



In Partnership with:



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

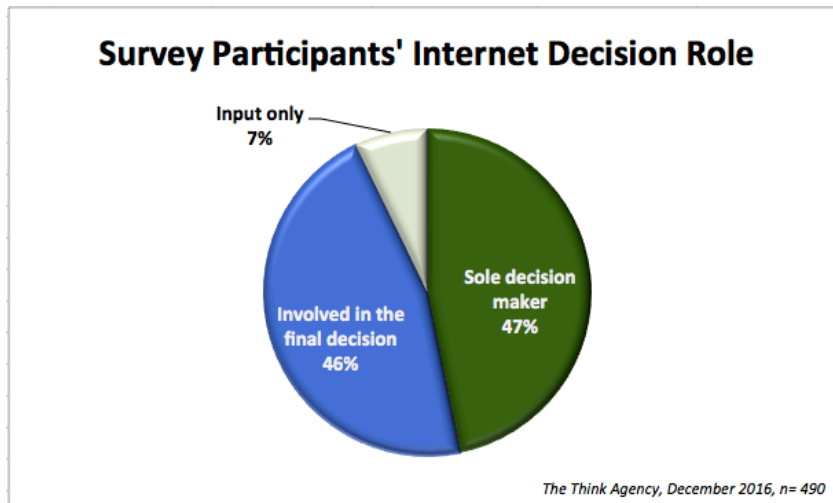
**January 16, 2017**

## Background

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

More than 11,000 residents were randomly invited to participate in the research study via email. The lists were purchased from an aggregator of opt-in email names and email addresses that include USPS verified postal addresses. 360 Market Reach was able to customize the list by emails marked as Grand Junction. The research did not allow for “self selection,” in that the sample was random and a link to the survey was not made public. In exchange for completing the ten-minute survey, participants were provided a \$10 gift card. Only individuals who are involved in the internet 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.



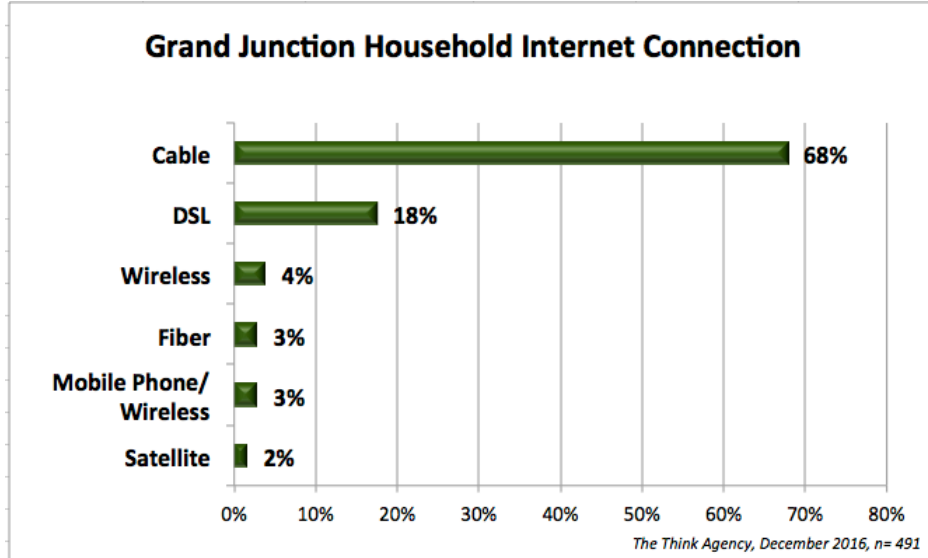
Potential survey participants were sent one initial invitation and two reminders, with 491 survey responses coming between approximately November 20<sup>th</sup> and December 8<sup>th</sup>. The nearly 500 completed surveys provides an accuracy of +/-4% and a 95% confidence level.

On average, each survey participant represented a household of 2.3 individuals, mirroring Grand Junction census results. As minors and on-campus students were not surveyed – they do not have internet decision-making power – the age was in line, albeit older than census numbers at an average of 55.74 years of age.

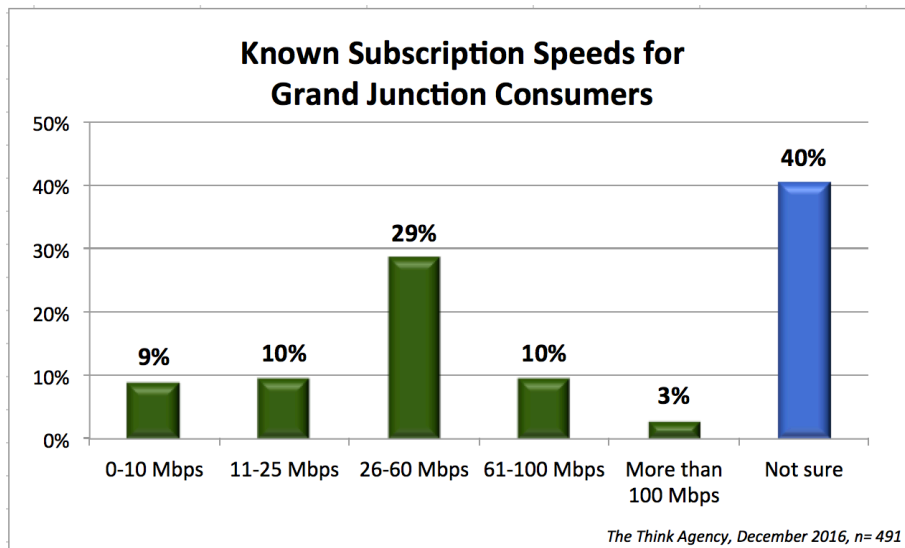


## Respondent Overview

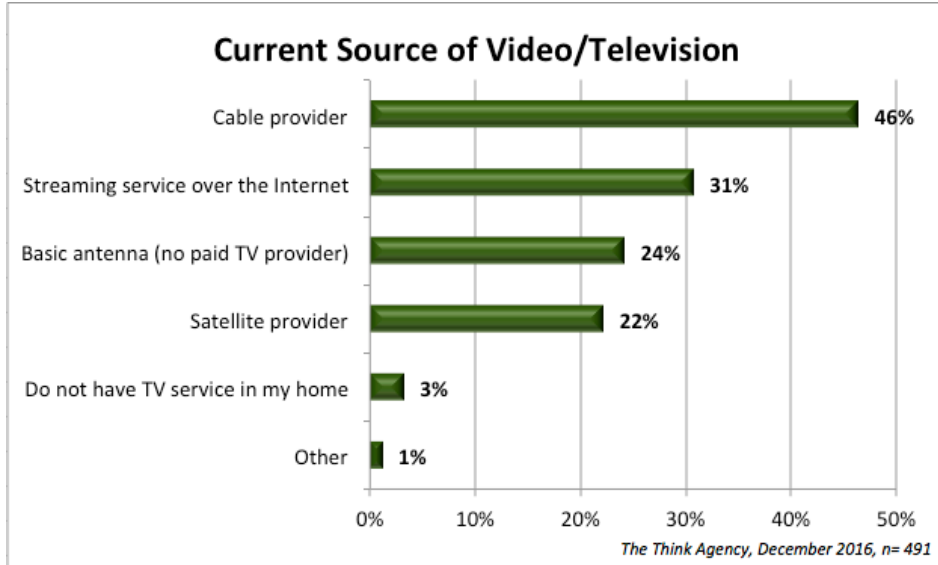
More than two-thirds of households receive their home internet connection via cable (68%) with lower capacity DSL serving 18% of survey respondents. This service needs to support what residents report to be, on average, **9.9 internet devices per household**.



While nearly half (48%) of households receive service less than 60 Mbps, what's perhaps more interesting is that 2 in 5 don't know their current level of connectivity. With any new offering, marketing messaging will need to focus on more than just speed levels that may seem arbitrary or impossible to understand for a large portion of the Grand Junction residential market.

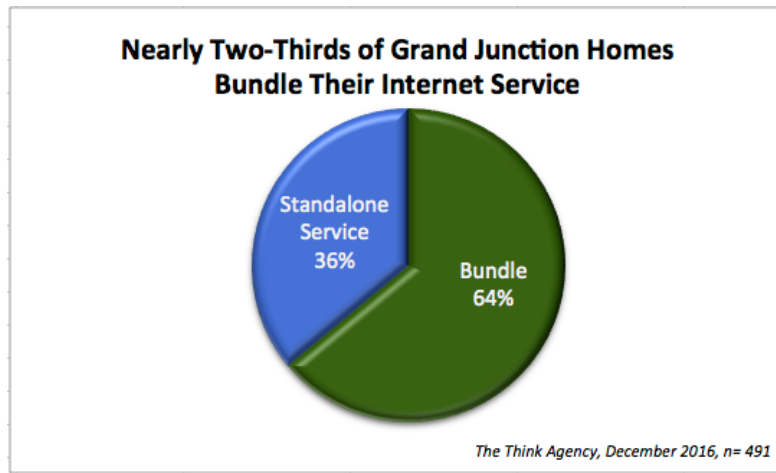


Whether or not to offer video service will be an important decision for the new carrier’s offerings. As such, we asked current residents how they are currently receiving their television service. The 46% who receive their television from the cable company is significantly less than cable internet subscribers (68%).

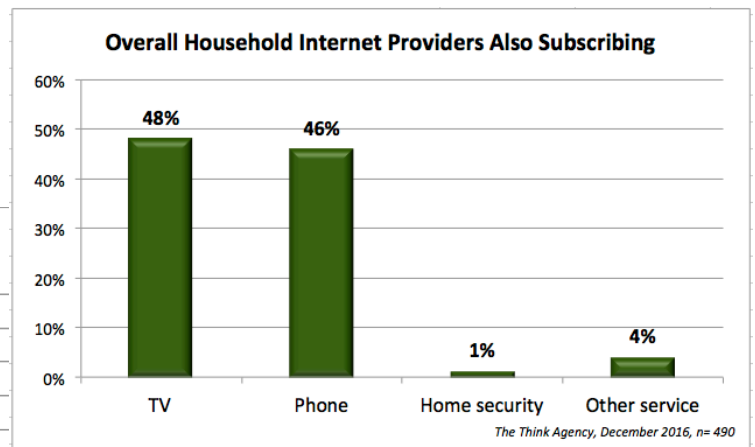
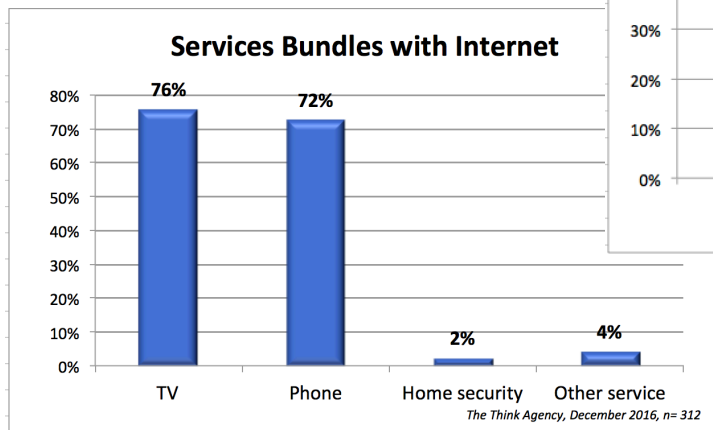


### Bundling

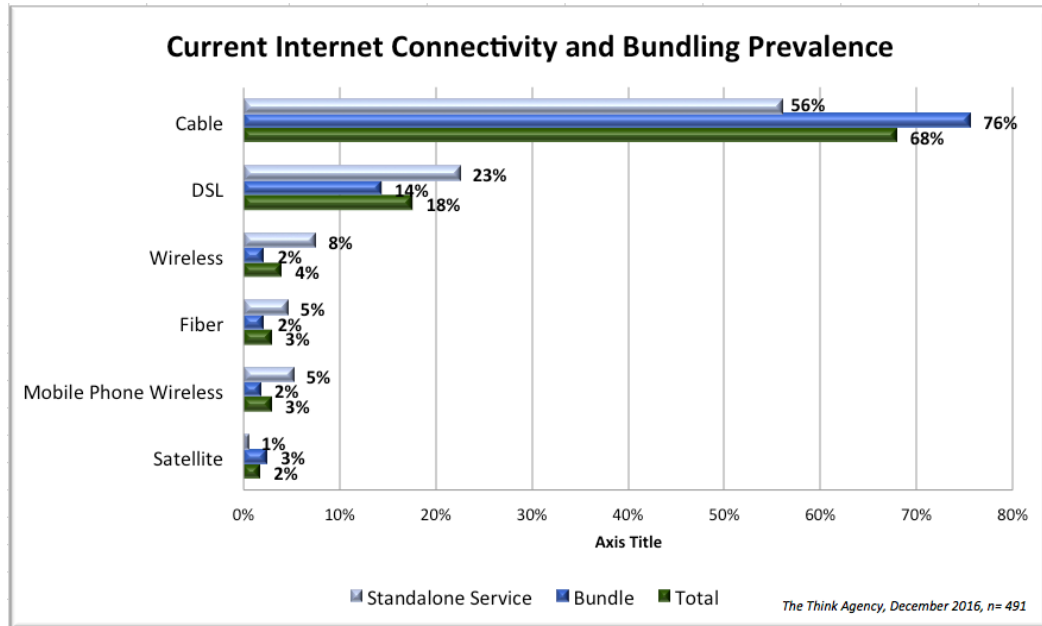
Nearly two-thirds of households bundle television, telephone, or both services with the internet service.



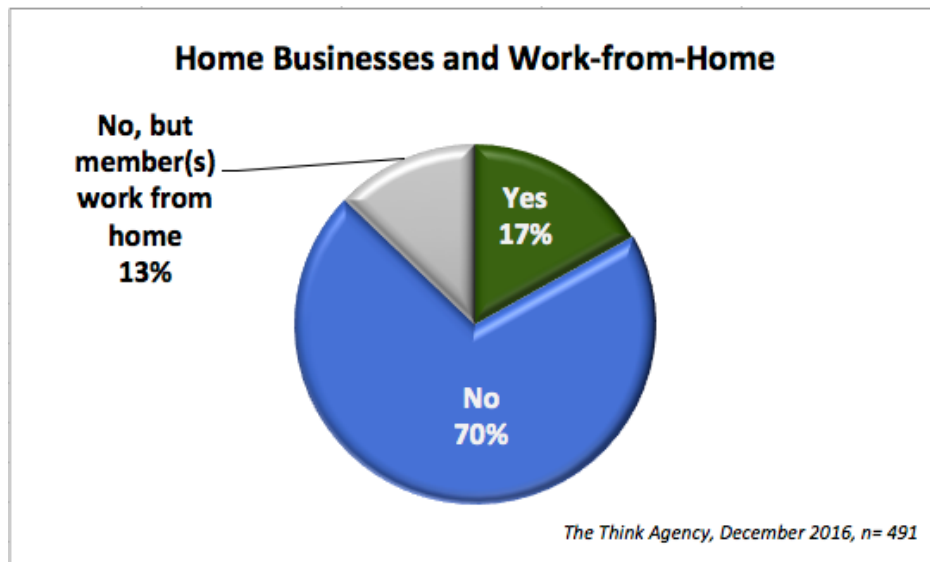
In terms of what bundlers are bundling – 3 in 4 (76%) bundle television and slightly less (72%) bundle telephone service with internet. Also reflected below is the overall total of internet subscribers who bundle television and telephone, slightly less than half for each.



Interestingly, the subscribers most likely to bundle TV or phone service are cable internet subscribers.



Finally, nearly a third of homes (30%) have someone either teleworking or running their own business from home.

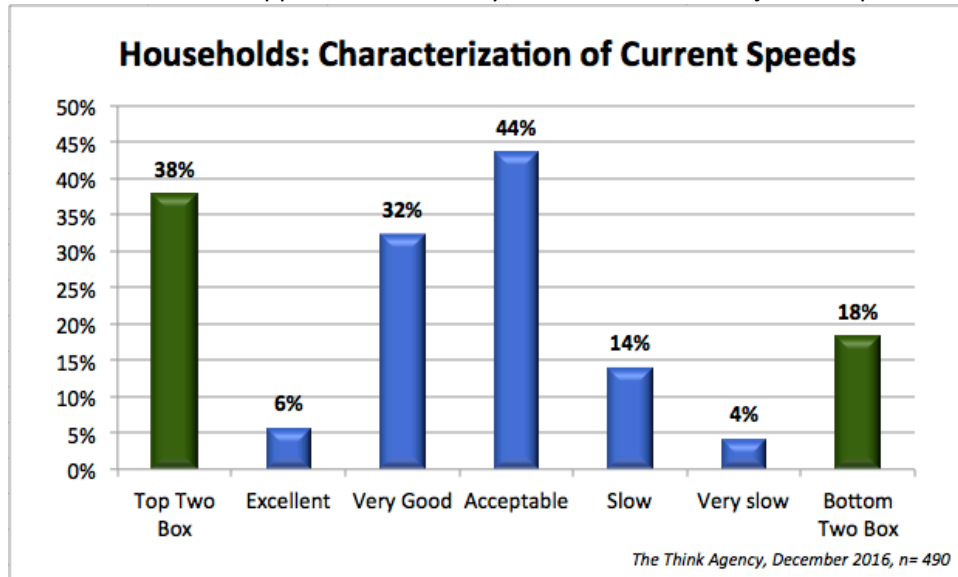


## Home Internet Service: Current State

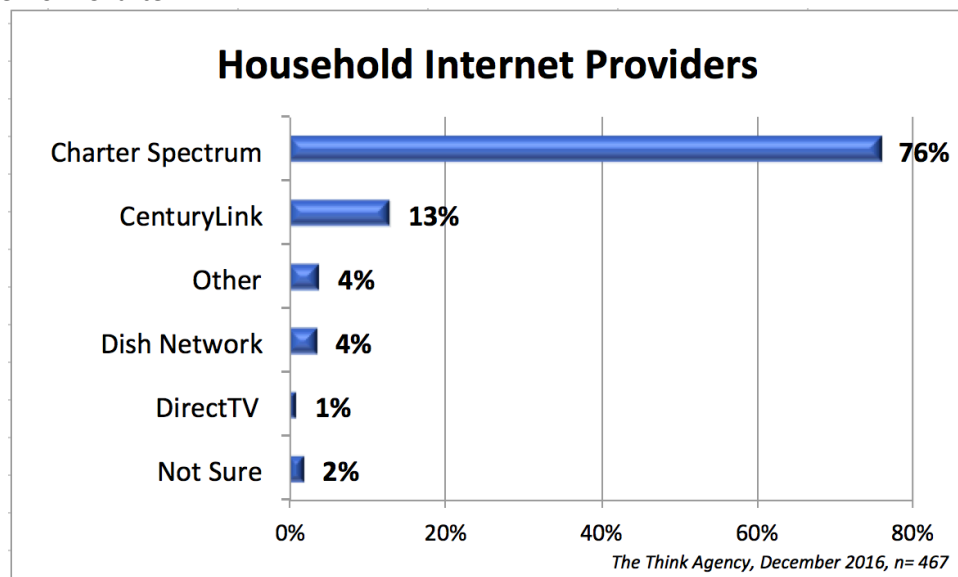
Respondents were asked a series of questions regarding their current internet service, including their satisfaction levels.

### Current Service Satisfaction

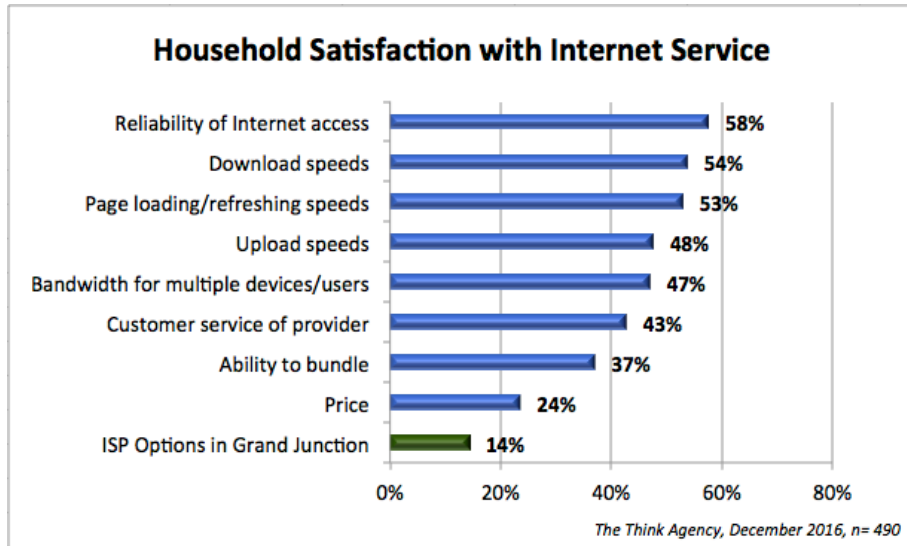
Overall, the “top 2 box” (a combination of the top two options) for describing current service came in at only 38% amongst households. In essence, less than two in five surveyed said their current speed is either “Excellent” or “Very Good.” Conversely, the “bottom 2 box” of “slow” or “very slow” answers is how 18% of households characterized their speed. The middle ground of “Acceptable” was the most common answer at 44%. The takeaway is that few are thrilled, even fewer are disappointed, and many think their service is just acceptable.



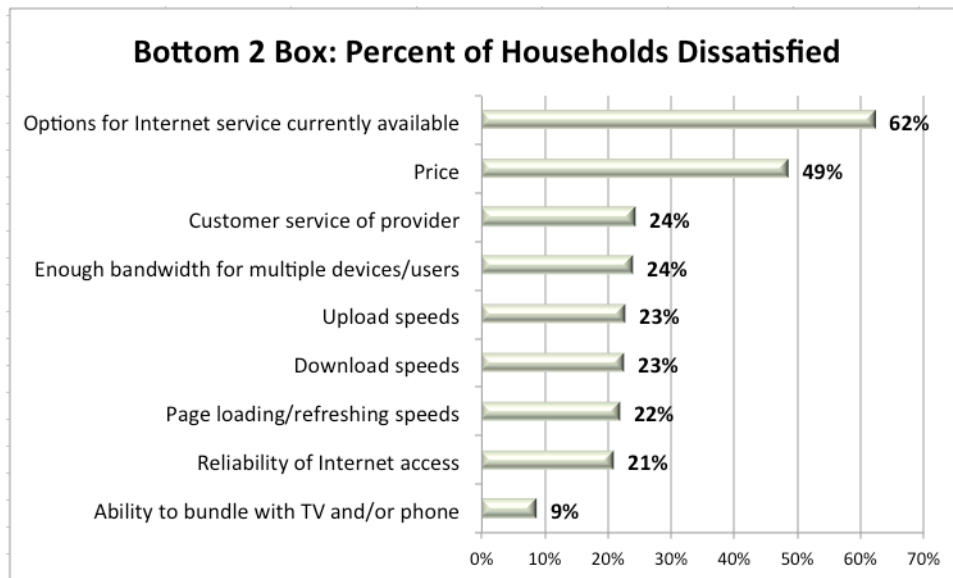
Looking at the carriers respondents currently receive service from, the majority receive service from Charter.



Delving deeper, when asked about satisfaction for individual attributes, the “Very Satisfied and “Satisfied” top 2 box is consistently middling – with satisfaction never topping 58% while it typically hovers in the mid-forties and mid fifties.

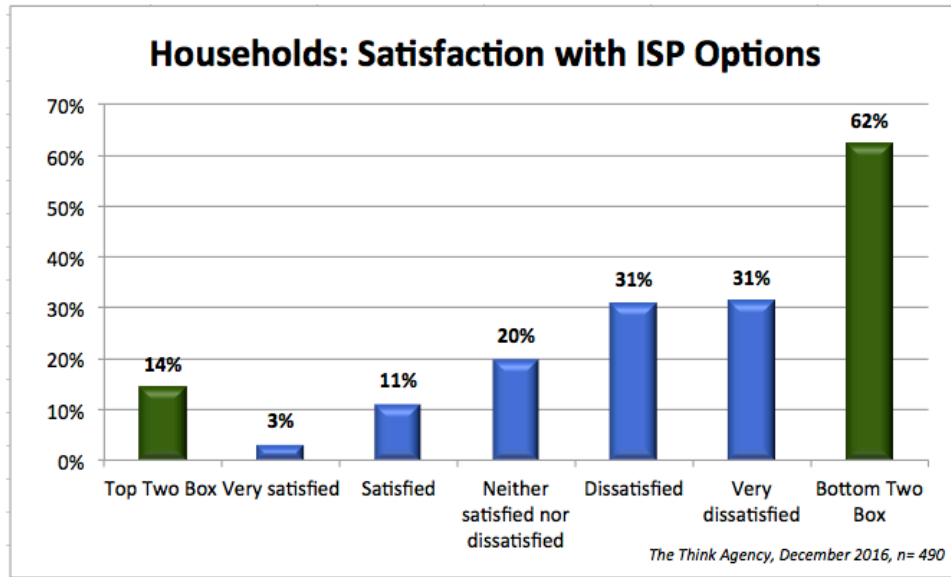


Just as illuminating, if not more so are the **bottom 2 box** scores for the same attributes. While high dissatisfaction is not uncommon for “price,” most every other attribute reflects 1 in 4 households being either “Dissatisfied” or “Very Dissatisfied.”

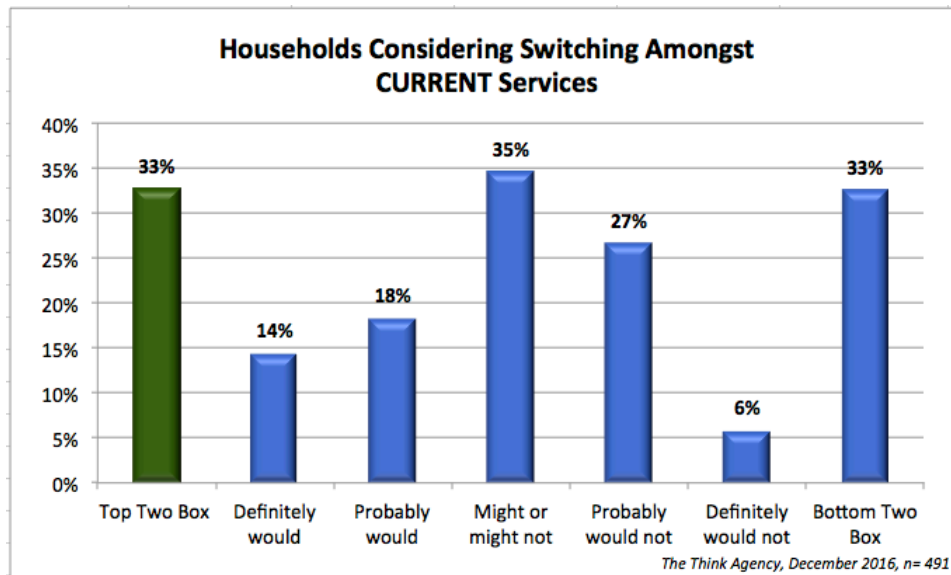




One exception for the consistent bottom 2 box scores is household satisfaction with the **options they have for internet service in Grand Junction**. Nearly two-thirds of respondents are not happy with their choices...



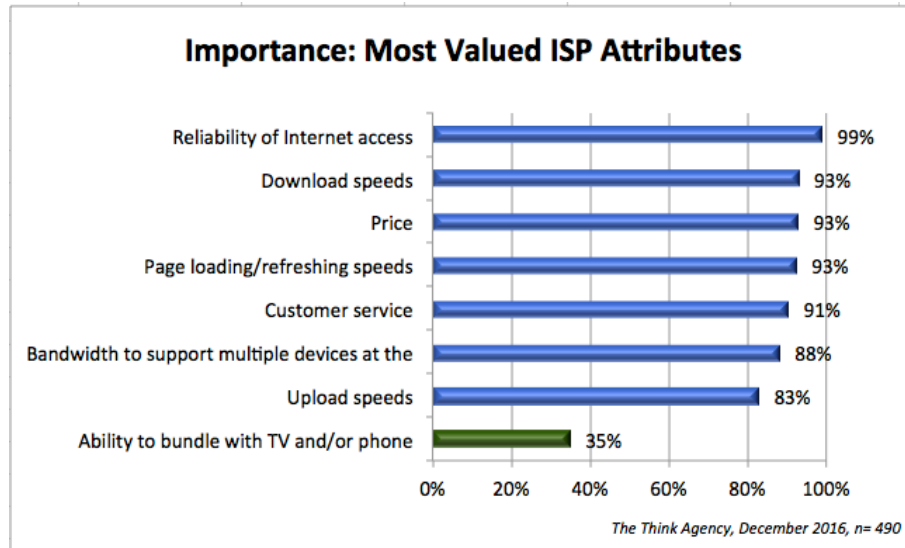
A full third are at least considering switching their internet service provider amongst current providers – that’s before a new potential service is introduced. Clearly Grand Junction households are open and in some cases even eager to switch.



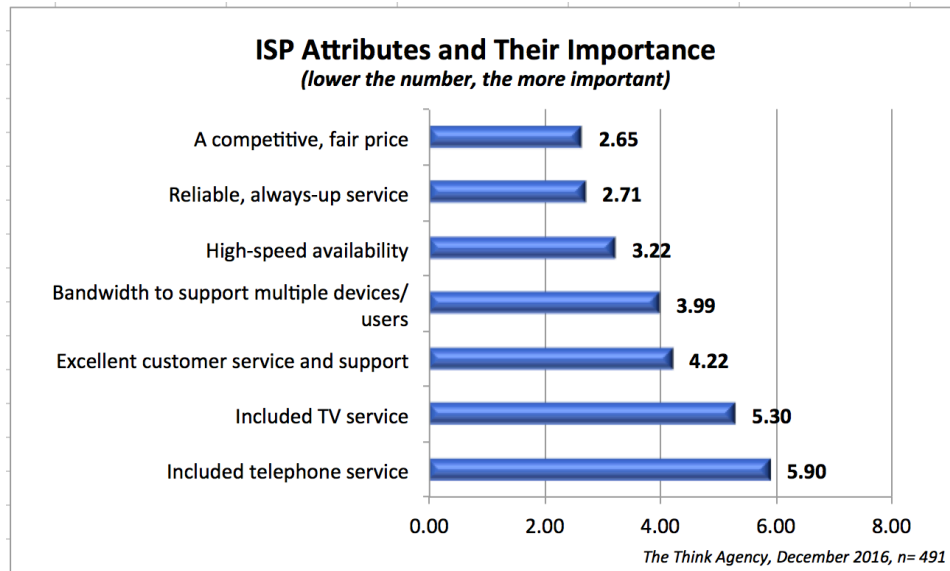
## Home Internet Service: Preferences

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

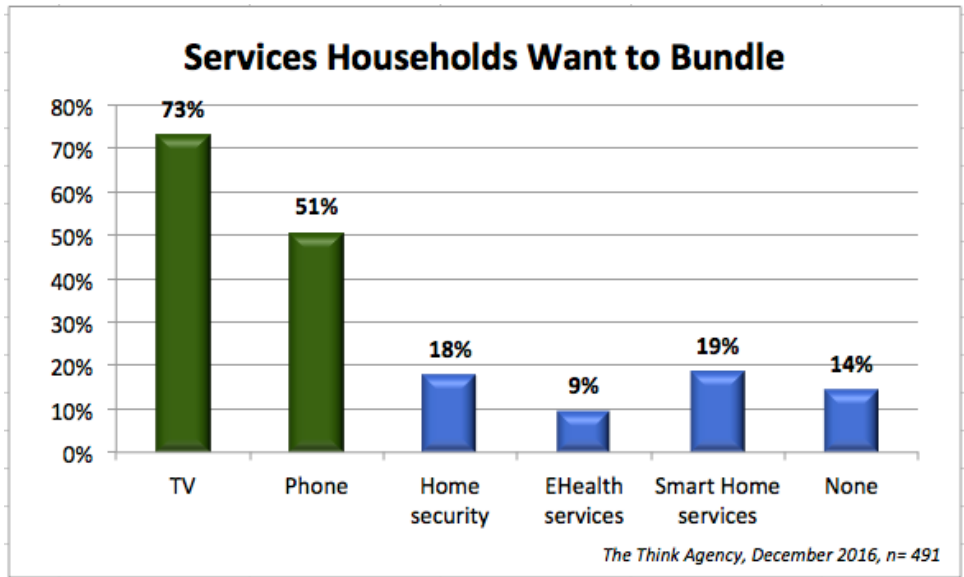
When asked what’s important, all attributes scored highly with “reliability” being the most important. The chart below reflects the top 2 box of importance. In short, everything is important to respondents except bundling.



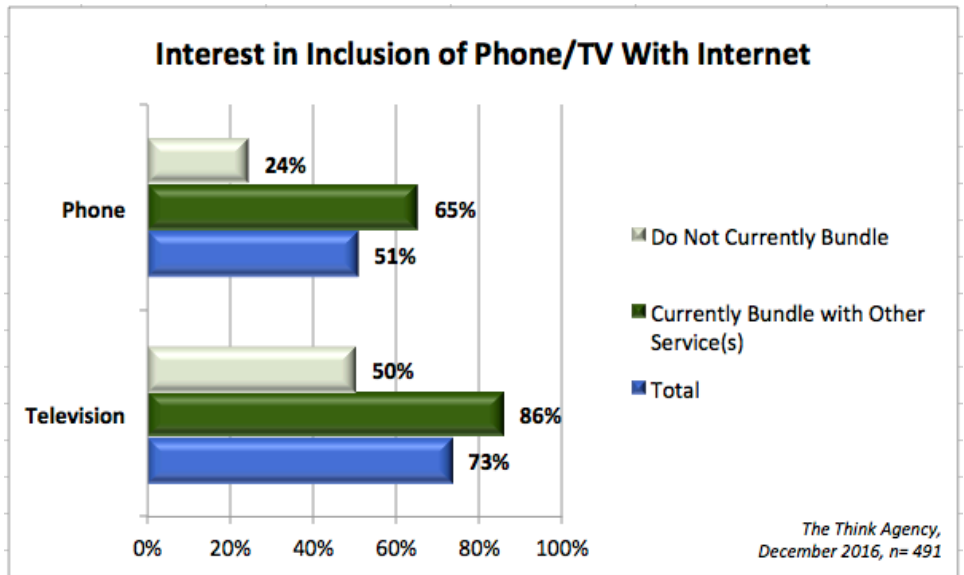
Digging deeper, respondents ranked 7 attributes, 1 to 7, in terms of which were most important. In this case price came out as most important with reliability not far behind. Interestingly, included TV and or phone service came in as the least important attributes for an internet service.



Yet, when asked, “which of the following options, if any, would you be interested in bundling with the internet service?” television was mentioned by nearly 3 in 4 (73%) respondents whole half (51%) were interested in bundling telephone service.

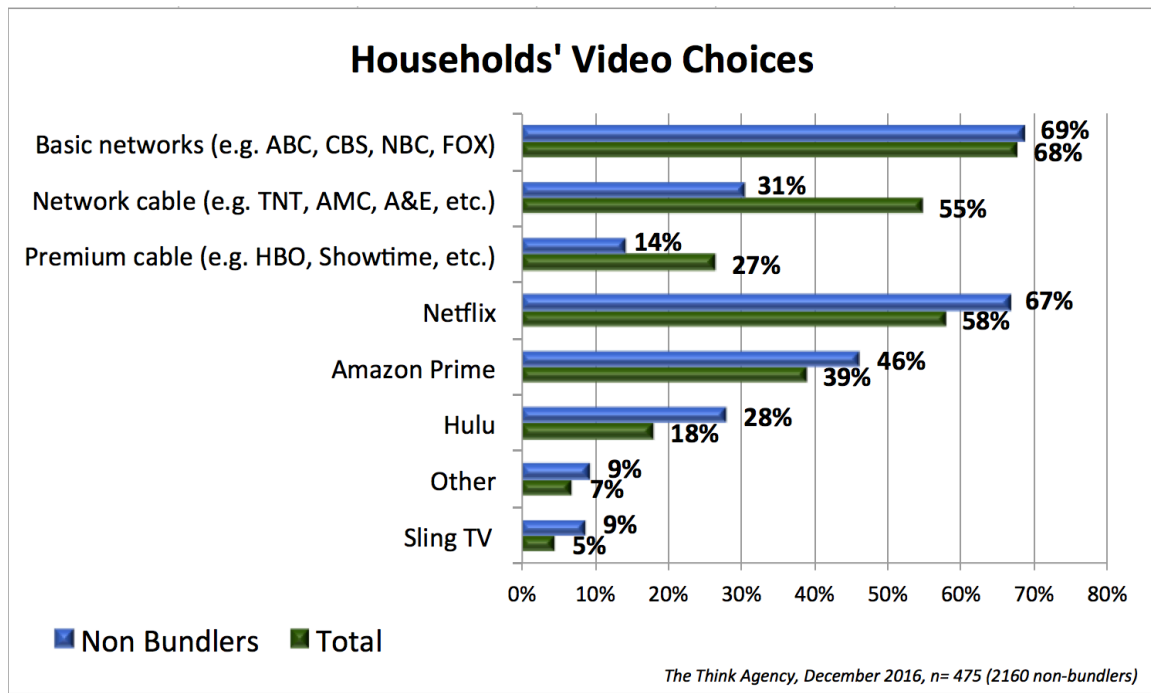


However, not all of current bundlers (green bars below) would be automatically interested in bundling television or telephone service with a new internet service. Television, however, is highly coveted by most (86%) of individuals who currently bundle TV with internet.



The survey also asked what platforms households used and watched. For the purpose of the chart below, we are additionally showing what platforms the “non bundlers” of television service are watching. This group would include the “cord cutters,” a growing demographic unsubscribing from cable TV services. While this is happening in the market, it is not happening as fast as may be perceived. Forecasters at eMarketer [estimate](#) that will take until 2019 before cord-cutting reaches 20% (1 in 5 homes)

In fact, rising subscriptions to “over-the-top” services like Netflix, Amazon, and Hulu shouldn’t lead analysts to assume that these subscribers are replacing their current television service. A [recent report](#) from J.D. Power reveals that only 13% of video streamers are doing it as part of “cord cutting.” Most streaming video customers are actually subscribing to supplement current television subscriptions, not replace them. This is evident in Grand Junction as well – as the numbers of subscribers for streaming video services are higher for the “non bundlers” than the total, but the groups subscription rates are within 10% of each other for each service.



What does seem evident from the number of households watching networks and basic cable channels that television/video availability will weigh heavily in any potential switch decision.



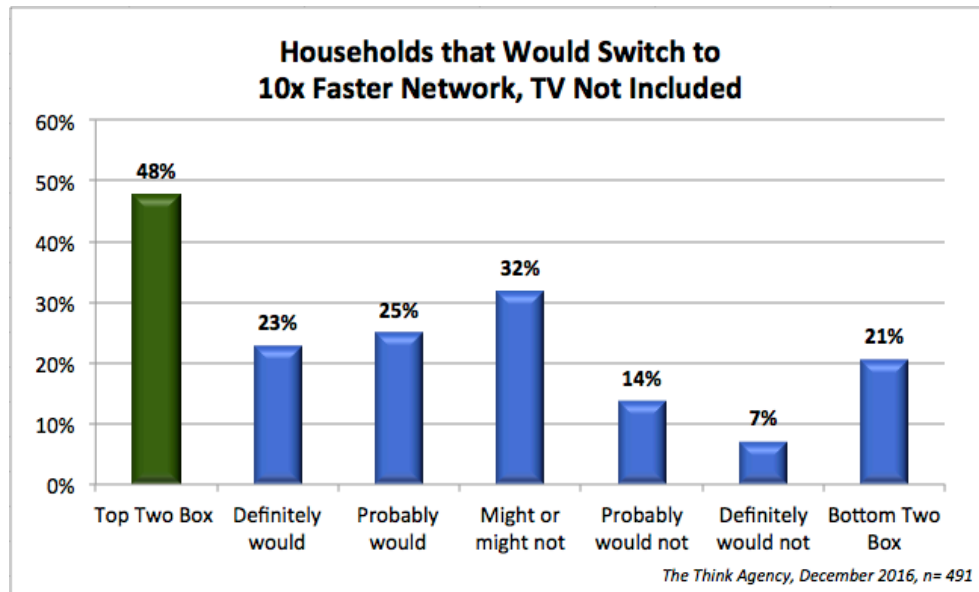
## Potential for New Offering For Residential Market

Grand Junction households 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 and costs between \$50-\$80 per month, how likely would you be to switch to this potential offering in the next 12 months?*

*Please note: The costs referenced above do not include additional services like TV or phone. These are costs for internet service only.*

Nearly half (48%) said they would “definitely” or “probably” switch to this service within the next 12 months. Although, 21% of households seem to be ruling themselves out as potential customers that would either “probably not” or “definitely not” switch. We explored some reasons why households would not consider switching later in the survey – but in this question it was made clear that television/telephone was not included, so this may deter some of the market from adoption.



**Service Options: Not Bundled with TV/Telephone**

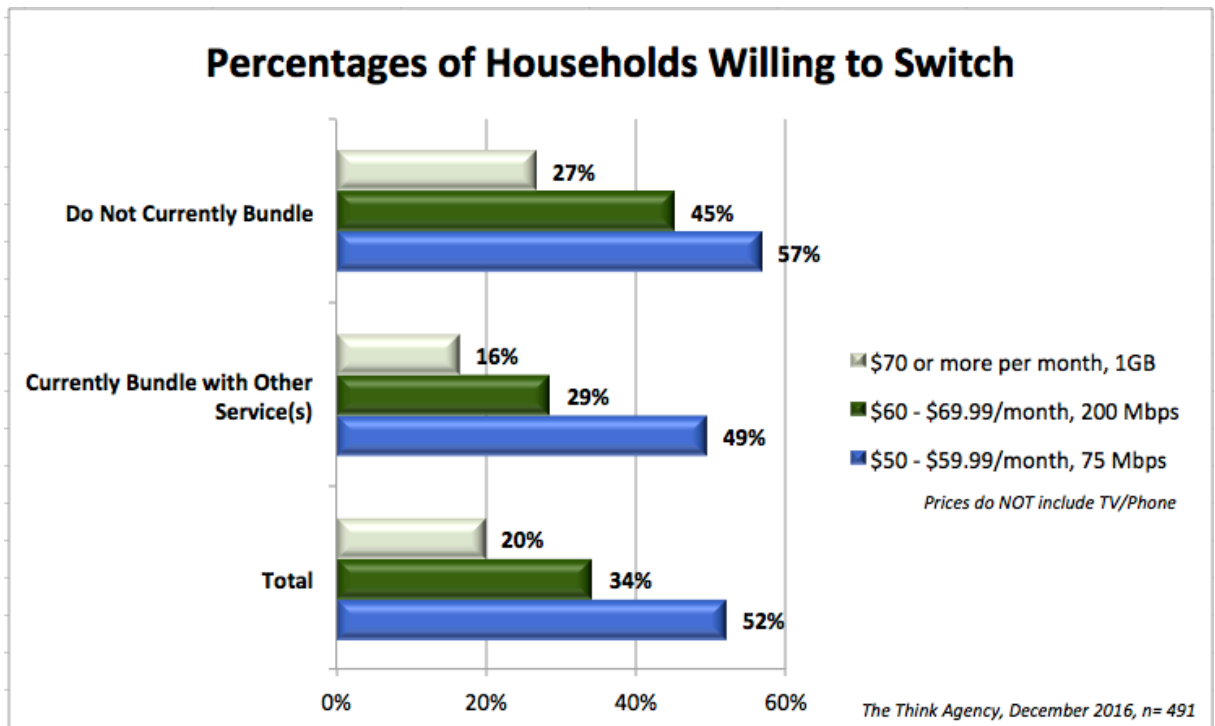
With service levels and pricing provided by SiFi, we examined three distinct pricing and service levels to see how many households definitely or probably would switch to each offering over the next 12 months. The service levels were as follows:

- \$70 or more per month for internet speeds of 1GB/second (upload and download)
- \$60 - \$69.99 per month for internet speeds of 200MB/second
- \$50 - \$59.99 per month for internet speeds of 75MB/second

*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.*

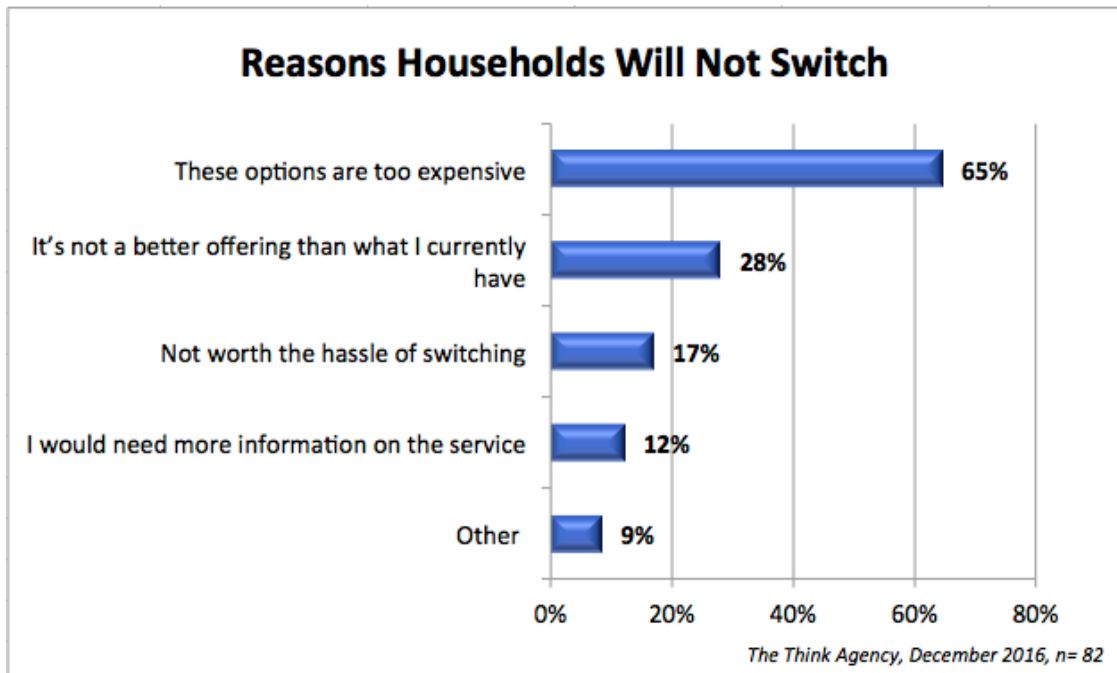
This question examines three different classifications –non-bundlers, bundlers, and the overall total. Not surprisingly, the \$50 price point is most popular amongst all three groups – but there is clear demand for all three services. Higher bandwidth/priced plans are clearly more attractive to non-bundlers as these individuals are more likely to be “cord cutting” and or streaming.

In summary, 52% of overall participants would likely switch at a price of \$50-\$59.99 for 75 Mbps. This drops to 34% when the price goes up to \$60-\$69.99 for 200 Mbps and then drops again to 20% at the highest price/speed point. The approximately half (52%) that would switch for the lowest priced offering matches the 48% previously mentioning they would definitely or probably switch to a network 10x as fast. In this case, we are providing specifics and 10x as fast may only apply to the upper two service levels (1 Gbps and 200 Mbps).



### The Not Interested

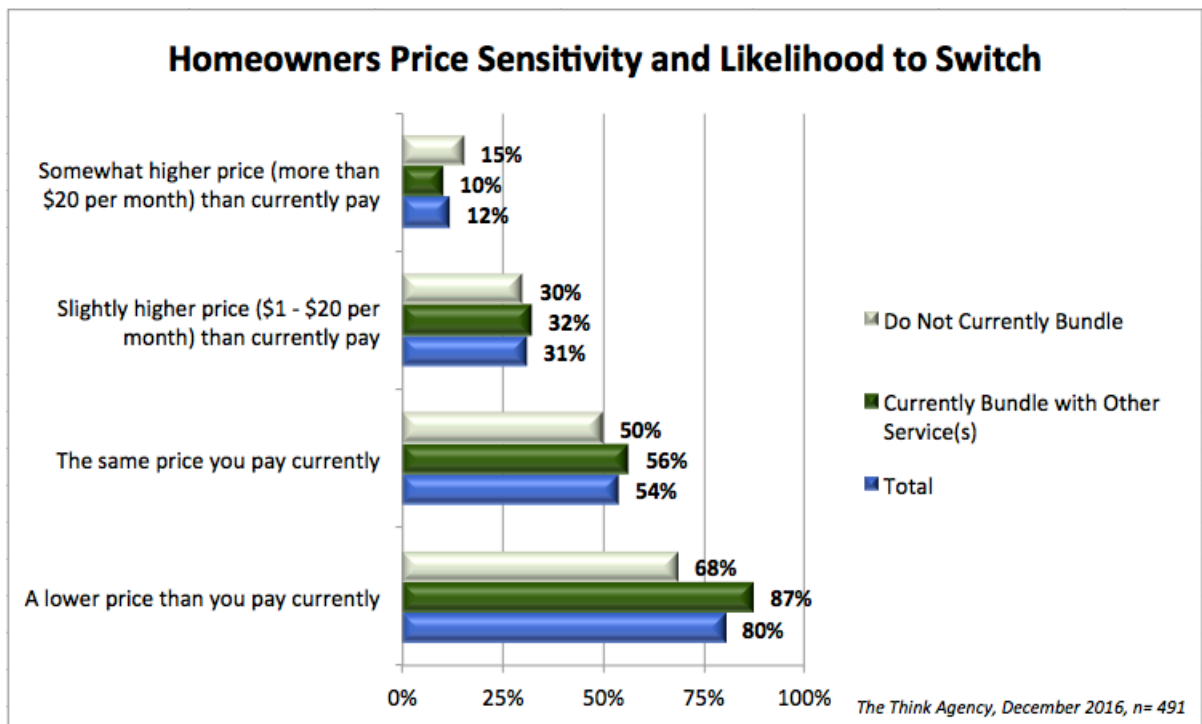
Only 16.7% of respondents expressed that they just were not interested in switching to any of the offerings presented. In spite of the relatively low prices quoted, prices being “too expensive” were most cited as the reason for not switching. Many also say it is not better than the current service/package they have. Any new service offering should have clear marketing and messaging making it clear what residents currently receive, typical price points, and the service levels and pricing of these new offerings.



**Pricing Sensitivity: Bundling**

As service levels and subscription costs vary widely when it comes to video, we measured price sensitivity in relation to what households pay now. In general and not surprisingly when presented the option here, most consumers were willing to switch for the same price or a price point somewhat lower. Prices higher than households currently pay could significantly impact uptake rates.

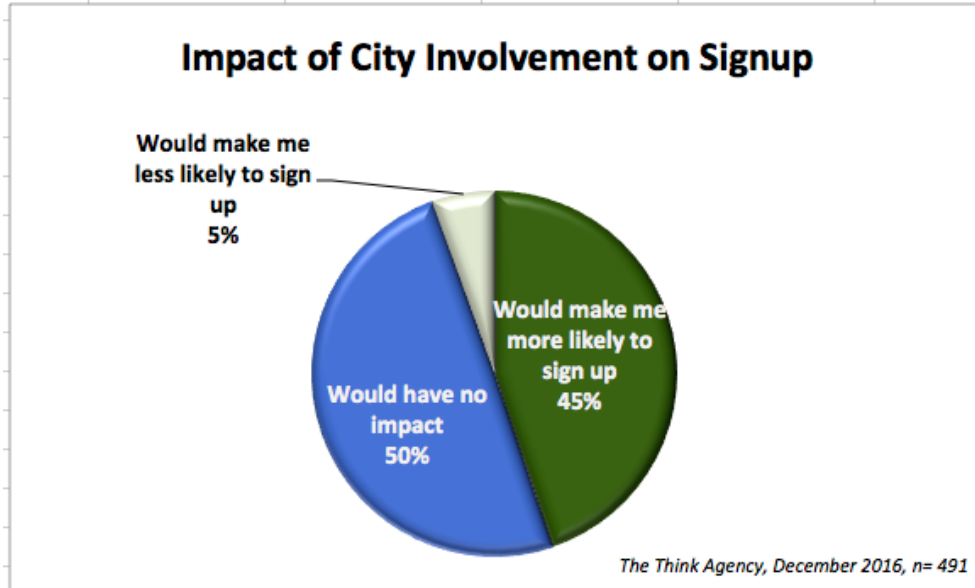
*Now, if an internet service provider was to provide a NEW broadband internet service up to 10 times faster than ones available today and could be bundled with additional services, such as TV, phone or other home services, how likely would you be to switch to this potential offering in the next 12 months? Please rate your likelihood to switch to this offering for each cost scenario below.*





### City Influence

A full 45% of businesses would be more likely to sign up for a service in which the city was involved with. All things being equal, this will help the offering compete and capture market share.



## Take Rates

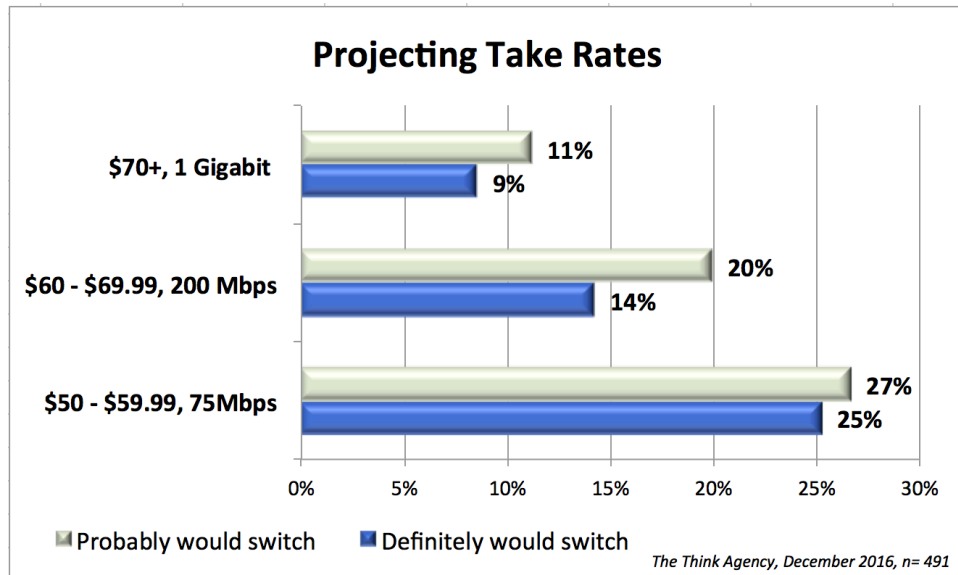
Projecting take rates in a vacuum is not an exact science. There are many variables that can impact take rates including but not limited to:

- Pricing for telephone and television service and its impact on the bundled price.
- Whether incumbents defend the market with offering their subscribers aggressive pricing deals and/or free premium channels for locking into long-term contracts.
- Plans for marketing the new network and how quickly it will be rolled out.
- Incumbent termination fees for early termination.
- Ability to offer comprehensive video channel lineups.
- Speed to market of services dictated by completion of network.

Regardless, the conservative forecast should exclude the “probably would switch” and only focus on households that say they “**definitely would switch**,” which is 25% for 75 Mbps; 14% for 200 Mbps; and 9% for 1 gigabit.

Analyzing the data shows that one third (32%) of respondents said “definitely would switch” to at least one of the three levels tested. **This gives a projected take rate of 32% 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 30%. In short, “definitely” and “probably” answers reflect a **potential** of a 62% take rate.

The research tells us that we can conservatively expect 40% - 45% to switch in year one of full operation with 15-20% more to come over the following years



## Conclusion

More than two-thirds of Grand Junction households currently receive their internet connection via cable (68%) with lower capacity DSL serving 18% of survey respondents. This service needs to support what residents report to be, on average, 9.9 internet devices per household. The majority of respondents (76%) currently receive service from Charter.

### Customer Satisfaction

- 62% of households are dissatisfied with options for Internet Service currently available.
- A full third are at least considering switching their internet service provider amongst current providers.

### Potential for New Residential Offering

- Nearly half (48%) said they would “definitely” or “probably” switch to an Internet only service that would provide up to 10x as fast service for \$50-\$80 per month.
- 52% of overall participants would likely switch at a price of \$50-\$59.99 for 75 Mbps.
- This drops to 34% when the price goes up to \$60-\$69.99 for 200 Mbps and then drops again to 20% at the highest price/speed point (\$70+/month for gigabit service).
- The approximately half (52%) that would switch for the lowest priced offering matches the 48% previously mentioning they would definitely or probably switch to a network 10x as fast.
- Television availability will weigh heavily in any 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 residential market.
  - Offerings should include clear marketing and messaging making it clear what residents currently receive and the benefits they will obtain from new connectivity.
- Nearly half (45%) of residents 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”

- One-third (32%) of households 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.

