar and worry about trust and privacy. EY's consumer research details these changes in consumer sentiment, providing a platform for technology, media and telecommunications (TMT) companies to create better customer experiences.

*Segmenting the digital household* is the second in a series of findings from EY's latest research into household attitudes to connectivity and content. It draws on insights generated through an online survey of 2,500 UK consumers conducted in August 2017.

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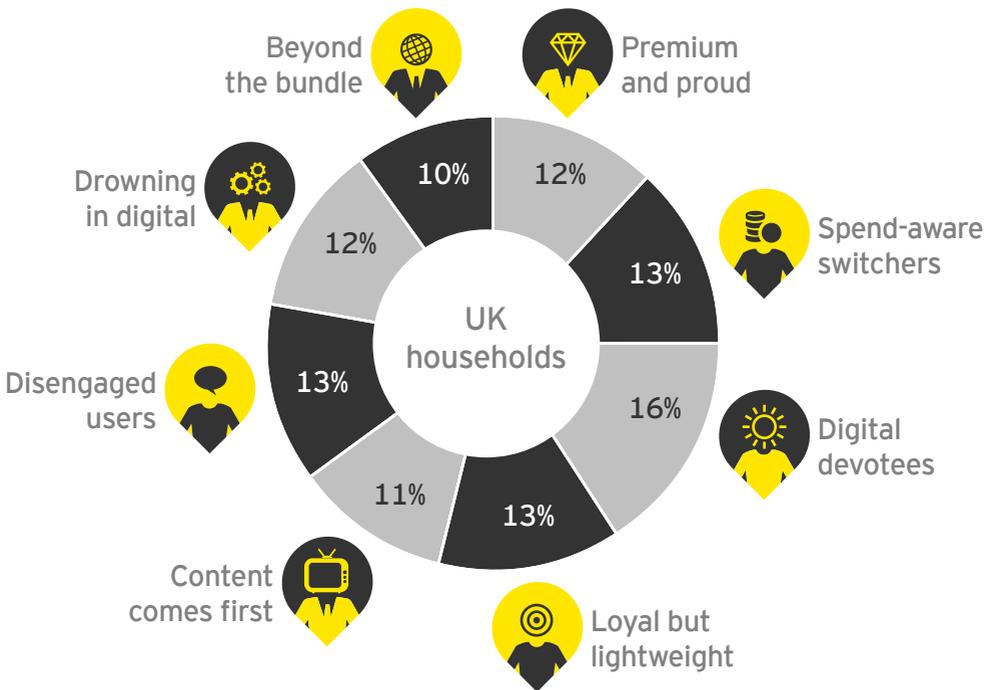
# Eight household segments

To make our insights into the digital household as insightful and actionable as possible, we've conducted an attitudinal segmentation of survey respondents. This reflects our view that understanding customer attitudes is a much better predictor of their preferences and needs than purely behavioral segmentation.

Each of the eight segments we identify demonstrates a unique combination of traits, whether in terms of attitudes to technology and service provider, consumption of services or interaction with customer support.

Taken together, they underline the diversity of sentiment in today's digital home. Some are responsive to the latest products and services while others have fractured relationships with their service providers.

Levels of satisfaction and receptivity vary significantly, underlining the delicate task facing companies that want to build stronger customer relationships at a time when consumer needs are evolving in different directions and at different speeds.





As we examine each segment in turn, we will highlight their distinctive attributes as well as how they relate to their fellow households.



# Beyond the bundle

## Experienced and informed

Beyond the bundle consumers are the second-most affluent segment and heavy users of online services. Knowledgeable and empowered, they are the heaviest users of price comparison sites, and the least likely to perceive a lack of difference between providers. They are fans of premium TV but take it outside the bundle – they just do not see value in all-in-one packages.



■ Beyond the bundle ■ Rest of market

## Self-reliant and itching to switch

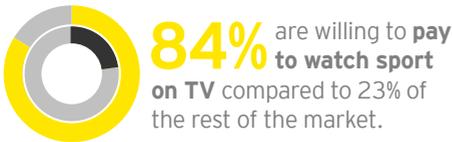
Beyond the bundle have below-average satisfaction levels – standing at 65% compared to 71% for other segments. Their desire to pick and mix services means they are also the most likely to switch. Although they are the least likely to contact customer support with an issue, they are the most impatient when they do – and second-least likely to be satisfied with the response.



# Premium and proud

## Tech-hungry and sophisticated

Premium and proud homes view technology as a status symbol and are eager to adopt the latest gadgets on offer, keen to pay for premium content, and open to bundle packages that include mobile telephony. The internet plays a fundamental role in their social lives and they score highest for familiarity with smart home products.



■ Premium and proud ■ Rest of market

## Satisfied? Yes. Loyal? Less so

82% of premium and proud households are satisfied with their broadband provider, yet this does not translate into stickiness, with more than one-third ready to leave in the next 12 months. At the same time, they are less likely than other segments to find the switching process frustrating, and are more likely to be receptive to introductory pricing offers.





# Spend-aware switchers

## Responsive to offers and switching-centric

Spend-aware switchers are highly price-conscious. 78% spend as little as possible on communication services and they are the most responsive to introductory offers, favoring basic bundles. Switching provider is second nature to them – they rank second for having switched in the past and doing so in the future. Crucially, 80% find this process easy, ahead of any other segment.



**76%** agree that introductory pricing played a significant role in their choice of broadband provider, compared to 49% of the rest of the market.

■ Spend-aware switchers ■ Rest of market

## Less tech-driven but usage conscious

These experienced switchers are less driven by the latest technology, having the second-lowest adoption of fiber broadband while also underscoring on streamed content usage. However, they are very conscious of their relationship to technology. 46% are concerned with how much mobile data they use and a majority seek time away from their smartphones.



**55%** actively seek time away from their smartphones and other internet devices, compared to 39% of the rest of the market.

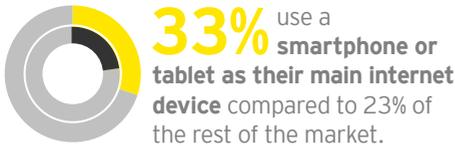




# Digital devotees

## Committed to streamed content via mobile

The youngest segment in this year's survey, digital devotees are the most immersed in the internet – 44% spend more than 40 hours a week online – and are most likely to use smartphones and tablets as their principle internet access device. They are dedicated content streamers too – 25% watch streamed TV nearly every day, more than twice the proportion of the rest of the market.



■ Digital devotees ■ Rest of market

## Sensitive to service levels and broadband speed

While this group is tech-centric, they don't want the latest gadgets for the sake of it. They are no more likely to pay a premium for new products than the rest of the market, while their receptivity to the smart home is likewise in line with the overall sample. However they want faster broadband speeds and more flexible interactions with their service providers, and would be happy to pay a premium for better service levels.



# Loyal but lightweight

## Undemanding fans of the familiar

The oldest segment in our sample, loyal but lightweight users are fans of traditional TV channels and favor bundles with basic TV services. They see value in taking services together but their propensity to add mobile to the mix is lower than average. They are satisfied with their broadband speeds – despite low fiber take-up – and the most likely to value bundles as a route to cost savings.



■ Loyal but lightweight ■ Rest of market

## Unlikely to switch, unlikely to add new services

Loyal but lightweight users have the longest tenure periods with their current provider and rank second in terms of overall satisfaction – unsurprisingly, only 16% are likely to switch, half the proportion of other respondents. However, they are the least likely to adopt smart home products over the next five years, and rank second-lowest for interest in new technology and gadgets.

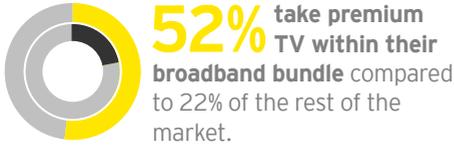




# Content comes first

## Love TV bundles, less sold on short-form

One of the older household groups, content comes first have the highest ownership of premium TV both within and outside of their broadband bundles. Like premium and proud households, they have a marked appetite to pay to watch sports on TV. Yet this affinity for content does not extend to all consumption scenarios – they are below average for watching video clips and multi-device streaming, ranking seventh for weekly time spent online.



■ Content comes first ■ Rest of market

## Loyal and less offer-driven

This segment is the second-most loyal in our study – despite their average levels of overall satisfaction, just two percentage points above the rest of the market at 72%. If they were to switch, discounted pricing and offers are less relevant to them than other groups. They appreciate the familiar, being more sensitive to data privacy and more likely to use a smaller range of online services than other groups.

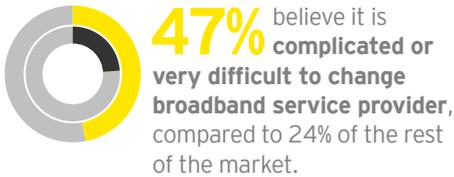




# Disengaged users

## Frustrated and apathetic, but not anti-digital

Disengaged users find frustration at every turn: they rank top for finding the switching process difficult and are the most likely to believe that there is little difference between providers. Yet they are by no means “anti-digital,” ranking fourth out of eight segments for time online, interest in the latest technology and awareness of smart home benefits.



■ Disengaged users ■ Rest of market

## Dissatisfied and disillusioned

Their ongoing frustrations are partnered by poor relationships with their service providers – they rank lowest for both overall and customer support satisfaction. They are the second-most likely to switch service providers, and are also receptive to a new kind of supplier. 22% would opt for a specialist technology provider if they were to purchase smart home products, the largest proportion of any segment.



# Drowning in digital

## Overwhelmed by the digital world

A significant section of households find the technology-driven world too much for them. Those who are drowning in digital believe there is too much choice and cannot find the right services to meet their needs. This disquiet with the digital world extends in all directions – they are the most likely to agree that the internet should be tightly regulated and the most cautious when it comes to data privacy.



■ Drowning in digital ■ Rest of market

## Clarity, reliability and trust are must-haves

Drowning in digital households are below average in switching propensity but their confusion means they hanker after reliable and trustworthy experiences. They are the most likely to favor reliable over fast broadband connections, the most concerned about smart home security and the second-most likely to cite customer service reputation as an attribute in a new provider.



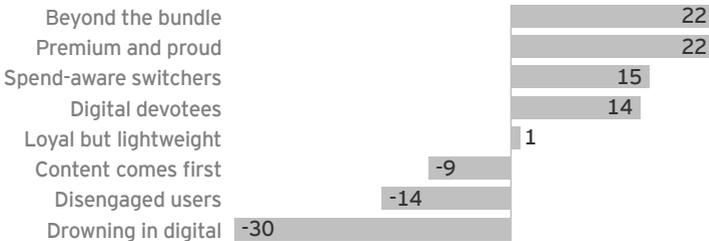
# The importance of empowered customers

Our segmentation highlights areas where service providers are succeeding with their propositions, but also reveals areas where more focus is needed. Many households experience pain points, from identifying the right kind of package to interacting with customer support. The inability to make informed choices cuts across this landscape of frustration.

This is not something that service providers can ignore: our findings show that willingness to switch service providers has increased year-on-year, and customer engagement is now a growing focus area for regulators.

## EY engagement index

We believe that engagement should be a key focus area for service providers. With this in mind, we have developed the EY Engagement Index (EI), a single metric comprising respondent answers to seven questions in our survey, all asked using a five-point agreement scale.



The EI scores vary significantly between the eight segments in our research, highlighting an ongoing challenge facing service providers. Some groups – beyond the bundle and premium and proud in particular – are highly engaged. Yet they are also more prone to switch providers. At the other end of the scale, disengaged and drowning in digital households lack awareness and feel frustrated. Consequently, they rank lowest for satisfaction.



# 30%

Likelihood of switching service providers in the next 12 months compared to 25% in 2016.

## Creating more valuable customer relationships

Strategies that can adapt to changing customer needs are critical. A “one-size-fits-all” approach will not meet the nuanced needs of a particular segment, while too narrow a focus may alienate substantial sections of the market.

It is clear that service providers must do more, both to cater for segments that are proactive and informed and solve the pain points felt by those who feel overwhelmed and frustrated. This can help build more valuable relationships, where service providers can introduce new services and enhance their existing products in more meaningful ways.

We believe there are a number of steps that service providers can take to create more compelling interactions with households that can form a better platform for satisfaction and loyalty:

- ▶ **Concentrate on the core principles of your offering and your promise to customers.**  
Reliability and familiarity are key components of trust, and simple messages to customers will resonate best.
- ▶ **Revisit accepted notions of pricing and packaging.**  
Legacy approaches to bundling can confuse and frustrate both informed and uninformed customers alike.
- ▶ **Strengthen all aspects of the customer journey.**  
Introductory or anti-churn offers may provide immediate competitive advantage but may limit your ability to build more valuable and sustainable relationships in the long-term.

As TMT customer expectations continuously evolve, they challenge service providers to rethink how they engage, remain relevant and continue to deliver value. We believe the answer lies beyond just pain-point resolution: TMT companies need to deliver an **integrated customer experience**, powered by **digital**. This requires a different way of working that ties together **Purpose, Experiences, Capabilities** and **People** – an approach to transformation that also needs to be iterative and ongoing.

To find out more and discuss how EY can work with you, please contact the TMT team, [uk.tmt@uk.ey.com](mailto:uk.tmt@uk.ey.com).

For more insight  
into the digital home  
and how to serve it,  
please contact:

**Rahul Gautam**

EY UK&I Technology, Media  
and Telecommunications  
Leader

Twitter: [@RahulGautamEY](#)  
[rgautam@uk.ey.com](mailto:rgautam@uk.ey.com)

**Praveen Shankar**

Partner, Ernst & Young LLP  
and EY UK&I Telco Sector  
Leader

[pshankar@uk.ey.com](mailto:pshankar@uk.ey.com)

**Ioannis Melas**

Partner, EY UK&I Technology,  
Media & Entertainment and  
Telecommunications  
Ernst & Young LLP

[imelas@uk.ey.com](mailto:imelas@uk.ey.com)

**Adrian Baschnonga**

Lead Analyst, EY Global  
Telecommunications

Twitter: [@Baschnonga](#)  
[abaschnonga@uk.ey.com](mailto:abaschnonga@uk.ey.com)

**Andy Edge**

Assistant Director,  
Economic Advisory  
Ernst & Young LLP

[aedge@uk.ey.com](mailto:aedge@uk.ey.com)

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EYG no. 00862-184GBL

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