

# Sell Services, Not Speed

Internet access speed is an abstract notion for most consumers, according to a new survey. Service providers should show users how gigabit speeds can improve their experiences and even save them money.

By Masha Zager / *Broadband Communities*

In the last few years, fiber-to-the-home providers have used 1 Gbps speeds to get customers excited about their services. Chattanooga transformed itself into the “Gig City.” Google asked, “What would you do with a gig?” Recently, Cincinnati Bell’s chief financial officer commented that his company’s 2014 gigabit launch was “a marketing play to change how the consumers view us as a company.”

Turns out, that may not be the most effective marketing strategy. True, the gig has generated excitement but mostly among the tech-savvy segment of the customer base. A recent survey by the marketing agency Pivot Group and its affiliated publication, Telecompetitor, found that only 13 percent of U.S. Internet users had ever heard of a gigabit. About half the survey respondents couldn’t say whether it was more or less than a megabit.

(Several recent surveys by RVA LLC, commissioned by **BROADBAND COMMUNITIES** and by the Fiber to the Home Council Americas, consistently found that 23 to 25 percent of respondents recognized the term “gigabit,” but as Michael Render of RVA points out, answers to questions of this nature depend critically on the phrasing of the questions. And in any case, even 25 percent is a low number.)

Even telling consumers that a gigabit is very, very fast may not make much of an impression. The Pivot Group/Telecompetitor survey found that fewer than one-third (32 percent) of Internet users knew how fast their current connections

were. Nearly three-quarters (74 percent) said their current Internet speeds either met their needs or were faster than what they needed.

“Service providers spend an awful lot of time and marketing spend emphasizing speed, but this research reveals consumers are confused regarding speed references and perceive that their current speed package is sufficient,” says Dave Nieuwstraten, president of Pivot Group and co-author of the study.

He adds, “The introduction of gigabit services into a given market will require significant customer education and effective marketing techniques to help achieve adoption success.”

Without an understanding of the benefits of gigabit speeds, consumers are unlikely to pay a premium for them. Seventy percent of respondents said the \$70 price point that Google introduced (and many other gigabit providers followed) was too high. Almost two-thirds (64 percent) said they would prefer to pay slightly less per month for their current speeds than pay slightly more for faster connections.

Service providers introducing gigabit speed tiers include nontraditional players such as Google, large incumbents such as AT&T and small, community-based telcos, cooperatives and municipal utilities. According to the survey findings, consumers may favor more traditional Internet service providers for gigabit services. An overwhelming majority said they would select gigabit service from a competing incumbent service provider over a municipal

or electric utility. Interestingly, this doesn't necessarily mean they liked the incumbents – only 35 percent had positive perceptions of their current providers. Rather, according to Nieuwstraten, most consumers don't give much consideration to potential competitive providers until they enter the market.

This means incumbents would be well-advised to offer ultra-broadband before competition forces them to do so – even if consumers aren't yet clamoring for it. "Traditional service providers have the edge with gigabit, with preference identified for traditional service providers over companies like Google to provide ultra-broadband services," says Bernie Arnason, publisher of Telecompetitor and the other study co-author. "In a competitive market, gigabit services may be the traditional service provider's business to lose."

### SAVING MONEY WITH THE GIGABIT

About 100 service providers have already decided to offer residential gigabit speeds, whether to boost economic development, spur the development of new applications, create brand recognition, signal their readiness for the future or serve the few consumers who are ready to use those speeds today. So far, there is little data about adoption of gigabit speed tiers; this survey offers a glimpse of how consumers may respond to them.

Given that many consumers prefer paying less to surfing faster, how can gigabit providers make the most of their new capabilities? One approach is to begin weaning customers away from pay TV – which is usually a low-margin service at best – and toward broadband-only packages. Arnason points out that, although \$70 seems like a high price for a broadband connection, the money goes a lot further if a consumer can drop cable TV and get video over the Internet. The fact that about half the survey respondents, and more than three-quarters of 18- to 34-year-olds, already used video streaming suggests that, with better broadband, many consumers might forgo traditional

Incumbents should offer ultra-broadband before competition forces them to do so. In most localities, consumers assume they will buy broadband services from the incumbent – until there's actually a better choice.

video services. "It will be an educational process, a value proposition exercise that companies have to do to make people understand," Arnason comments.

Many consumers have been reluctant to give up traditional video service because of the lack of live sports on over-the-top video. However, at the Consumer Electronics Show in January, DISH Network announced that the ESPN and ESPN2 sports channels will be available on its OTT service. Could this be the tipping point for cord cutters? Arnason is dubious. "Conceptually, you'd say yes, but one thing I've learned – and we do a lot of consumer research – is that they're very fickle, and what you thought would be the tipping point is not. ... We'll have to wait and see."

### IMPROVING THE IN-HOME EXPERIENCE

Another important finding to emerge from the survey is that consumers are extremely interested in Wi-Fi performance. The proliferation of devices and users, with multiple video streams, can put as much stress on Wi-Fi networks as on Internet connections. Nieuwstraten explains, "A lot of carriers are assuming it's all about the speed of the connection, but a smart operator might say that emphasizing the Wi-Fi in-home experience would drive more action."

Arnason adds, "Delivering 100 Mbps or 1 Gbps with an old Wi-Fi router is useless if people are experiencing broadband on a tablet, a TV, and so forth. So it opens an opportunity to have a dialogue not only about fast service but also about the entire experience throughout their homes. ... Wi-Fi

performance is something that resonates with customers."

Service providers can capitalize on this interest in several ways. First, because improving in-home Wi-Fi can help customers realize the value of better Internet connections, the providers may get more takers for higher bandwidth tiers. Second, providers can sell managed home network services – setting up, managing and maintaining home networks for a monthly fee. Not long ago, when a typical customer had a laptop and a desktop, managing a Wi-Fi network was not too challenging. "Now," Arnason says, "when you have multiple devices, all of which could be streaming high-definition video anywhere in the home, it requires a more complex network to ensure good experience anywhere in the home. You could be walking around with a tablet or watching video in the basement or the attic." With tools such as TR-069, providers can support home networks remotely – so with charges ranging from \$5 to \$15 a month, managed home network services can be a potentially lucrative business.

Summing up the survey findings, Nieuwstraten says, "Providers are taking for granted that the customer base knows what they're talking about – they've got to back up and simplify things. They're out ahead of the market."

Arnason adds, "The industry should look at how to communicate the value of their services beyond the reference to speed." ♦

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