

TELECOM VANTAGE™

A view of the telecommunications consumer marketplace

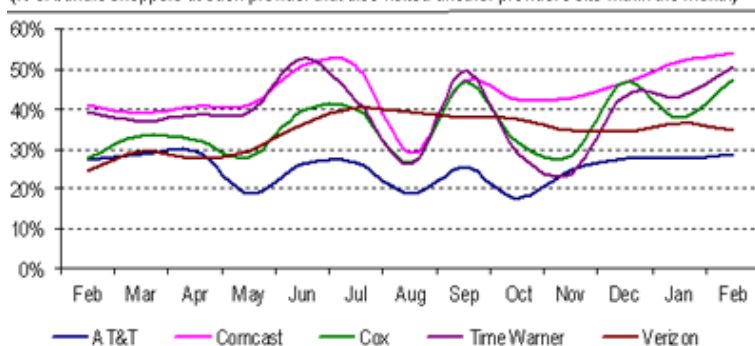
By Elaine Warner & Shane Dark

BUNDLE INTEREST, COMPETITION UP

In reporting their recent financial results, some telecom companies stated publicly that their sector could become "softened" in 2008 thanks to the struggling US economy. One way telcos have tried to create "stickier" relationships and differentiate themselves has been to bundle multiple services, whether it be TV, broadband Internet, home phone or wireless services. Telcos market bundles as being more convenient (one bill), less expensive (volume discount) and complimentary (TV integrates with broadband, etc.). These messages appear to be resonating with consumers. **Over the last year, online interest in bundles at the major telcos increased by over 70%.**

Competitive Consideration among Telco Bundle Shoppers, 2/07-2/08

(% of bundle shoppers at each provider that also visited another provider's site within the month)



Even as consumers become more interested in purchasing telco bundles, they also appear more aware about their options and competitive offerings. **Bundle shoppers' competitive consideration increased by 36% over the last year.** Competitive consideration refers to the number of people that click on a product detail page for a bundle on a provider's site and also

visit a competitor's site within the month. Within that industry-level figure is a wide range of performance. AT&T appears to be the least affected by increased competition with only a 6% increase in consideration since February of last year. On the other end of the spectrum, 54% of Comcast bundle shoppers also consider the competition online, a 32% increase over the same period.

Interestingly, companies with traditional wireless offerings (AT&T & Verizon) have the lowest competitive consideration in this group. This could signal a growth opportunity for the cable-flavored telcos to create additional "stickiness" by offering an attractive wireless package to customers.

TIVO "BUNDLES" ITSELF WITH TELCOS

Given bundles' increasing interest and their all-or-nothing nature, one would think providers along the telecom value chain, such as TiVo, would be losing out. TiVo only receives about 300K unique visitors to its website every month. However in Q4 2007 **bundle shoppers (on any telco website) were 4X more likely to visit tivo.com** than the average online consumer*. Consumers may be looking to see if TiVo is compatible with their existing telco services and/or available as part of a bundle. TiVo can't compete with a bundle of its own, but it still does well attracting consumers considering which products and services to purchase. TiVo has been able to leverage this consideration into a mass distribution strategy involving partnerships with major telcos. Comcast and Cox will be among the first to sell TiVo DVR subscriptions as part of their telco bundles. This could be a very smart move for TiVo because consumers actively seek out the service during their shopping experience, and can now bundle TiVo with other telco offerings.

It makes sense that as consumers begin subscribing to more and more telecommunications services, they want a streamlined and efficient way to shop for and manage them. Bundled offerings have been the telco industry's response to that need, offering up to four services bundled together—the so-called "Quad Play". How far will it go? What services will lead the way? As long as consumers keep signing up for the plans, it looks like the sky's the limit.

Online interest in telco bundles increased by over 70% since February 2007

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*Taken from Compete's Behavior Match tool

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