

## Prosumers: A New Growth Opportunity

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There's a cash-rich coterie of ready spenders that most industries are completely ignoring. Why are so many businesses overlooking this golden group of consumers? Because "prosumers" represent a new category of potential customers, and few businesses are aware of them. In the meantime, some farsighted industries are boosting profits by targeting this growing segment.

### What Is a Prosumer?

The term "prosumer" originated with Alvin Toffler, who first used the term in his 1980 book *The Third Wave*. Toffler defined the prosumer as someone who blurs the distinction between a "consumer" and a "producer." The term has since come to mean a variety of things, but here we define it as someone who makes little distinction between his or her home and work lives. The prosumer engages in activities belonging to either sphere, regardless of time or location.

Because of their complex lifestyle, which combines a demanding workload and an active family life, prosumers are eager adopters of Web 2.0 products and services—a convergence of process innovation, global marketplaces, and advanced technologies that fundamentally changes the way consumers buy, retailers sell, and products are brought to market. Prosumers typically embrace Web 2.0 technologies such as social networking (Facebook, MySpace), blogging, video on demand (VoD), podcasting, VoDcasting, virtual realities (Second Life, There.com), mobile communications, and other Internet-based technologies and services that allow people to stay connected whenever and wherever they desire. We refer to this as "Connected Life," and the prosumer is an enthusiastic and early adopter of the connected lifestyle. Not all prosumers use all these technologies, of course; they access whichever technology subset best suits their individual preferences and lifestyles.

The Cisco® Internet Business Solutions Group (IBSG) has conducted research on the prosumer segment since December 2006, studying how this group lives, works, thinks, and behaves. We found that prosumers prefer laptop computers to desktops because of their need to be mobile. They spend more of their discretionary income on entertainment than most people, and are interested in multiscreen applications. If they commute, their commutes tend to be longer, and they work at home some percentage of the time (many are full-time home workers). They view their commute as time that can be spent working, connecting to others, or being entertained. They want to connect with friends and family, and see technology as a way of balancing and helping to manage their busy lives. Prosumers value any technology that enhances and serves these needs.

## The Prosumer Opportunity

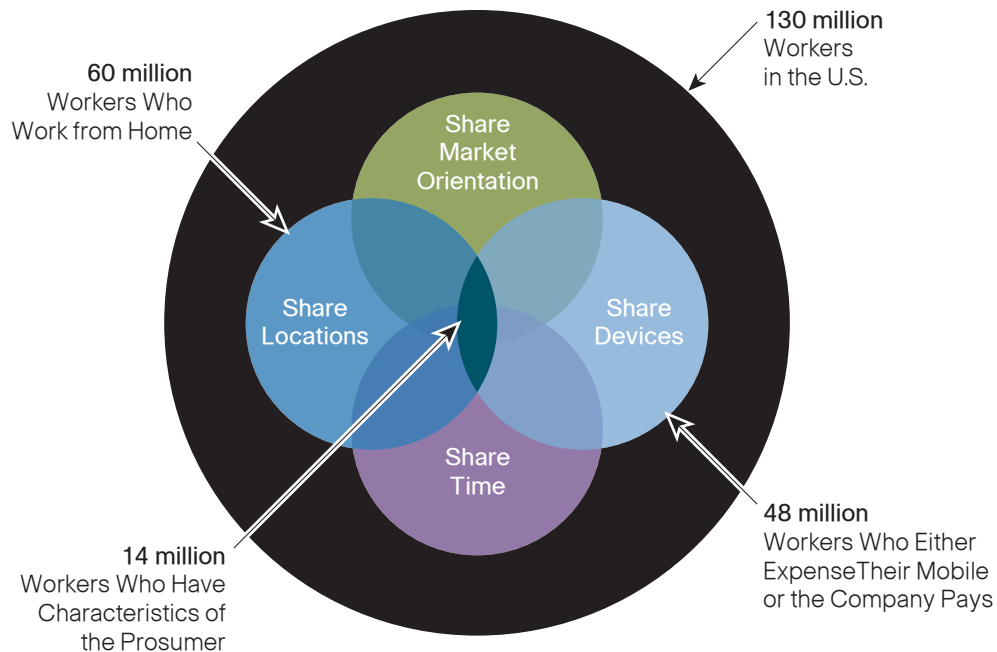
The Connected Life market, which comprises both telecom services and consumer electronics, continues to grow and prosper. Quantifying the size of the prosumer market is difficult—largely because there are several different definitions of the term “prosumer.” We estimate that there are about 14 million prosumers in the United States, or about 4.5 percent of the total population. The U.S. Connected Life market is expected to grow at more than 9 percent annually, representing more than \$526 billion in consumer spending by 2010. We believe prosumers represent a similar percentage of consumers globally, especially in developed nations.

Compared to the broader population, prosumers are classic early adopters of technologies, and their mobile phone use is the highest in the business sector. Prosumers’ salaries are 15 percent higher than those of their counterparts in other segments, and with an average age of 40, they are in the prime money-making years of their careers. Because prosumers tend to be in their middle years, they also have bigger families (57 percent larger than those of counterparts in older or younger demographic groups), and are the ones most likely to make spending decisions in the home.

As early adopters, prosumers make use of solutions that keep them in touch with their families and friends, including Connected Life services such as social networking (personally and professionally). For example, instant messaging, which originated as a business tool, has become the prosumer’s preferred way to stay in touch with work colleagues and friends and family.

The prosumer opportunity for industries lies in creating solutions that tightly integrate work and home life to attract these individuals. Such solutions are hard to replicate, because changing providers also involves transporting and re-creating both personal and work data and services. Securing the prosumer segment allows vendors to create a full portfolio of Connected Life services that will draw more customers as this segment grows. In some verticals—service providers, consumer electronics, and travel, among others—establishing a strong prosumer clientele is a must.

Figure 1. Blurring of Locations and Devices Distinguishes the Prosumer



Source: "Is the Consumer Ready? Consumer Connected Life Trends (U.S.)," Cisco IBSG, 2007

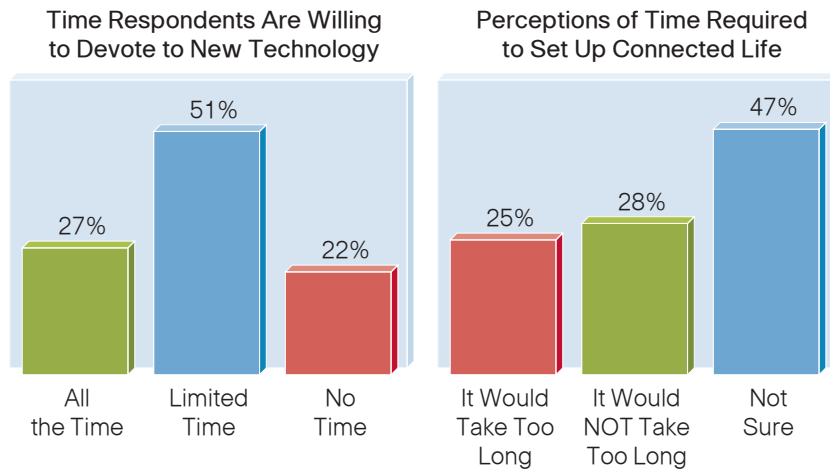
## The Prosumer Challenge

Serving prosumers is complex; their needs cannot be defined by location, application, time of day, or device alone. In fact, that is what makes them prosumers. They seek to be connected and serviced no matter where they are, what they are trying to do, or when they are trying to do it.

Although prosumers are heavy technology users, they want solutions to be simple (see Figure 2). In particular, application user interfaces must be easily accessible for both work and their personal life, raising some issues relating to overlap between the two. For example, loading Connected Life applications onto company-owned phones is a concern to employers because of security and liability, and to employees because of privacy and ethical concerns. When work and personal lives overlap and blend so seamlessly, billing for things like mobile phones and application software also becomes blurred.

So, serving the prosumer—to the satisfaction of the prosumer and his or her employer—is far from easy. Early prosumer offerings have fallen short of what these individuals really need. Mobile mail is an example of this. When it is provided by the employer, it works well for business purposes. But personal mobile mail requires yet another application from a provider such as Google or Yahoo! The only way to handle this situation is to maintain one phone for personal mail and another phone for business mail—an equally awkward solution. Effectively serving this segment requires delivering value that works for both the prosumer and the enterprise.

Figure 2. Consumers Are Deterred by Complexity



Source: "Is the Consumer Ready? Consumer Connected Life Trends (U.S.)," Cisco IBSG, 2007

## Serving the Prosumer

A few discerning industries are already aware of prosumers and their lifestyles, and have developed programs and products to serve them. The hospitality and airline industries know that when people travel for business or pleasure, they tend to select providers that offer them benefits. As a result, when someone earns extra miles flying with Airline X for business, that person will choose Airline X for leisure travel because the frequent flier miles help pay for the vacation.

The financial services industry has begun cross-selling products such as insurance and banking services, especially to small- and medium-sized business owners (prime prosumer targets), recognizing that when someone starts a business, that person is more inclined to select a financial services institution with which he or she is already doing personal business.

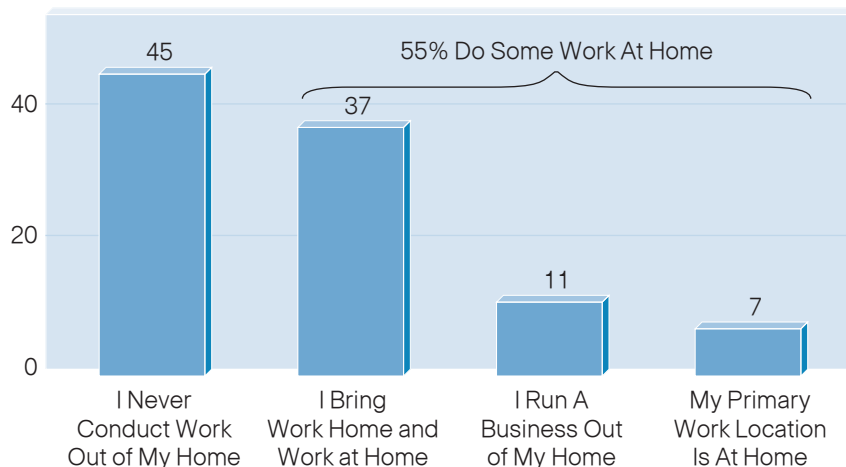
Higher-education institutions position their services to alumni as they enter the workforce, because alumni often seek corporate sponsorship for more costly graduate work.

Most industries, however, have not yet instituted formal business models to pursue prosumers as a target segment. Capturing the emerging prosumer category requires a deliberate and systematic approach, with full understanding of what makes these complex individuals tick.

The service provider industry (telecommunications, IP services) is absolutely essential to the prosumer's connected lifestyle, yet these companies have done little to court this segment. Providers need to invest in network infrastructure to deliver seamless, ubiquitous, and secure prosumer experiences across personal and work requirements. Because these industries have so much to gain from prosumers, it makes a great deal of sense to start with the design of user interfaces that are blended, yet provide sufficient separation between work and personal content to avoid conflict with corporate policy.

It also behooves the service provider industries to figure out a way to provide services and billing methodologies that keep the prosumer connected, yet allow for separation of work and personal activities. For instance, there should be a simple, nonintrusive method for keeping mobile phone charges separate. And there should be a way for prosumers to integrate their home and work calendars and address books without providing employer visibility into personal information (and vice versa).

Figure 3. Prosumers Blur the Boundary Between Home and Work



Source: "Is the Consumer Ready? Consumer Connected Life Trends (U.S.)," Cisco IBSG, 2007

Enterprises addressing the prosumer market must make an effort to educate prosumers about the value of their offerings. Prosumers can be reached in many ways: through traditional consumer channels (advertising, direct mail, and so forth); nontraditional channels (e-mail, online, or sites such as Google or Second Life); or through business-to-business channels (industry site advertising, trade publications). Before embarking on a communications / promotion program, however, analyze channels carefully; not all will work. Prosumers rarely see television ads, for instance. Instead, they record their favorite shows and watch them when they have time—skipping commercials as they go.

Vertical industries must capture critical data about prosumers' interests, activities, and behaviors to improve their product and service development for this segment. For instance, airlines have precise data about the habits of their business customers, which they then apply to attracting their leisure-time travel business. The data is there, flowing across your network; methods can be developed to identify, isolate, analyze, and apply this data to develop new services to this well-heeled and receptive group.

## Summing Up the Prosumer

The prosumer segment may be small, but its influence is growing rapidly. Witness the enormous popularity of Apple's iPhone and iPod, YouTube, MySpace, and Facebook. It's time to start thinking about the underserved prosumer market and how to address it better. There are several 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 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.

Prosumers are not hard to find or identify. But 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 your product or service. The following are steps you can take today to take advantage of the lucrative prosumer opportunity.

## Transformational Journey: The Next 90 Days

Transforming from a consumer-centric or business-centric marketing model to an integrated prosumer model requires deliberate actions taken at many levels of the organization, and the potential pushback should not be underestimated. For many, the tried-and-true way of doing things is always appealing:

- Why risk the current success we are having in the market today?
- We have become very proficient in this market, and we don't want to risk our current success by making big changes.
- The prosumer is just “marketing speak” and does not affect the rest of the organization.
- Our products work the same in the consumer and business markets.



Unfortunately, these naysayers could not be further removed from reality. The prosumer is quite different from the mainstream consumer, and the organization that supports a prosumer model also needs to adopt new ways of doing business.

## Research and Development

New products that optimize the prosumer experience must be designed and tested to ensure ease of use and functional enablement. Developers must creatively integrate technology innovations with usability in mind. Complexity is the main source of frustration for the prosumer; ease of configuration and use are their allies.

## Marketing

Current segmentation models do not address the prosumer segment. Previous consumer segmentation that mapped solely to geographic, demographic, or behavioral needs must be expanded to include the work/life balance needs of the prosumer. Marketers must find the best route for reaching the prosumer, using something other than traditional home-based tactics. Here, because of the time prosumers spend at work and on the road, the mobile phone and office PC may be the most optimal means of reaching prosumers.

## Sales/Distribution

Because of prosumers' multifaceted lifestyles, finding an adequate point of transaction is challenging. More often than not, prosumers are time-constrained and do not spend time shopping in retail outlets. In addition, they are difficult to reach directly while in the office. As a result, one of the best ways to reach prosumers is through easily-accessible retail Websites that they can access on their schedule. Detailed knowledge of user needs is essential to shortening the discovery process.

## Customer Care and Support

Prosumers are prone to skipping directions and initially misusing products and services. They want to receive immediate guidance and feedback while the issue is "top of mind." Otherwise, the moment will be lost and the user will be frustrated again on subsequent use. Newly developing interactive tools that provide the responsiveness prosumers are seeking in an economically viable model may meet the collective needs of both customer and enterprise. Emerging options worth consideration include TV-based chat, the ability to share visuals through mobile phone cameras to enable remote support, and PC-based interactive agents.

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## Facts about Prosumers

In December 2006, IBSG conducted a survey of U.S. broadband consumers and their work habits, media usage, and attitudes toward technology—and how these differences impact their readiness for Connected Life solutions. This survey, conducted online with more than 1,000 respondents, revealed the following facts about these consumers, a subset of whom we have defined as prosumers:

- Fifty-five percent of consumers do some work at home. Consumers that work at home frequently are 30 percent more likely to be interested in Connected Life solutions than others, and thus fall into the category of prosumers.
- Prosumers represent a \$14 million market in the United States today.
- Prosumer cell phone use is the highest in the business sector (25 percent greater usage than that of mainstream consumers).
- Prosumers also use laptops, e-mail, and desktop PCs more than the general population.
- Prosumers prefer laptops to desktops (presumably because of their mobile lifestyles), and use laptops 37 percent more frequently than other consumers.
- They are early adopters of technology, and use instant messaging, public wireless hotspots, portable DVD / video players, MP3 players, and portable gaming devices an average of 20 percent more than non-prosumers.
- Sixty-five percent of prosumers reported that it is highly important to be accessible at all times for work, school, family, and friends, versus 25 percent of non-prosumers.
- Fifty-eight percent of prosumers said they needed to be connected at all times, versus 30 percent of non-prosumers.
- Prosumers are family-oriented, and see technology as a way to participate more often in family activities.
- Forty-two percent of prosumers spend one hour or more commuting to and from work or school. They view commute time as an opportunity to use technology for entertainment (e.g., listening to MP3 players) or communicating for work or with family and friends.
- Prosumers are 12 percent more likely to spend money on entertainment than the mainstream consumer, including music, movies, and games.
- Prosumers are more interested than the general population in multiscreen applications such as remote home security monitoring, remotely accessing music and video files stored at home, and having a shared family calendar that everyone can use whether or not they are at home.

## For More Information

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### More Information

The Cisco Internet Business Solutions Group (IBSG), the global strategic consulting arm of Cisco, helps Global Fortune 500 companies and public organizations transform the way they do business—first by designing innovative business processes, and then by integrating advanced technologies into visionary roadmaps that improve customer experience and revenue growth.

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

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