

Competitive Telecom Advisor



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Cable Broadband & Telephony Market Drivers: Has Cable Unshackled Itself from Its Unflattering Legacy?

New Paradigm Resources Group has recently completed its analysis of cable carriers who have ventured into the voice telephony and broadband markets. The research and findings are available in NPRG's recently published *Cable Broadband and Telephony Report™*. While the report looks at a range of issues and service providers, and includes a necessary and insightful discussion of both present and future competition to the segment, one key to cable's future success stands out: Will cable's customer service record affect its continued growth into the voice and broadband markets? NPRG reports:

Cable companies have, historically, provided poor customer service. As recently as last decade, cable service outages were frequent for many customers. This begs the question of whether or not customers will trust the cable companies to provide a service as critical as telephony. By the same token, will customers prefer to receive the triple-play of services from telephone companies, whose telephone service has historically been more dependable than cable companies' cable service?

The discussion continues, citing a first quarter 2006 American consumer satisfaction index for fixed line telephone service:

NPRG Industry Analysis Reports

Cable Broadband & Telephony Report™ - 2nd Edition
VoIP Report™ - 3rd Edition
Fixed Wireless Carriers Report™
Competitive Carrier Report™ 2006 - 20th Edition
Competitive IOC Report™ - 2nd Edition
Cable Broadband & Telephony Report™
ILEC Report™
ILEC Capital Spending Report™
Utilities in Telecom Report™ - 2nd Edition
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BLEC Report™ - 2nd Edition
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- *Competitive IOC Report™ - 3rd Edition*
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Table 3:	
Customer Satisfaction Ratings, Fixed Line Telephone Service, 1st Quarter 2006	
Company	Customer Satisfaction Rating
Cox Communications, Inc.	76
All Others	71
AT&T Inc.	71
BellSouth Corporation	71
Qwest Communications International Inc.	70
Comcast Corporation	69
Verizon Communications Inc.	69
Sprint Nextel Corporation	64
Average Rating, Fixed Line Telephone Service	63

Source: American Customer Satisfaction Index

According to NPRG, "While the current data is encouraging, cable companies should not make too much out of the satisfaction of early cable telephone adopters, who may have lower expectations than U.S. consumers at large."

At first glance, staunch supporters of cable are likely to disagree with NPRG's assessment; Cable's improved customer satisfaction numbers could be seen as an indication that the industry has finally come into its own, leaving its troubled service past behind. A later report from J.D. Power and Associates, released on July 12, 2006, could further the argument that cable has shed its poor service reputation, at least with telephony customers.

J.D. Power and Associates reports that, "The study, which measures customers' satisfaction with both local and long-distance telephone service, finds that cable companies rank highest in customer satisfaction in five of six U.S. regions." Cox Communications, Bright House Networks and Time Warner Cable each place at the top of at least one service region in the customer satisfaction study. While this does look very promising for cable providers, the J.D. Power and Associates press release continues:

The study finds customer satisfaction in the telephone industry continues to decline. Overall, satisfaction index scores have dropped from 692 (on a 1,000-point scale) in 2005 to 670 in 2006. Satisfaction has fallen in all six factor areas measured in the study, dropping most significantly in the areas of customer service, image and billing.

Empirical evidence suggests that the cable industry's service reputation is improving. The improvement, however, is relative to an ever-decreasing set of expectations by consumers. Is it a true service accomplishment when a beleaguered customer base gives preference to a company that has failed the least – even as overall satisfaction scores decline? Recall the words of NPRG's *Cable Broadband & Telephony Report*TM: "While the current data is encouraging, cable companies should not make too much out of the satisfaction of early cable telephone adopters, who may have lower expectations than U.S. consumers at large."

Cable should not kid itself into thinking that its jaded customer service past is finally behind it. Although the legacy may be fading, it is not forgotten. In the battle between incumbent telecom and cable, there is no clear winner when it comes to customer service. For either to claim a true service victory, it will have to post the highest customer satisfaction scores while raising the overall satisfaction index by increasing customers' service expectations.

Cable certainly has a window of opportunity to become a true service leader. Triple-play is becoming more familiar to the everyday consumer and incumbent telecom needs time to catch-up on the video front. This brings reluctant, once-bitten customers back to the table to give cable another try. Cable cannot afford to squander this opportunity; pricing has to be more than competitive and service has to be exceptional. Any missteps and the path will be cleared for incumbent telecom to take the lead. This is where cable's history hurts it most: Customers will be waiting for cable to screw up somehow, and if it does the cable connection will be lost.

New Paradigm Resources Group, Inc. (NPRG) is the nation's leading management consulting and industry analysis firm providing clients with advice and analysis for navigating competitive telecom markets in North America. NPRG's industry analysis reports are recognized as the most reliable and comprehensive in the competitive telecom sector with several specializing on various segments, such as the *Fixed Wireless Carriers Report*[™], *Competitive Carrier Report*[™], *VoIP Report*[™], the *Broadband Provider Report*[™], the *Cable Broadband Telephony Report*[™], the *Competitive IOC Report*[™] and the *ILEC Report*[™] to name a few. By continually monitoring the telecom market to develop these in-depth reports, NPRG underscores and hones its expertise in providing our consulting services, which include strategy consulting, market research, merger and acquisition support, due diligence review, and expert witness services. Our clients include carriers, emerging technology providers, investment bankers, equipment vendors, as well as other consultants in the industry. NPRG was founded in 1993 and is headquartered in Chicago. Additional information about New Paradigm Resources Group is available on the Internet at www.nprg.com

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