



In Partnership with:



**Grand Junction Market Demand Study
Business Internet Service**

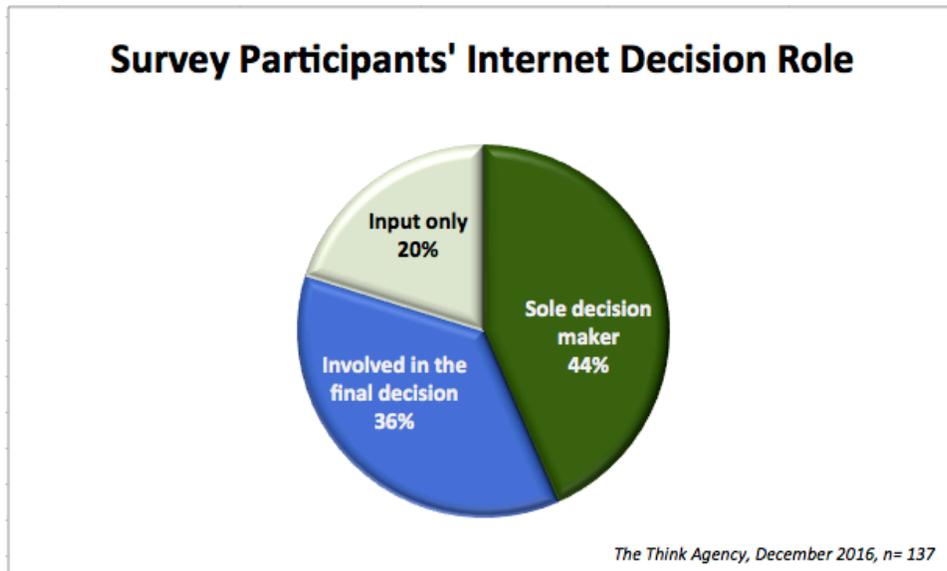
January 16, 2017

Background: Business Market Demand

The Think Agency was approached by SiFi Networks to conduct a market demand study within Grand Junction. A study needed to be fielded to uncover demand and potential price points for new, improved internet service. Additionally, the study needed to uncover the service(s) and attributes that would need to be included with a new internet service offering. In order to deliver the most scientific, methodologically sound study, Think engaged 360 Market Reach to solidify its own market research background. The New York firm assisted in the design of the survey and the acquisition of survey respondents through sampling firms. 360 also helped in the analysis of both the residential and business survey results.

Methodology

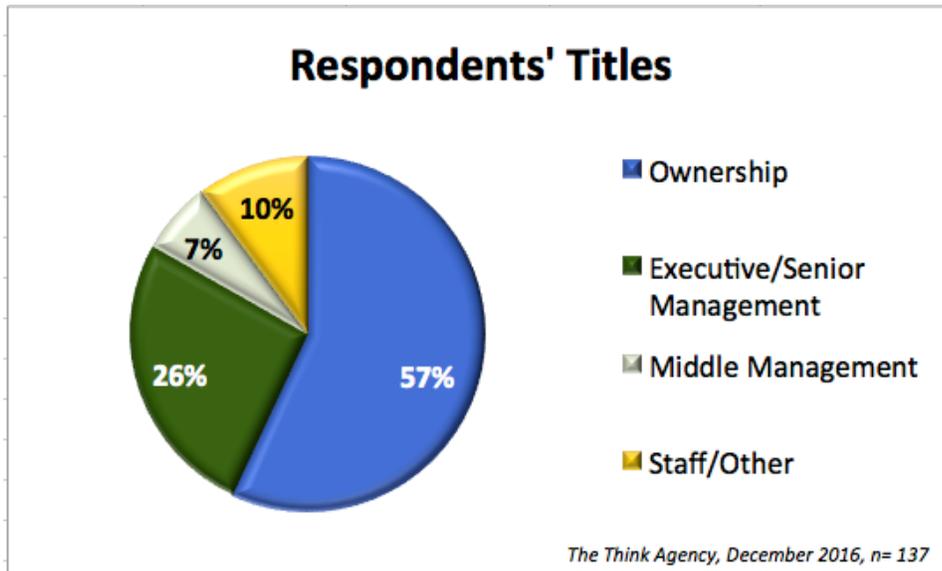
Businesses were invited to participate in the research study via email and through invitations from Grand Junction organizations. While the household survey did not rely on local entities for recruitment, the business study needed the assistance of invitations from local business groups including the Grand Junction Area Chamber of Commerce, Downtown Grand Junction, the Horizon Drive District, and the Grand Junction Economic Partnership. In all, we were able to secure 137 completes amongst Grand Junction businesses. In exchange for completing the ten-minute survey participants were provided a \$10 gift card. Only individuals who are involved in the decision-making process either as the sole or joint decision maker or as an influencer on the decision were allowed to participate. If a respondent indicated that they were not part of the decision process, they were terminated out of the survey.



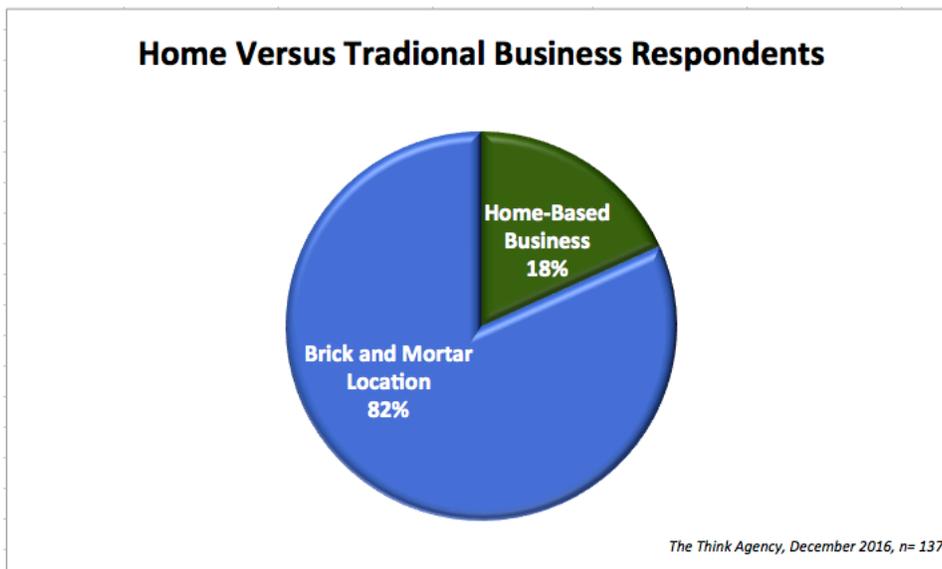
As businesses are more difficult to secure in completing surveys, 137 is a good number and barometer of what to expect in terms of network uptake. However, the margin of error falls between the +/- for 100 completes (10%) and 200 completes (7%). The estimate is that these results are +/- 8.4% at the 95% confidence level.



More than half (57%) of respondents to the business survey classified themselves as ownership with an additional fourth (26%) coming from senior management. These individuals represent businesses with a median employee size of 6 and an average employee size of 74 – meaning that a few individual respondents from large businesses are significantly impacting the average.

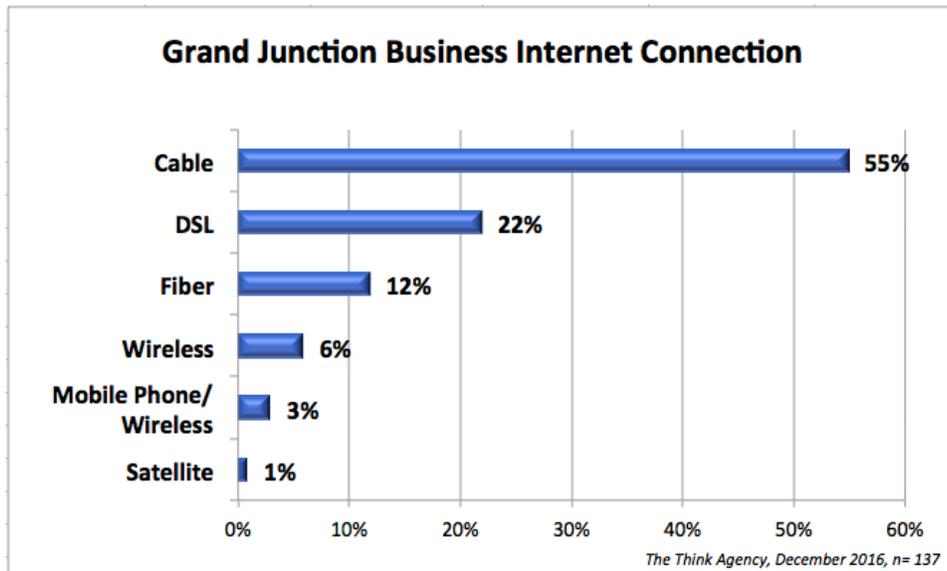


The survey did not exclude home-based businesses because some of the potential offerings will directly target this market segment. Eighteen percent of completes were home-based businesses.

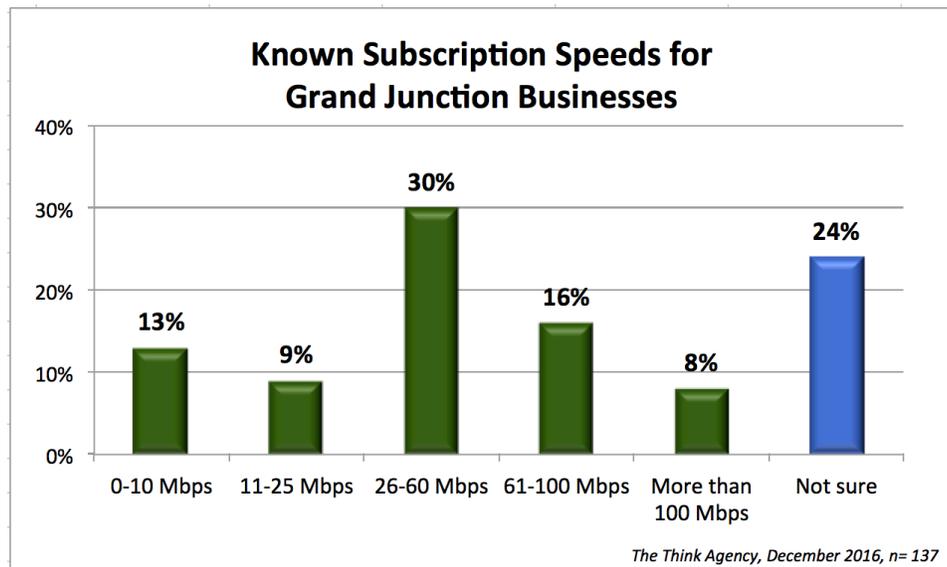


Respondent Overview

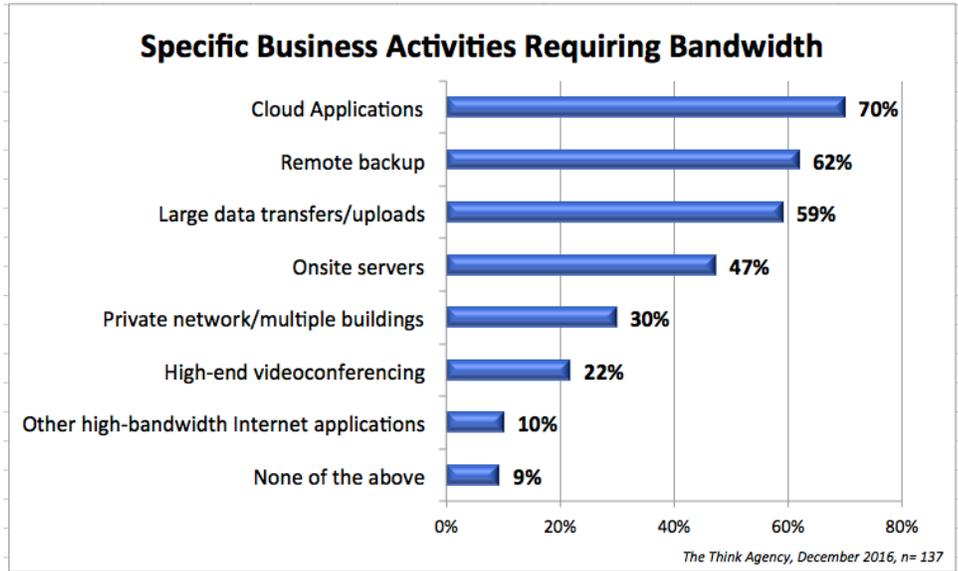
More than half (55%) of businesses' rely on a cable provider for their internet service while 22% are receiving internet from a traditionally slower DSL provider.



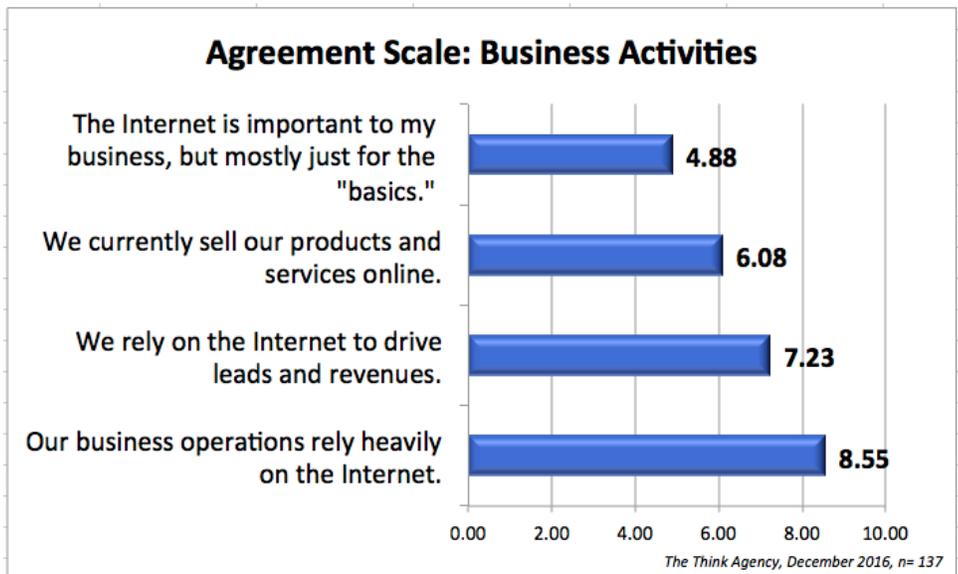
Slightly more than half (52%) of businesses have service levels less than 60 Mbps, which is surprising given the bandwidth requirements many business applications have today. Additionally, 1 in 4 (24%) do not know what service level they receive. This creates a challenge amongst these individuals to create meaning/understanding when advertising potential speed offerings.



Cloud applications, backups, and large uploads all require what could be described as “robust” internet service of at least 100 Mbps. In spite of relatively low speeds, local businesses are still performing the high-bandwidth applications below. One hypothesis would be that Grand Junction businesses are still conducting business online, but less effectively than they could be with faster internet speeds.

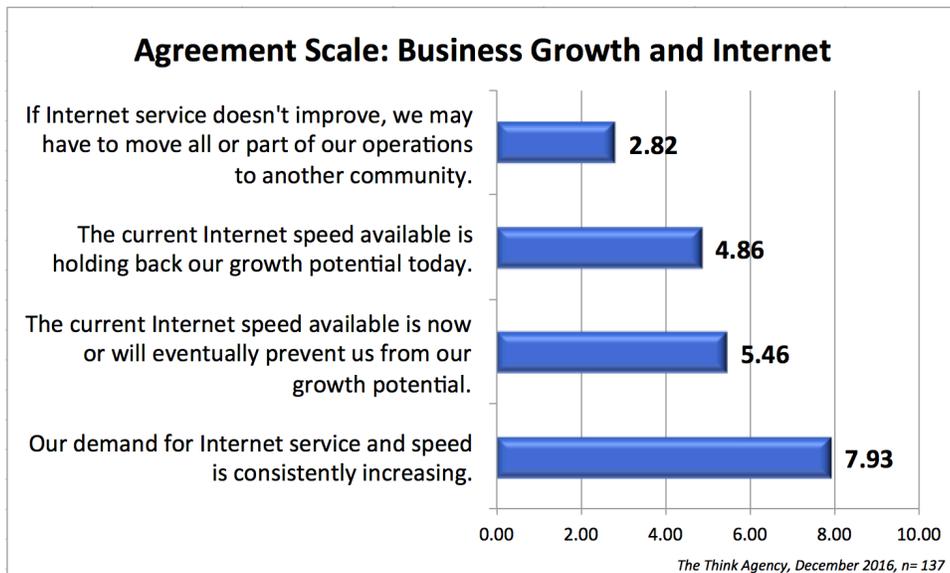


The survey presented businesses with a ten-point agreement scale for a number of statements where “1” equaled “strongly disagree” and “10” was strongly agree. The first group of attributes below shows just how many businesses in Grand Junction rely on the internet for lead and revenue generation as well as operations.



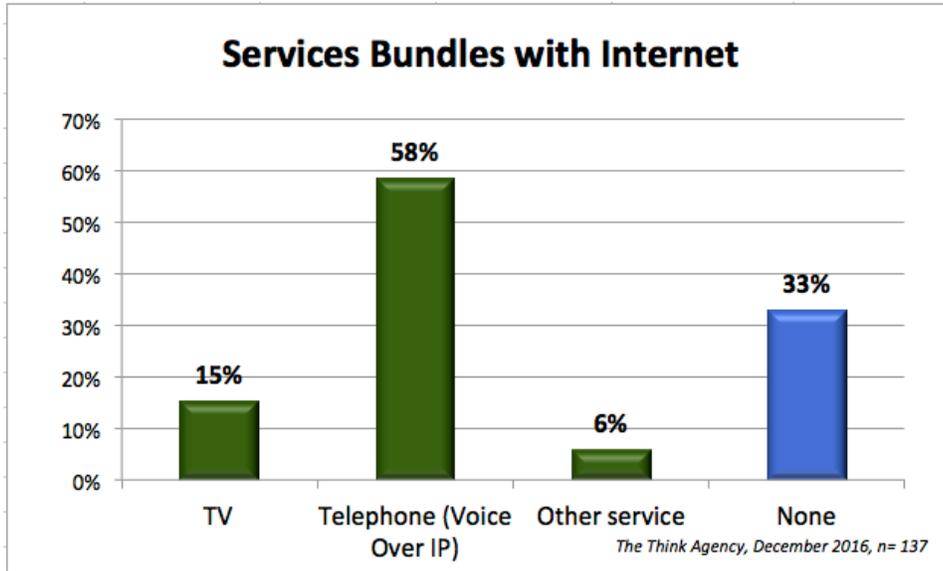
Within this portion of the survey we also examined the business implications of local internet service.

- Q: Would businesses actually leave Grand Junction without better service?
 - A: In general, not now.
- Q: Is the available internet service, given what it is, currently holding businesses back?
 - A: Sometimes, yes.
- Will present day speeds prevent future growth?
 - More businesses say yes.
- And finally, is the demand for bandwidth consistently increasing?
 - Definitely.



Bundling

As could be expected, bundling television service is far less prevalent amongst businesses as it is with households. In fact, about half of the 15% bundling television, accounts for the respondents who operate a home-based business. Telephone service is currently being bundled with Voice-over-IP services amongst more than half of respondents.

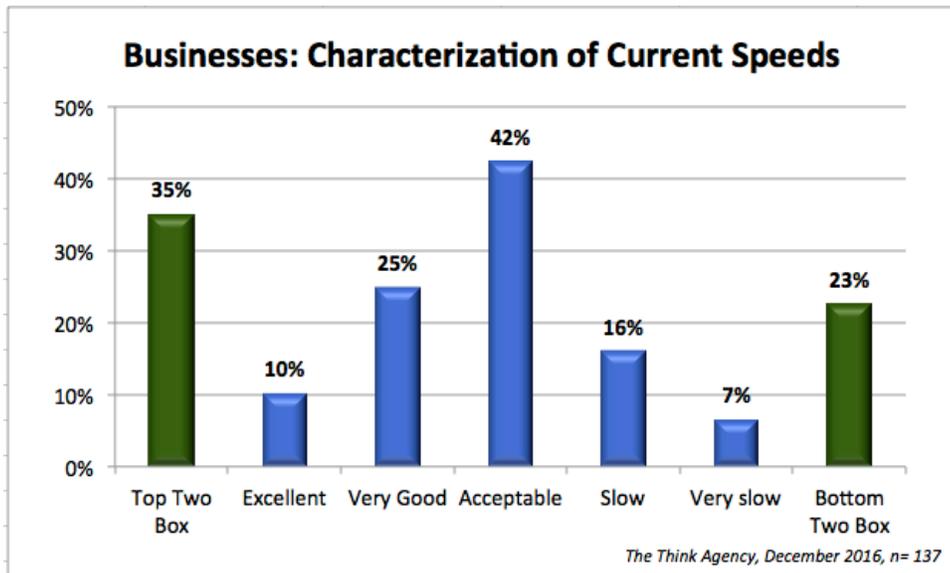


Businesses' Internet Service: Current State

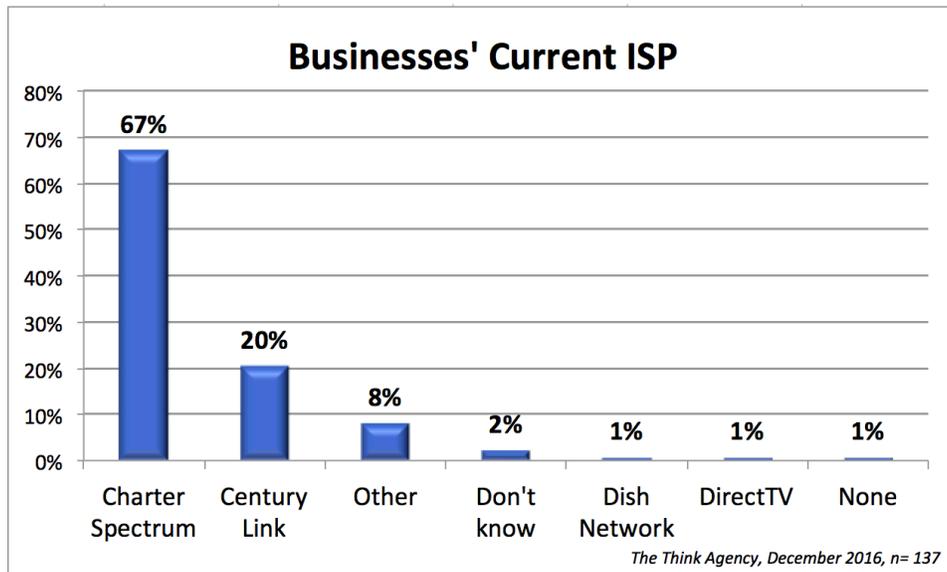
Respondents were asked a series of questions regarding their current internet service, including their satisfaction levels.

Current Service Satisfaction

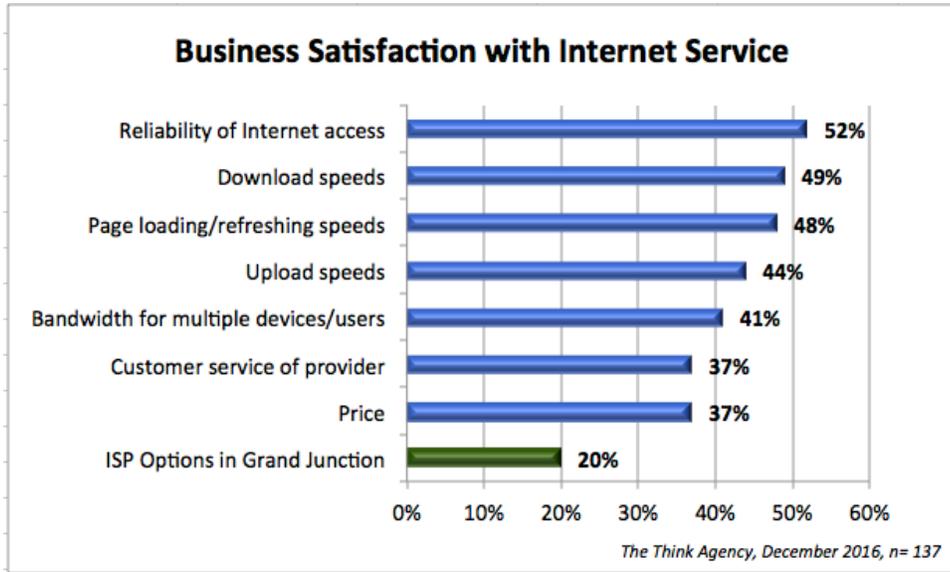
The “top 2 box” (a combination of the top two options “excellent” and “very good”) for businesses describing current internet service speeds came it slightly lower than households (35% compared to 38%) while the “bottom 2 box” (“slow” or “very slow”) was 5% higher than households, scoring a 23%. Businesses, like households most recently used “acceptable” to describe their current speeds.



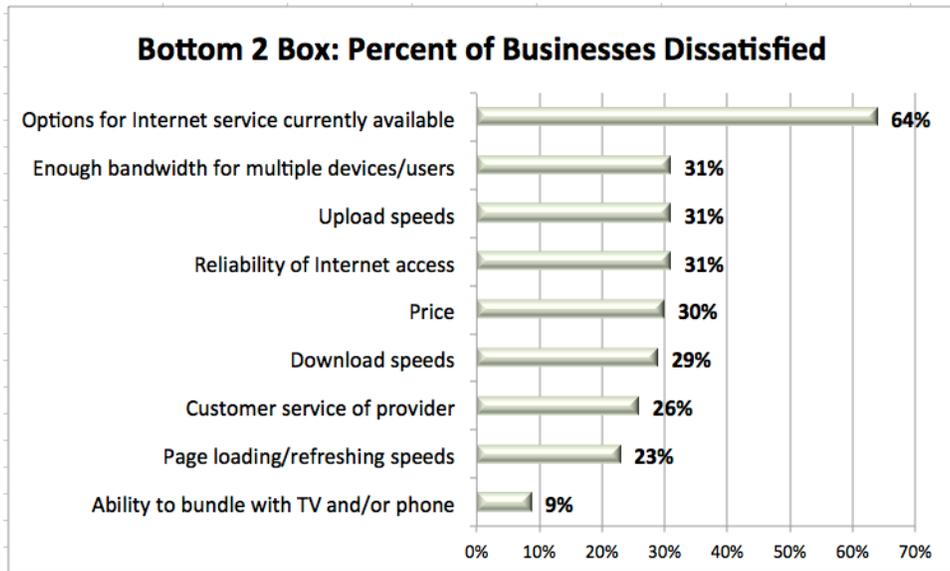
Charter (67%) and CenturyLink (20%) make up a majority of the business subscriptions.



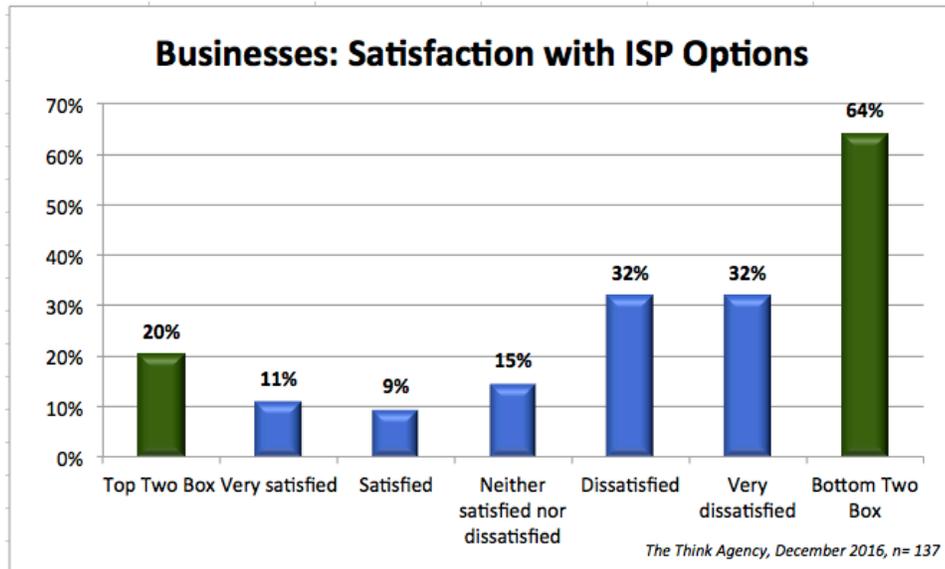
As with the residential study, businesses were asked their satisfaction with their internet service and its attributes. The scores are consistently low, with the highest ranked attribute, reliability, coming in only at 52%.



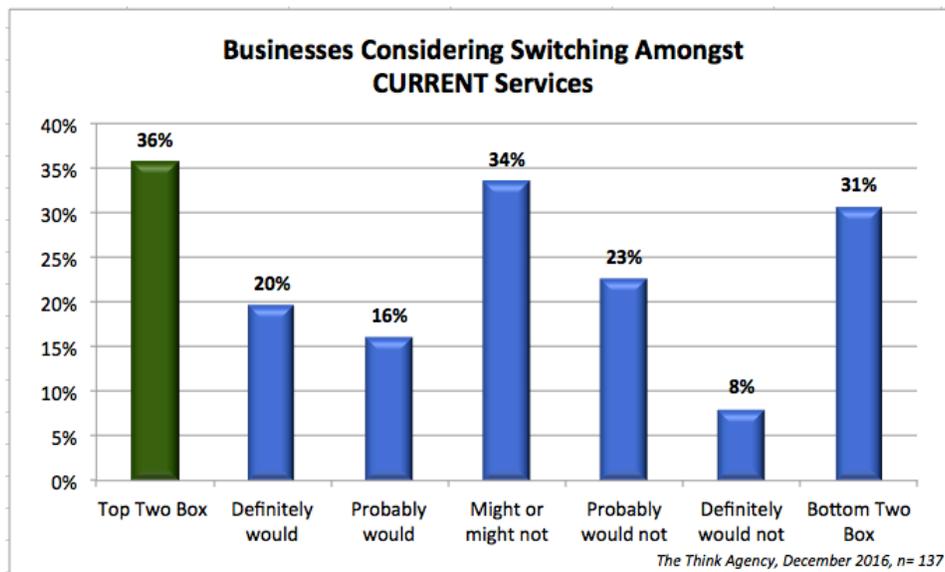
The percent of businesses dissatisfied is high as 64% of businesses are currently unhappy with the options for internet services currently available. Available bandwidth, upload speeds and reliability are also high.



It is clear from both the top 2 and bottom 2 box scores that “options for internet service” are lacking and desired.



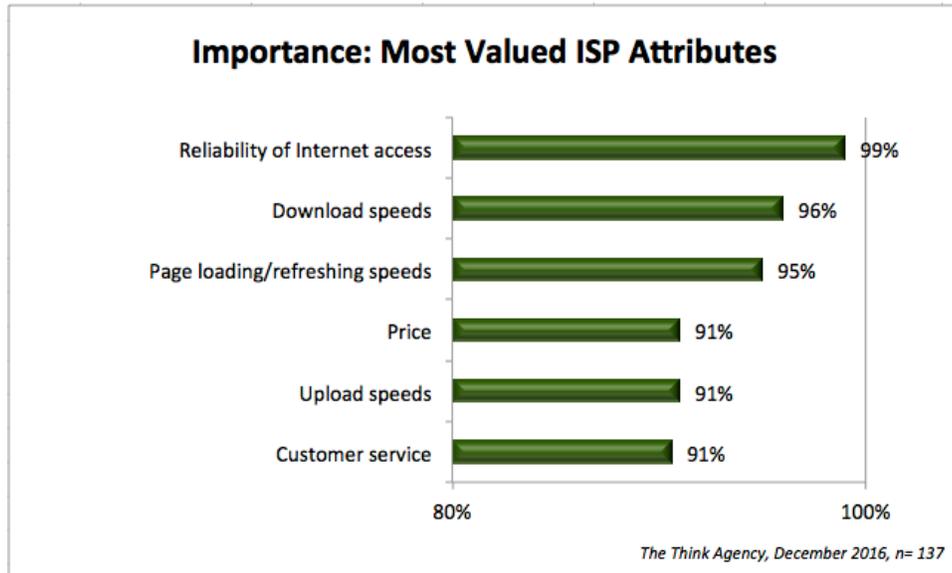
In spite of the fact that options are limited, more than a third are looking at their options to switch amongst what’s available now.



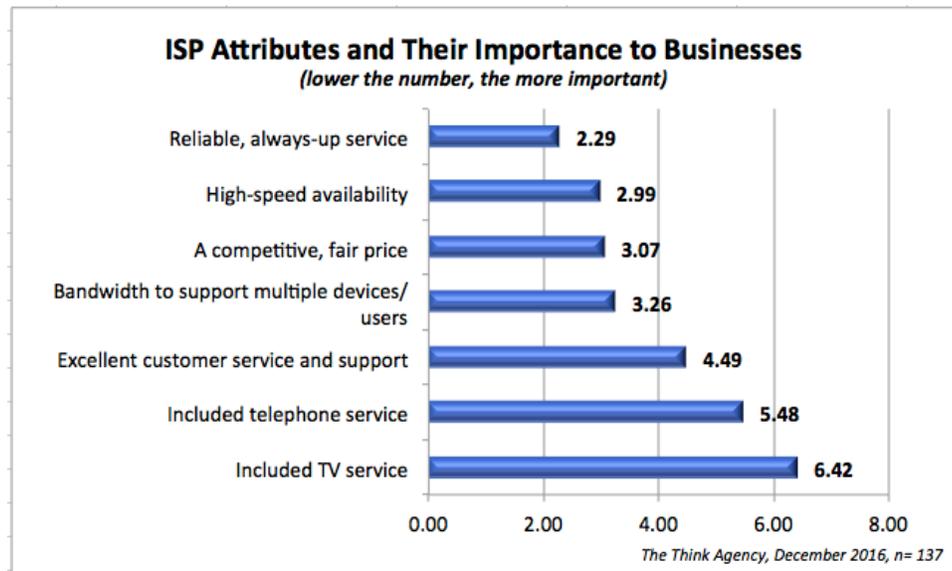
Business Internet Service: Preferences

Grand Junction businesses were asked a series of questions to uncover the important attributes and components of a potential internet service.

When asked what’s important, all attributes scored highly with “reliability” being the most important. All attributes are important to respondents at a more than 90% level.



Businesses were asked to rank 7 attributes, from 1 to 7, in terms of which were most important. TV and phone service were least important while reliability and high speeds were ranked most important.

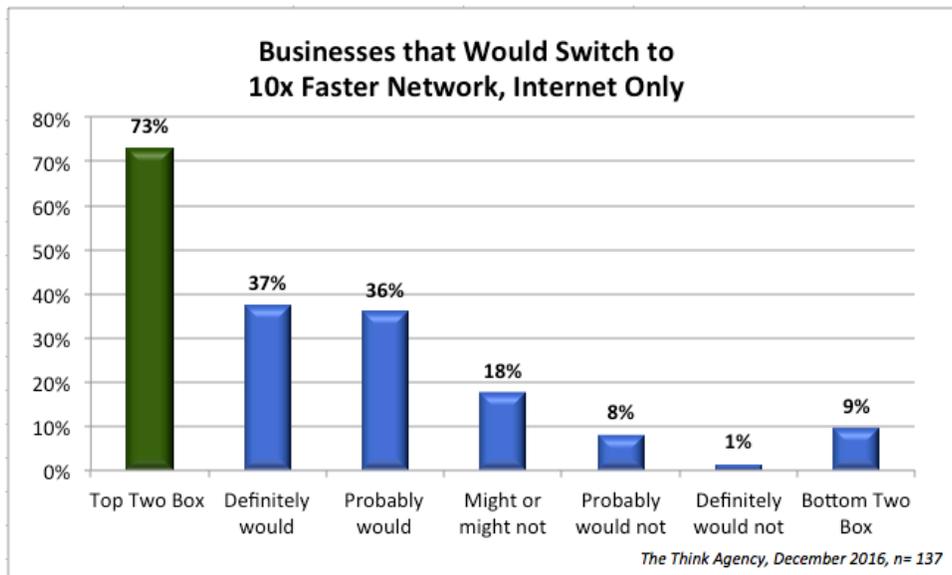


Potential for New Offering for Business Market

Grand Junction businesses were asked the following:

At this time, we would like for you to consider the following scenario: If an Internet service provider was to provide a NEW broadband Internet service up to 10 times faster than ones available today, how likely would you be to switch to this potential offering for your business in the next 12 months?

Nearly three in four (73%) said they would “definitely” or “probably” switch to this service within the next 12 months. The number of businesses that expressed that they would “probably not” or “definitely not” (9%) is less than half the percentage of businesses that showed reluctance.



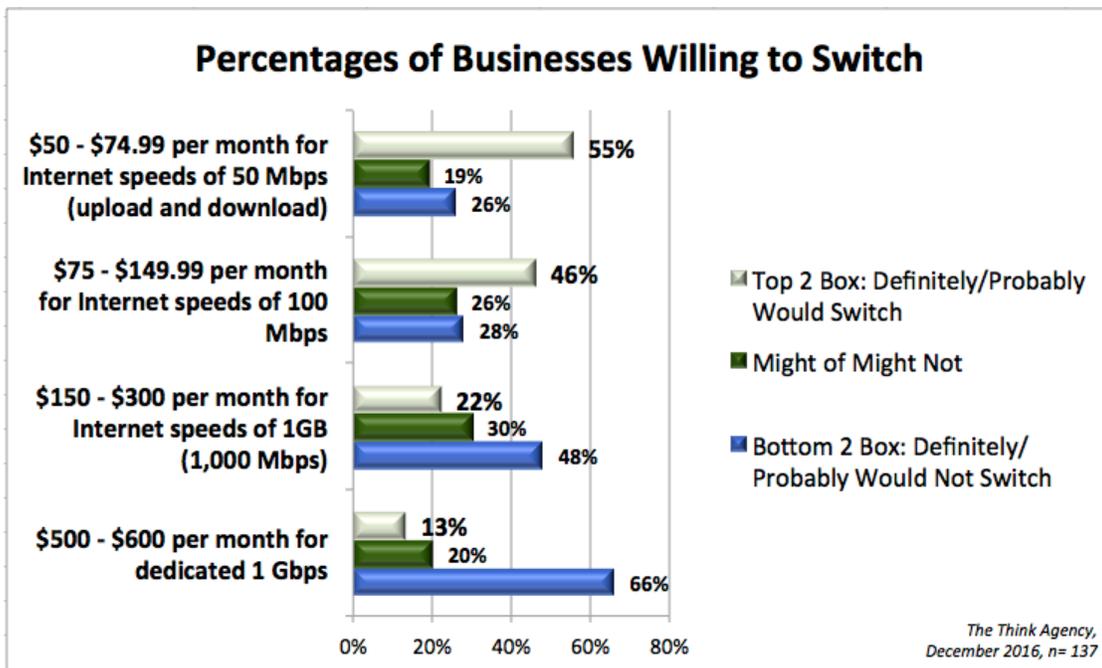
Service Options: Not Bundled with TV/Telephone

With service levels and pricing provided by SiFi, we examined three distinct pricing and service levels to see how many businesses definitely or probably would switch to each offering over the next 12 months. The service levels were as follows:

- \$50 - \$74.99 per month for internet speeds of 50 Mbps (upload and download)
- \$75 - \$149.99 per month for internet speeds of 100 Mbps
- \$150 - \$300 per month for internet speeds of 1GB (1,000 Mbps)
- \$500 - \$600 per month for dedicated 1 Gbps

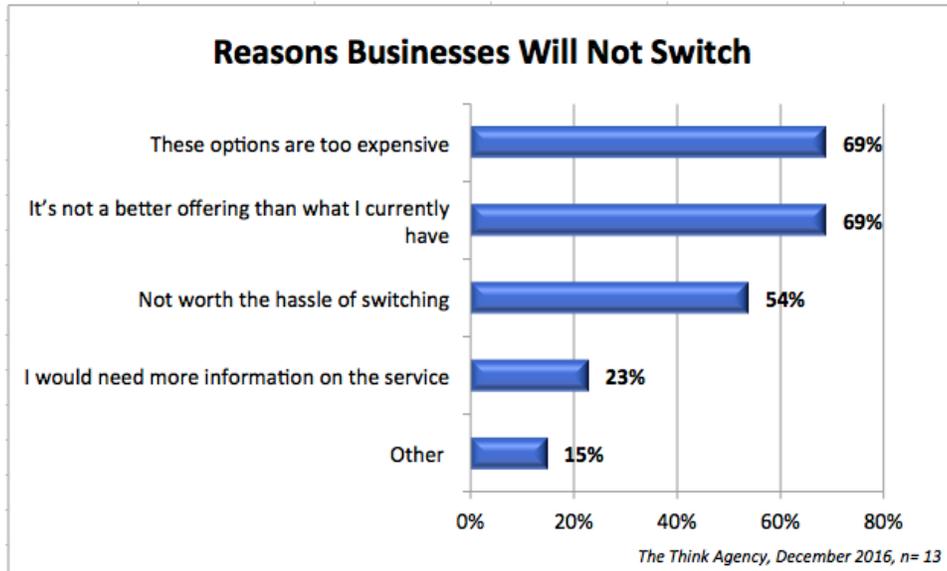
How likely would you be to sign up for the following options? Please note: The costs below do not include additional services like TV or phone. These are costs for internet service only.

The two lower-priced offerings of the four both received positive marks from approximately half (55% and 46% respectively) in terms of a service they would switch to in the next 12 months. The higher, gigabit-level; service is much lower suggesting either no need yet or just as likely, a lack of understanding as to how gigabit service can improve operations.



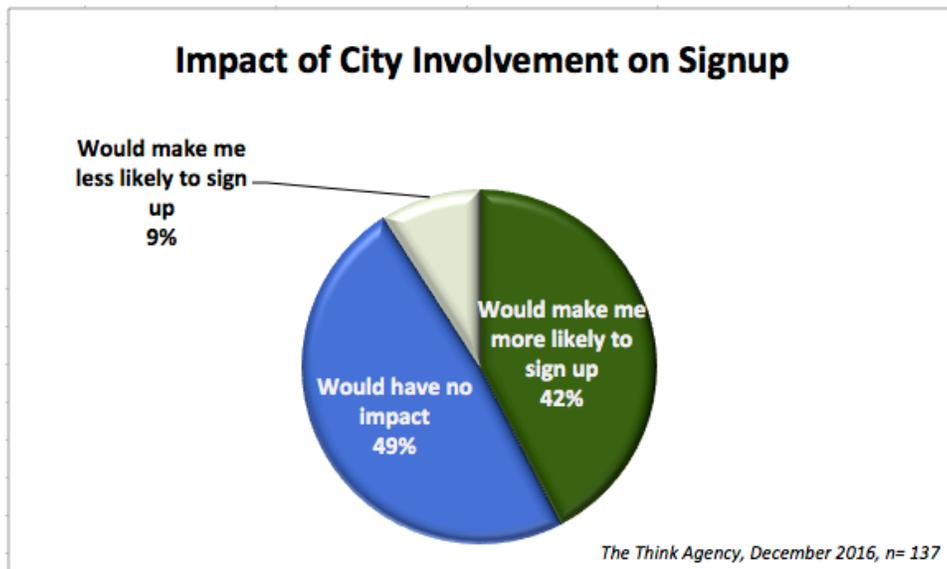
The Not Interested

Only 13 (9%) businesses stated that they were not interested in switching.



City Influence

Only 9% of businesses indicated that they would be less likely to sign up due to city involvement – mostly because of political views. More than 2 in 5 businesses would be more likely to sign up to a network that was part of Grand Junction’s efforts – giving this potential effort an edge in the market.



Take Rates

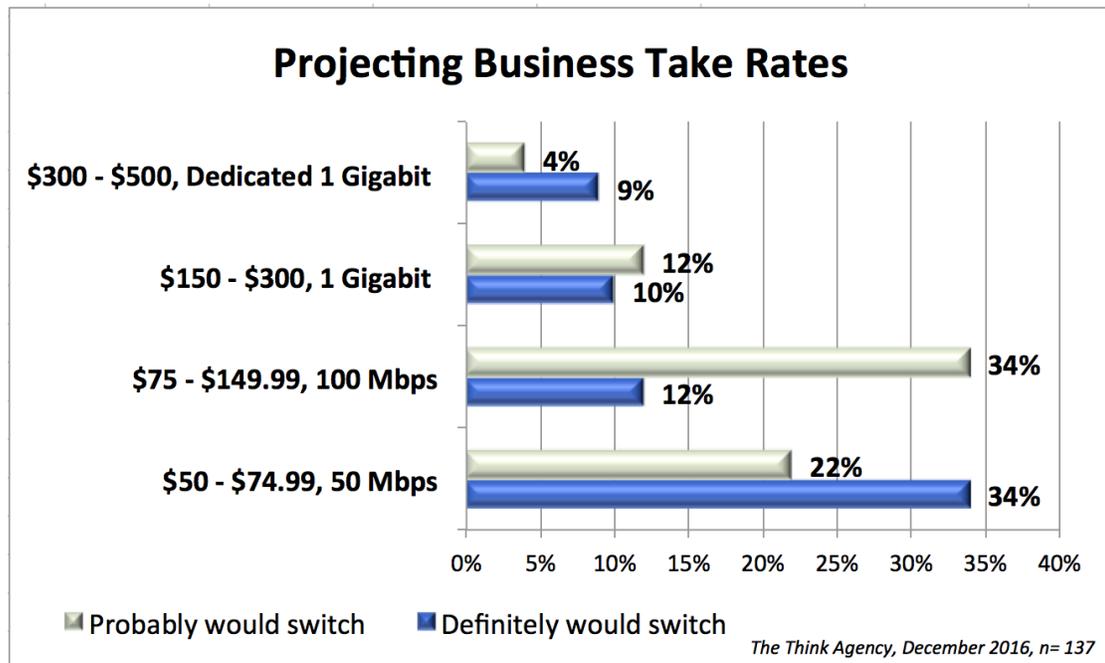
Projecting take rates in a vacuum is not an exact science. There are many variables that can impact take rates including but not limited to:

- Pricing for accompanying telephone/Voice-over-IP service.
- Whether incumbents defend the market with offering their subscribers aggressive pricing deals.
- Length of businesses current service contracts and incumbent termination fees.
- Translating high speeds into business benefits to drive uptake.
- Speed to market of services dictated by completion of network.

Regardless, the conservative forecast should exclude the “probably would switch” and only focus on businesses that say they **“definitely would switch,”** which is 34% for 50 Mbps; 12% for 100 Mbps; 10% for 1 gigabit and; 9% for 1 gigabit dedicated.

Analyzing the data shows that almost half (46%) of respondents said “definitely would switch” to at least one of the four levels tested. **This gives a projected take rate of 46% in the first 12 months.** Additionally, take rate can increase significantly as respondents that said they “probably would switch” across all three options at a rate of 27%. In short, “definitely” and “probably” answers reflect a **potential** of a 73% take rate.

The research tells us that we can conservatively expect half of Grand Junction businesses to switch in year one of full operation.



Conclusion

More than half (55%) of Grand Junction businesses currently receive their internet connection via cable with lower capacity DSL serving 22% of survey respondents. Two-thirds of respondents (67%) currently receive service from Charter.

Customer Satisfaction

- 64% of businesses are dissatisfied with options for Internet service.
- 52% of businesses have service less than 60 Mbps and 24% are unsure of current service speeds.
- More than a third (36%) are at least considering switching their internet service.

Potential for New Business Offering

- Nearly three-fourths (73%) said they would “definitely” or “probably” switch to an internet only service that would provide up to 10x as fast service.
- 55% of overall participants would likely switch at a price of \$50-\$74.99 for 50 Mbps.
- This drops to 46% when the price goes up to \$75-\$149.99 for 100 Mbps.
- One gigabit service draws switching interest of 22% for \$150-\$300 per month while a dedicated gigabit line for \$500-\$600 a month only interests 13%.
- Television availability is not as important for businesses, while telephone service will be important to a potential switch decision.

Marketing Message

- Marketing theory rightfully states that consumers purchase benefits, not features. While advertising and promoting improved speeds will indeed drive uptake, the network will not reach its full uptake potential without marketing the benefits that new, higher speeds will bring.
 - Speed levels can seem arbitrary or impossible to understand for a large portion of the Grand Junction commercial market.
 - Offerings should include clear marketing and messaging making it clear what businesses currently receive and the benefits they will obtain from new connectivity.
- Nearly half (42%) of businesses say that Grand Junction’s involvement in this internet offering will make them more likely to sign up for the new service. Longmont, CO unapologetically used civic pride in its marketing message to successfully drive uptake – SiFi and Grand Junction should do the same.

Take Care of “The Base”

- Nearly half (46%) of businesses say they “**definitely would switch.**” SiFi/Grand Junction’s marketing, communications/PR, and customer service should take great care to be available, accommodating, and transparent to ensure this group remains in the “definitely” category.



Supplemental Research: Business Focus Groups

As mentioned, obtaining approximately 500 business survey completes was an unachievable research challenge given the number of businesses in Grand Junction (approximately 3,000). As such, Think conducted two focus groups on Tuesday, November 29 at the county library. Twenty-three businesses and organizations were represented in two separate focus group sessions, each lasting 90 minutes.

Morning Session

The morning focus group had a mix of small, mid-size, and large businesses – as well as a few home-based businesses. This group spoke with an overwhelmingly frustrated voice – that internet service in Grand Junction was poor and impacting their business. The group was in consensus that the current state of internet in Grand Junction was hindering their ability to be productive and grow.

Participants brought their connection speeds to the session – speeds that consistently fell short of the FCC’s definition of broadband of 25 Mbps download, 3 Mbps upload.

The group made it clear that they would not move from Grand Junction for better internet service as this is their home, most often their long-term home. There was a concern amongst participants that businesses looking for a home might be more likely to go to Montrose.

Another participant with a real estate background made a salient point that many potential homebuyers don’t just ask about the quality of schools – but internet availability as well.

Asked to describe service today, these businesses said:

- Frustrating
- Slow
- Inconsistent
- Limited coverage
- Poor customer service
- Expensive

Additional business challenges these professionals face were also discussed and included:

- Service impacting productivity
- Too slow to support multimedia
- Collaborative platforms unusable
- Down service impacting sales, customer service, and ability to take payments
- Internet phone service goes down or is poor quality
- Working from home sometimes impossible
- Consistent outages

So what would professionals in the morning session like to see their internet service? The most important attribute in this group was reliability, followed by speed and price.



Afternoon Session

Completely randomly, the afternoon focus group had more large businesses represented. Also in attendance was the Grand Junction Economic Partnership.

A member of this session pulled out the Colorado broadband map, a map that is driven by ISPs' reported availability. In the case of Grand Junction, much of the city shows availability up to one gigabit. The confusion amongst some members of this session was apparent – what is availability? In Grand Junction many businesses *could have gigabit service*, with a five or six figure investment. Incumbents will build fiber, but not without passing along the rather sizable price tag to its business customer. So while service may be “available,” for most businesses the service they want is not affordable.

Members of this group's opinion of their service varied greatly, driven largely by where a business was geographically. Many businesses were okay with their speeds, but not with the exorbitant price they are paying. Others had service that was so bad that they literally could not take credit card charges on Friday nights between 9:30 and 10:30 as consistent outages would cause credit card payments to be lost.

Within the discussion of current service and what the City could/should do, a few participants suggested the City use its “leverage” with incumbents to force them to provide better service. When it was made clear that the City has indeed tried but been rebuffed, participants then suggested the City provide service to the businesses that had insufficient coverage. This was challenging as “sufficient” and “affordable” are not easily defined. One business in attendance is currently paying \$400/month for 10 Mbps service – is this sufficient or affordable service?

It was clear that within the group of businesses there was a huge disparity in what businesses have available and what they pay. Business challenges professionals at the afternoon session cited most often were:

- Consistently slowing down during peak times
- Poor quality associated with internet phone service
- Service too slow for collaboration platforms (GoTo Meeting, etc.)
- Unreliable service, too many outages
- Poor service makes companies look unprofessional and less attractive to potential clients, partners, and employees
- Speeds needed are cost prohibitive

Quality/Reliability and speed were the most important attributes a new service would need to deliver for this group to consider switching.



Service Offering

Members of each group were presented with the below potential service offerings provided by SiFi.

While interest varied for the different service levels, each and every business expressed interest in signing up for one of these services. This solidifies the likelihood that our take rate (46%) estimates for businesses are accurate, if not low.

Service	Residential & Micro Business* Shared	SMB Shared	Enterprise Dedicated
100MB Internet Non-Promotional	\$50.00	\$125.00	\$250.00
1000MB (1Gig) Internet Non-Promotional	\$70.00	\$150.00	\$500.00
Installation Fee (one Time) Non-Promotional	\$100.00	\$200.00	\$200.00
Voice - VOIP (Unlimited LD)	\$19.99	\$29.95	\$29.95
Voice - VOIP (Local Only)	\$9.99	\$19.95	\$19.95
Lifeline or Tribal Discount	40%	N/A	N/A
* Micro Business includes Sole Proprietorships, Small Retail, Restaurants, etc.			

