

Dialing for Cable Phone

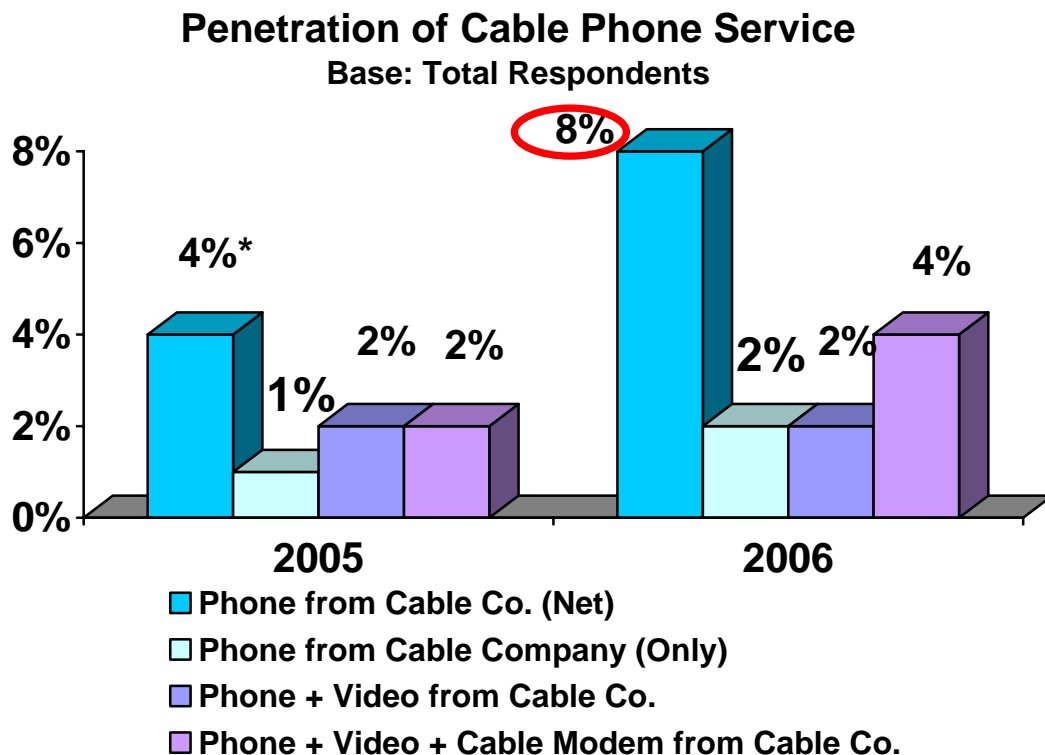
This article first appeared in Tribune Media Services' newsletter, *Market Vision*.

In today's competitive environment, cable providers are banking on consumers choosing the "Triple Play," and with that, foregoing their traditional home phone line for cable phone service. But what are the real numbers behind cable phone today?

Data from Horowitz Associates' recent **Bundled Services™ 9** study shows that indeed, although penetration of cable phone remains small, the service is showing promising growth and potential.

The **Bundled Services** study series looks at current penetration of, and market potential for, purchasing a bundle of services from one company, and which specific services consumers get from which providers—including cable phone service. It also addresses issues surrounding the packaging of bundled services including attitudes towards various providers, the impact of pricing and discounting, and the drivers for subscribing or not subscribing to a bundle.

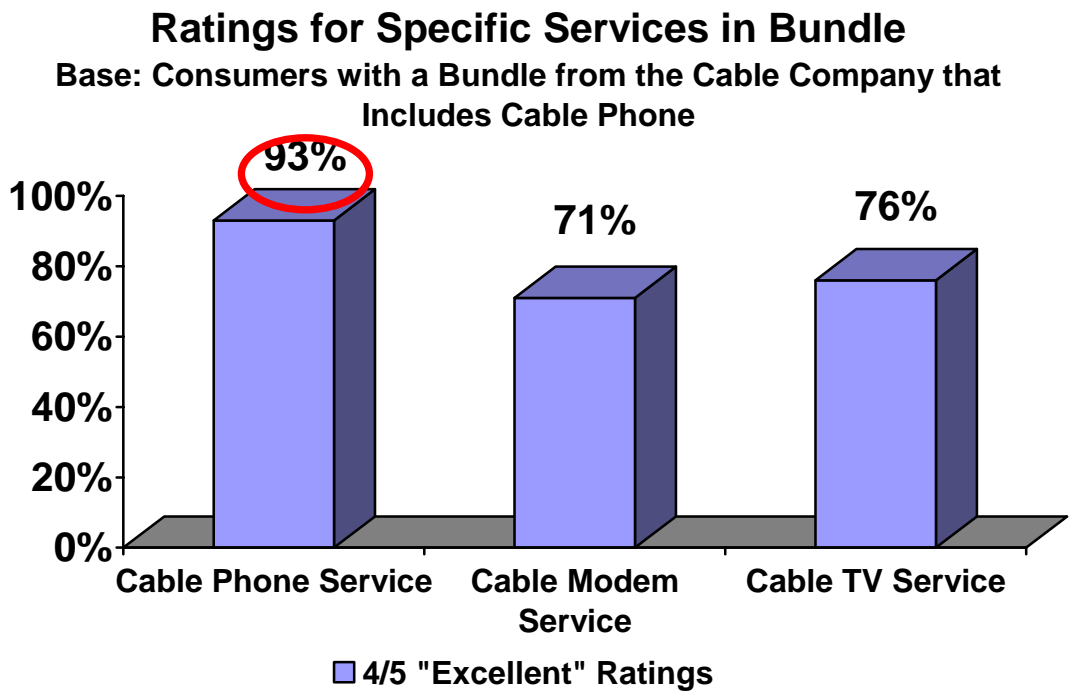
The 2006 study finds that growth of cable phone service has doubled since 2005, growing from 4% to 8% in the past year. While these numbers are still small they indicate a positive growth trend for the service, as well as for the packages with which the service is offered. As noted in the chart below, penetration of the "Triple Play" package- with video, voice and data services from the cable company—has also doubled in the past year, growing from a mere 2% to 4%.



*Difference due to rounding

Not surprisingly, the main reasons consumers chose to subscribe to a bundled package including cable phone is because the package is “more reasonably priced/cheaper” (56%) and for “the convenience of having it all on one bill/bundled together” (33%).

Among customers with a bundle that includes phone, the phone service itself receives high ratings— higher, in fact, than video or data:



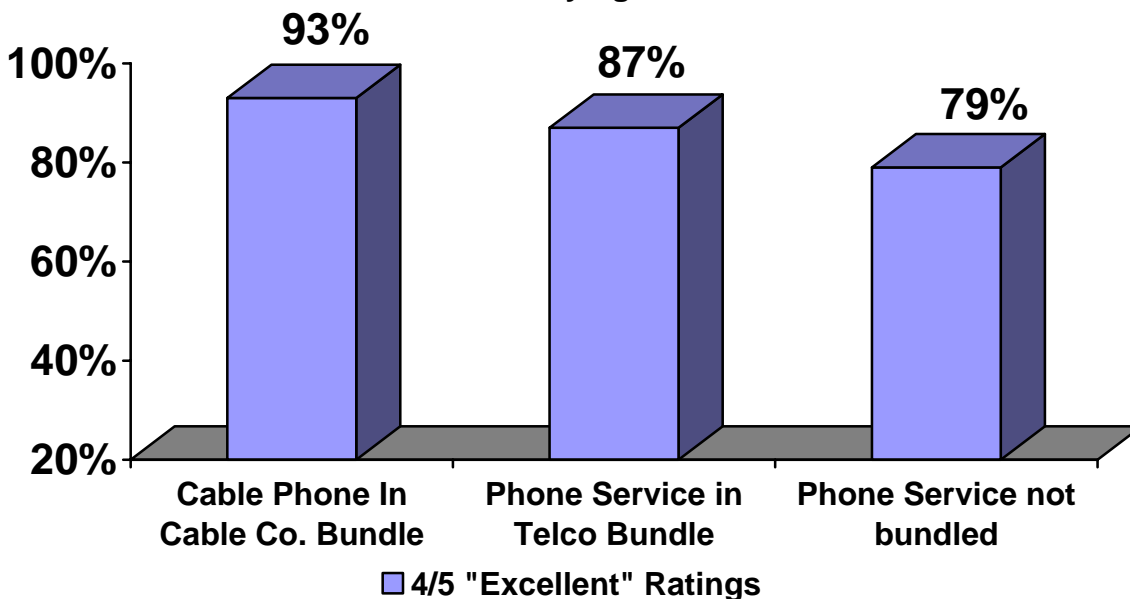
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Moreover, the 4/5 “excellent” ratings for cable phone service among those with a bundle from the cable company are higher than those garnered for telephone service among those with a bundle from their telco provider, as shown in the chart below.

Overall, consumers with a bundle including phone (whether from their cable or telephone company) give their phone service higher ratings than do phone customers who do not get the service as part of a bundle. These higher ratings may indicate how the benefits of bundling can directly translate into greater satisfaction with the services received, and relatedly, how customers that are more satisfied with the services they get from a provider are more likely to subscribe to multiple services from that company:

Ratings for Telephone Service

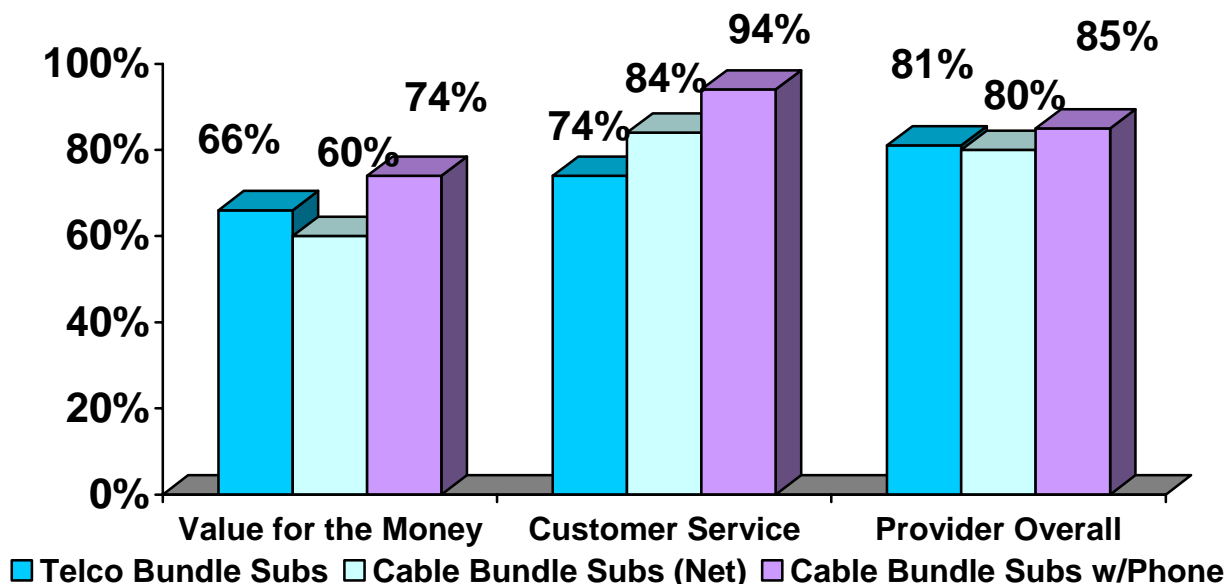
Base: Varying Bases



Indeed, survey data show that consumers with a cable bundle including cable phone are more likely than cable bundle customers overall (and more likely than telco bundled customers) to give their provider high ratings for important provider-centric attributes such as “the customer service received” the “value for the money spent” and “the service provider overall”:

4/5 "Excellent" Ratings on Provider-Centric Attributes

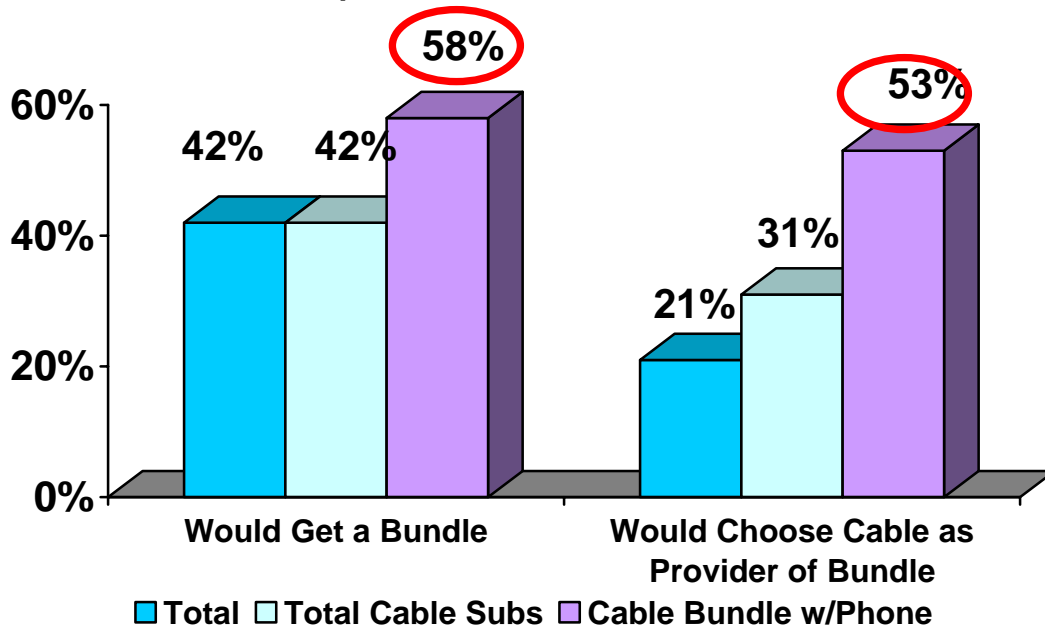
Base: Varying Bases



The data above highlight what we already know is a key competitive advantage of offering bundled services-- the customer loyalty it can build among satisfied customers. And, the study finds that consumers *that already have a bundle with cable phone from the cable company* are more likely than cable customers overall to say that they would get **all** their telecommunications services bundled from one company (including cell phone service) for a 10% discount. Moreover, those who currently have bundle with cable phone from the cable company are more likely than other consumers to say that they would choose the cable company as their provider for their entire bundled services package:

Likelihood to Get All Services Bundled /From Cable Company

Base: Total Respondents/Those Who Would Get a Bundle



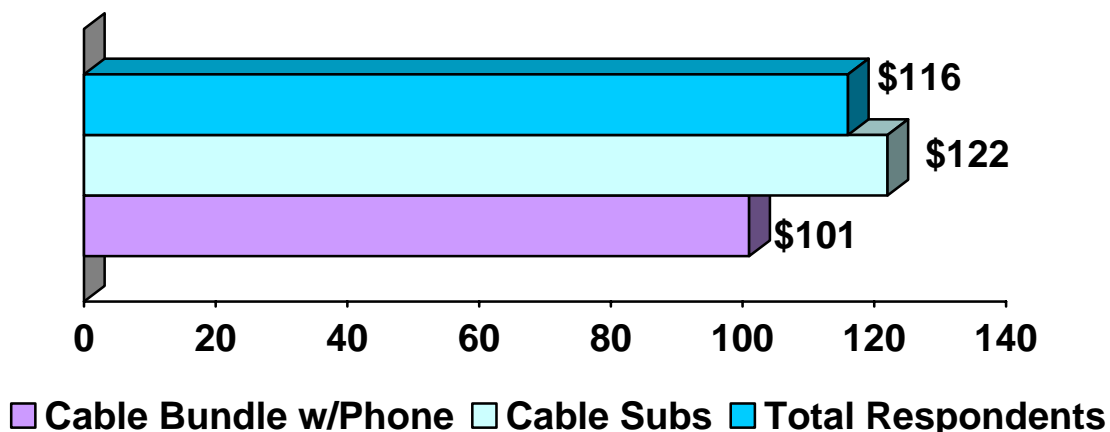
And just who are the customers who subscribe to packages with cable phones? The study findings indicate that they are extremely desirable customers who tend to have higher incomes and educational levels, are more likely to own their own homes and are more likely to be married with kids than average, and than cable subscribers overall.

	Total Respondents	Total Cable Subs	Cable Bundle w/Phone
Married	66%	66%	79%
Children in HH	31%	30%	38%
College Grad	43%	44%	56%
Own Home	80%	80%	87%
Average Income	\$62K	\$64K	\$70K

At the same time, consumers with cable phone bundle tend to pay less a month across all their telecommunications services than average—likely due to the cost savings that are derived from their bundled packages:

Monthly Cost Across All Telecommunications Services

Base: Total Respondents



Ultimately, these data illustrate the “win-win” dynamic behind bundling in which good customers are rewarded with better pricing and convenience, and conversely, good pricing and convenience become compelling reasons to choose, stay with, and be satisfied with a provider. More specifically, these numbers tell a compelling story about consumers who have made the leap to cable phones, who tend to be among the most satisfied, and the most loyal, cable customers.

These data are extracted from Horowitz Associates, Inc.’s Bundled Services 9 study. For more information about how to access the full report or to conduct a similar study among customers in your market, please contact Adriana Waterston, Director of Marketing and Business Development, Horowitz Associates, Inc. 914-834-5999 adrianaw@horowitzassociates.com .