

Hold the Phone!

Not all MDU residents are in wireless-only households. Many of them would be happy to subscribe to digital voice products.

By Bryan Rader / *Bandwidth Consulting LLC*

The phone business isn't dying after all, is it? Comcast and Charter Communications just announced that in the third quarter of 2013, they added almost as many phone subscribers as they did Internet subs.

Were any of them in multiple-dwelling-unit (MDU) communities?

Over the last decade, the big cable companies have built digital voice businesses that now reach 20 percent of their potential homes passed. And though the overall landline telephone business is declining (just look at the AT&T and Verizon figures), the cable guys are still finding ways to expand this market.

Initially, they pushed phone as part of the triple-play bundle to drive subscribership and take rates. "If you want the best rates for digital TV, you need to take phone, too," they would tell subscribers. Now, however, they often sell digital phone at lower price points, wrapped in a broadband bundle as part of an up-sell.

And guess what? It is working! Just ask Comcast and Charter.

But what about MDUs?

The phone business doesn't need to be a capital investment project for an operator. Private cable operators (PCOs) can work with independent phone providers that use VoIP technologies to launch their phone businesses. The economics are quite simple.

For less than \$10 per customer, many operators can push a digital phone up-sell to a new broadband subscriber for an incremental \$25 a month – a 60 percent sales margin. Operationally, the product is easy. A

technician simply installs an analog telephone adapter while activating a broadband customer. This adds barely five minutes to the installation process.

But can it work in MDUs?

Darren Ascone, CEO of Hover Networks, a VoIP service provider, is experiencing great success with Hover's white-label digital voice product. "It's a no-capex model that adds more stickiness to customer relationships with a good margin product," Ascone explains. "Cable operators that don't offer phone are leaving money on the table."

Hover Networks (www.hovernetworks.com) has customers in 17 states and provides back-office, marketing and customer support for its operator partners. "We help teach providers how to market phone in a way that seems to work well," Ascone says.

Yeah, but answer my question: Can phone be a part of an MDU play?

OK, OK. I am not ignoring your question. The answer is a resounding "yes." Digital phone can be a highly effective product for many PCOs that sell to MDU communities, even though many people think, incorrectly, that most MDU residents use only wireless phones today.

At a recent Independent Multi-Family Communications Council conference in Dallas, speakers agreed that although digital phone may not be a good match in student housing, it can be very attractive in retirement communities, in high-rise condos that have poor cell phone reception on higher floors or even in upscale apartment communities that have

work-at-home residents.

One MDU operator said, "Digital voice is a great solution to have in your bag of tricks if you promote it correctly with the right audience." A PCO executive said he routinely sees 50 percent penetration rates among older MDU audiences. Another said he can include digital voice in bulk packages. One even spoke about its broad appeal to customers who make international calls.

Adding voice to a product mix doesn't have to create new headaches. After all, digital phone is not a new product, and it isn't in an experimental phase. It has been broadly marketed for more than 10 years, and most operational issues today are fairly minor. Most operators that offer phone find it easy to service and easy to deploy. They say it requires very little technical support.

One PCO explained, "If you have a good broadband network, phone won't be a problem at all."

Stop leaving money on the table, and begin marketing digital voice again selectively in MDU markets. Why give 25 million phone customers to Comcast, Charter and Time Warner Cable?

PCOs should have their fair share of these subscribers. And yes, many of them do live in MDU communities.

I encourage you to try digital phone again to answer this question for yourself. ❖

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