

MICROSOFT CORPORATION – LICENSING

MODERNIZING CUSTOMER SEGMENTATION STRATEGY

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Microsoft's mobile-first, cloud-first strategy provides users with a rich digital experience enabled by Microsoft's Azure cloud platform. As the Global IT market is transformed by the increasing prevalence of cloud services and the emergence of born-in-cloud vendors, Microsoft has evolved its core go-to-market strategy and customer segmentation approach to be cloud-centric.

The current customer segmentation approach for Azure is heavily influenced by Microsoft's legacy approach that governs the selling and licensing of on-premises products. This approach lacks the ability to provide modern business intelligence and adequately equip Azure to compete in the rapidly evolving cloud services market. Continued application of this legacy segmentation to Azure will cause overgeneralization of customer characteristics, restricted customer access to incentives and offers, inaccurate reflection of true customer value, and missed customer growth opportunities.

To modernize Azure's segmentation, the Tauber team developed a data-driven framework that segments Azure customers based on metrics including customer life time value (CLV), growth potential, and loyalty. The team first performed a current state analysis of the Azure segmentation methodology, identified gaps and capabilities to be addressed by the modernized segmentation framework, and defined the future state. The team then collaborated with marketing and engineering stakeholders to gather and analyze customer consumption data and developed a segmentation framework by leveraging data science machine learning models to calculate the identified segmentation metrics. The team then performed a k-means clustering analysis using R to identify distinct Azure customer segments.

The segmentation framework provides a more holistic understanding of customers' characteristics and needs, enabling better targeting and positioning of Azure services. It will allow Microsoft to align go-to-market strategies and sales motions with specific customer segments to drive up profitability, nurture customer growth, and enrich the overall transaction experience. In addition, the segmentation insights are extensible and scalable to new Azure customers, enabling Microsoft to predict a priori segments for any new Azure customer by matching its customer profile to existing segment profiles.