

Local ISPs: Get Ready to Grow Your Business

New challenges for ISPs mean if you aren't growing, you're dying.

By Jase Wilson / *Ready.net*

Are you a local ISP? If so, you know that every day you work tirelessly (and too often thanklessly) to keep folks connected. You face pressures from all sides: Big cable stealing your subscribers. New upstart networks. Growing costs. And what's up with Starlink?

You know firsthand that being a local ISP is hard. Your work is vitally important now and will become even more important in the 2020s. Your success is vital – not just to your team and not just to your community but also to the nation. *You* are the ones willing to roll up your sleeves and face challenges from all angles to ensure that folks get and stay connected.

Your work grows more important every day because we now live in the connected economy and are entering the digital services era. The bright future we all talked about in the 2010s – remote work to live anywhere, digital health care, aging in place, rural jobs – is here, with one big asterisk: It's available only to connected people in connected places.

Connected people and places are already racing ahead. The copper oligopoly continues to fail tens of millions of Americans with shoddy 1990s-era infrastructure, spotty coverage, and a nearly perfect track record of poorly serving communities such as yours. It has not and will not ensure access for all. Only you – local ISPs – get the job done.

In many ways, the success of the nation depends on you. And your success depends on growth. The Four Horsemen – incumbent cable, upstart new ISPs, margin compression,

and potentially Starlink – are coming for your subscriber base. Only growth can defeat them.

Your businesses are at risk, but some among you will choose to fight back, to dig in and face the challenges, to deliver success by ensuring every member of your community is connected to the future. Local ISPs with a growth mindset will survive and thrive.

THREE GROWTH LEVERS

Using the six ISP growth techniques described below can help you grow. You might already use one or two. Try for all six. Together, they create an ISP's "flywheel of fortune" that can be spun up to accelerate growth.

The techniques are distilled from best practices found by studying the nation's most successful ISPs, combined with experience implementing top "growth hack" secrets behind Silicon Valley's fastest-growing companies.

The techniques are basic. They work by extending and pulling the only levers that govern any subscription business:

Lever A: Add subscribers

Lever B: Build ARPS (average revenue per subscriber)

Lever C: Combat churn

Every ISP I've spoken with already knows and understands all three levers. However, many associate *growth* only with lever A, adding subscribers. Yet, dollar for dollar, levers B and C are more efficient at yielding the fuel you need to stay strong: revenue. Local ISP revenue is the fuel with which to add more subscribers.

Just one thing – one very important, counterintuitive point: *You don't earn revenue by connecting people to the internet!* That might sound ridiculous, but it's true. You earn revenue the same way the fastest-growing companies earn revenue, regardless of industry. You earn revenue by offering what your subscribers want. Harnessing the techniques below requires embracing this mindset shift.

GET READY TO GROW

By using an ISP growth platform such as Ready.net, a local ISP can more easily grow its subscriber base. The flywheel shown at right represents the subscriber life cycle from acquisition to loyal satisfaction and growing ARPS.

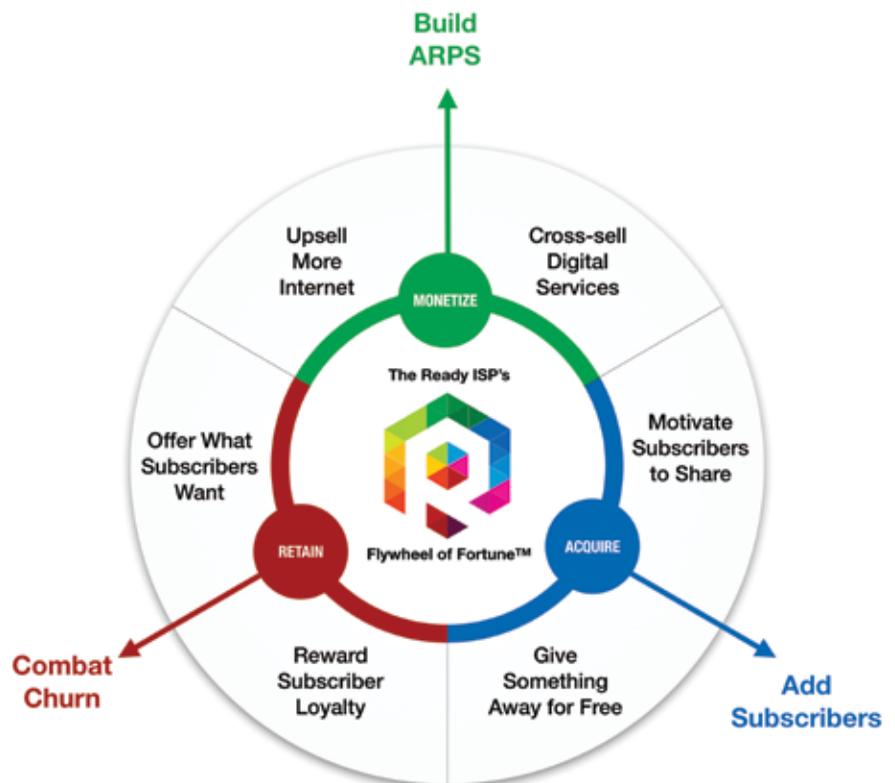
In a sense, you're constantly "acquiring" your existing subscribers. Because of that, you can apply techniques in any order. You'll know best where to start. For the purpose of this list, I'm starting first with techniques that pull the last lever – combat churn – because for ISPs with higher-than-sustainable churn rates, it's by far the most important and overlooked thing you can do to build sustainable growth into your business.

COMBAT CHURN

Churn is the enemy of growth. Churn occurs when your subscriber leaves you for the competition. It's the silent killer of subscription businesses.

Churn rates might seem too small to matter. Local ISP churn rates in the 1 to 5 percent range are common. You might be among the fortunate minority of local ISPs that do not experience significant churn, either because you're the only game in town or your service is so wildly superior to the competition's. But churn may look different in the Starlink era, even for you.

What difference can churn make? Look at the chart on the following page to see the profound effect reducing churn can have on your growth. In this simplistic example, all four local ISPs start 2020 serving 10,000 subscribers at an annual ARPS of \$1,000 per year, with a 20 percent initial margin. ISP A has a net negative churn rate by keeping gross churn rate low and making up for loss through upsells and cross-sells. ISP B has a low churn rate for local ISPs. Without radical intervention, ISP D dies in



The flywheel of fortune's techniques work together to rapidly grow an ISP's business.

mid-2022, and ISP C dies in late 2023. Churn can be deadly for local ISPs.

ISP A earns \$4 million more in revenue than ISP B over the five-year period. With a portion of that excess revenue, it can add more subscribers.

If the churn rates of ISP C and D sound high to you now, please consider how your experience might change in the Starlink era. Disruptions do happen.

But *how* do you reduce churn? Here are two battle-tested techniques:

Technique 1: Reward subscriber loyalty. Take care of your existing subscribers. Thank them for choosing you. With rare exceptions, they don't have to choose you. Even if you are currently the only game in town, soon Starlink and mesh upstarts will show up knocking on your subscribers' doors. Your subscribers might not continue to choose you unless you show them you care.

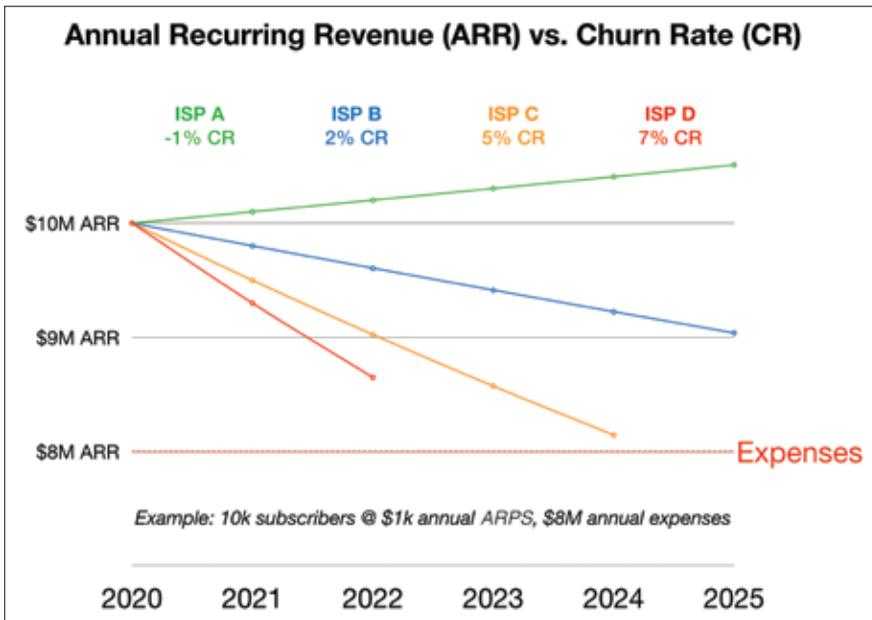
Rewarding loyalty is very easy. If you do it right, it's even low cost and goes on to increase your profitability. You could offer something generic, such as a \$25 Apple gift card or a thank-you plaque

(c'mon, it's 2020, don't do this). Ideally, you find a way to capture 100 percent of the value in your network. The very best loyalty rewards generate demand for cross-sells and upsells (more on this in techniques 3 and 4).

Alternatively, consider discounts for extended services. This is another effective reward for loyalty. The ability to set prices that meet your goals with different contract periods gives both you and many of your subscribers value. You get assurance; they get better rates the longer they commit to staying.

If you follow the next technique, you already have a great loyalty reward. When you add a new service, give the subscribers who've been with you for more than two years a free month to try it out, at no commitment.

Technique 2: Offer what subscribers want. Ask your subscribers what they want. How can you improve to meet their needs? Be sure to ask open, neutral questions to get the best possible feedback. Be prepared to hear that you might not offer something they want.



High churn rates can be deadly for local ISPs.

In a survey of subscribers who leave local ISPs, the most cited answer may not surprise you: cable. The cable company offers TV, in addition to the internet. In fact, cable uses TV to lure subscribers away from local ISPs, typically despite inferior service.

But wait, isn't this supposed to be the cord-cutter era? Aren't people supposed to be ditching cable? Perhaps, but someone forgot to tell the cable companies because they're growing faster than ever.

Cable companies leverage a powerful principle of psychology: loss aversion bias. Humans are, on average, twice as motivated by loss as by equivalent gain.

When cable makes an offer that includes internet and TV at a comparable price point, even if your subscribers don't exactly want TV, even if they know they get wildly superior service from you – the mere thought of "losing" all those channels becomes magnetic. Loss aversion is why the absence of other services, such as TV, can make your rival's offer irresistible.

Your competitors condition your customers. Big cable's meteoric rise as an ISP – 60 million U.S. households take internet service from the two largest cable companies – means that

more connected Americans than not get their internet from companies that started off providing TV. Ninety-six percent of Americans have at least one household TV. The result has trained Americans to believe TV and internet go hand in hand.

You are the conduits through which all kinds of digital services flow into your subscribers' lives. Turnkey digital TV in a white-labeled service marketplace is already possible today. By offering your subscribers digital services beyond basic internet, you will go on to help them connect to other premium digital services: live digital entertainment, digital education, and even – especially – digital health.

MONETIZE SUBSCRIBERS

Increasing the average revenue per subscriber goes hand in hand with reducing churn. If you achieve technique 2 by offering premium digital services, you're already on your way to building higher ARPS.

Similar to reducing churn, increasing revenue per subscriber isn't complicated. There are only two ways to build ARPS:

Technique 3: Upsell more internet. Your subscriber currently subscribes to your \$50-per-month, 25 Mbps plan. The easiest upsell you can

do is get the subscriber on the \$70-per-month, 50 Mbps plan.

It's worth remembering as a technique. In the context of your flywheel, you can leverage other techniques to drive adoption of premium service. Video, for instance, is exceptionally bandwidth-intensive. More subscribers will want more internet the more they're exposed to high-definition video. Netflix 4K requires 25 Mbps average capacity. The price of 4K TVs has fallen dramatically over the last three years. More TVs will be 4K-capable than not by the end of 2020. Once people glimpse 4K, they want it. All the time. And just wait until they get a load of 8K in a few years (150 Mbps average per stream!).

By adding digital TV, you are almost certainly bound to encounter increased upsells.

Technique 4: Cross-sell digital services. Everyone knows the upsell. Fewer know its conceptual cousin, the cross-sell. Cross-selling happens when ISPs offer services other than the internet, such as TV and voice. These are all but standard. They tend to get lumped under "communications," but understanding their worth as unique services is very important. You will be better able to recognize new, emerging digital services and the role you as the local ISP can play to ensure delivery.

When you provide premium digital services, you're realizing technique 2. You're providing what subscribers want. As you add new digital services, you are no longer competing to maintain your slice of the \$79 billion pie that Americans pay for internet service each year. You're connecting folks to the fast-growing \$250 billion annual market for digital services.

Where to begin? Start with premium digital TV. Years ago, offering TV as a local ISP involved complicated arrangements, messy physical interconnections with outdated cable networks, and nasty, multiyear agreements with TV providers. Now, thanks to software definition and recent advancements in service delivery, offering freedom of choice to your subscribers is easier than ever.

Look downfield, though. Think beyond how local ISPs can offer digital

TV. In the digital services era, digital has changed every industry. TV was first and is yours for the offering. But soon, you'll be able to ensure that other digital services reach your subscribers. Someday, subscribers with ready ISPs will be able to consume many kinds of health care from the comfort of their couches.

ADD SUBSCRIBERS

Adding new subscribers is the most expensive, least efficient way to grow your local ISP business. Yet it's vital that you do so – for your business, and for those needing internet service. The following two techniques help fuel the growth of some of today's most valuable technology companies. They can work for you, too.

Technique 5: Give something away for free. Giveaways to incentivize new customers is as old as business. For good reason: People love freebies! What can you give away? If you're offering

a new service, the exciting addition to your business is announcement-worthy. You could announce that you now offer premium digital TV, along with an offer to try the service. The resulting campaigns can reach thousands of new subscribers and generate double-digit conversion rates.

Market on a local level. Announcing your new service to prospective new subscribers also lets them know that, unlike their existing cable provider, you're the local business.

Technique 6: Motivate subscribers to share. We've all heard of things "going viral" online. Especially cat videos! People love sharing what they're passionate about, and sometimes this can result in breakout success online.

Internet service is your passion, but it might never be compelling enough as a topic to stir people to share your message just because they want others to know. However, you do offer a

valuable service, and many of your subscribers will willingly recommend your service – provided you give them the means and the reasons to do so.

Running a "tell a friend" referral program is easy to understand. And success stories abound of companies that hit their stride using this technique. Success requires careful coordination.

You could build the referral program yourself, but using an ISP growth platform could grow your subscriber base effortlessly. Regardless of how you choose to incentivize your subscribers to share, keep this in mind: The best investments help you spin your flywheel of fortune faster. ❖

Jase Wilson is the founder and VP of growth at Ready.net. Ready.net has developed a platform that helps ISPs retain and monetize subscribers. He can be reached at hi@jase.fyi and on Twitter at @Jase.



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