

Blueprint for Broadband Success – Part Two

A Three Phased Strategy for Building Cable Operators' Competitive Advantage and Enterprise Value

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Cable operators today are in the position to gain new revenue streams, retain subscribers, and elevate competitive position in an increasingly challenging market. Offering advanced services with the triple play of digital video, high-speed Internet access, and voice over IP phone service can increase average revenue per subscriber, create new growth opportunities, and establish a framework for competitive differentiation.

Cable operators face increasingly complex network and plant requirements, regulatory imperatives, growing competitive pressures from satellite providers and RBOCs, and increased levels of customer expectations. Achieving long term market success for today's cable operators requires a proven path. This article outlines three steps to address current pressures and provide a foundation for growth and potential acquisitions. The most critical factor in the enduring success of the cable operator is the commitment to the long-term execution of a strategic plan. This article outlines a blueprint comprised of three phases — **Strengthen, Extend, Expand** — to assist the cable operator to excel across every facet of the business development. In Part One of this series, we looked at ways to strengthen existing infrastructure and services to enable the cable operator to generate new revenue streams and sustain high quality customer experience in the subsequent phases. In Part Two, we will examine phases two and three in depth, to extend and expand throughout the cable operation.

Phase Two: Extend Customer Experience To Create Value and Differentiation

The strengthen phase is crucial for building a strong foundation for long term market success. Upon completion of this phase, the infrastructure and network capabilities are in proper order; the cable operator has an understanding of its competitors and customers and offers appropriate packages and pricing based on that knowledge. Total quality management prevails and drives performance to an above average level, and this performance results in increased levels of customer satisfaction — achieved at a lower total cost.

Now, the cable operator is poised to embark on the extend phase, and the objective is to gain a competitive advantage with additional revenue generating services and enhanced customer care to become a more complete service provider. By building upon the customer knowledge

gained in the previous phase and focusing on serving customers based on their needs, the cable operator can create a superior subscriber experience relative to the competition.

Crafting Customized Services

The fully deployed triple play service is an integral component of the extend phase. By creating a unique, customized bundle of high-speed data, enhanced video, and competitive voice services based on the desired user experience, the cable operator can increase retention levels and dominate its market. Not only can the cable operator offer voice at a low cost with quality service and sound, but it also retains distinct advantages relative to the phone companies with its core competency-- video service.

High-speed data provides opportunities to enhance the overall subscriber experience and secure the operator's position as the provider of choice. Cable operators can create user based packages to segment the customer base in more meaningful ways than the current packages (most typically offered at three or more levels). After learning more about how subscribers utilize services, cable operators can implement models benefiting user, content provider, and cable operator. The managed utilization model segregates the abusive, network-straining usage from the standard, typically profitable usage.

Customized packages based on user preferences present an opportunity to satisfy the subscribers by providing what they want when they want it. This offering enhances consumer confidence in the value they receive for their money by consistently delivering sufficient bandwidth to meet the customer's demand at any given point in time. The subscriber derives value from the packages and special offerings and continues to utilize the services, and the cable operator derives the revenue from the premium packages and supplemental charges.

Building Brand and Customer Loyalty

The cable operator also has an opportunity to generate additional revenue sources by utilizing their customer knowledge and developing their position in the community through a "get local" strategy that serves customers in a given community based on their unique needs. Cable operators can increase their presence with local advertising, public service

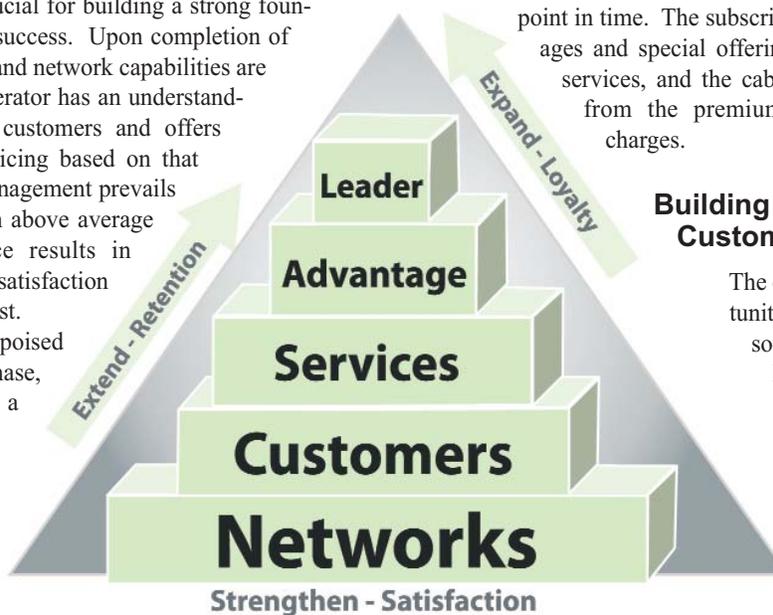


Figure 3: Stages of the Three Phase Blueprint

announcements and programming, and by cultivating relationships with local businesses, organizations, schools and churches.

Refining Customer Care

The extend phase builds on the above average customer satisfaction levels were attained during of the strengthen phase and shifts focus to retention and churn reduction. With the highly customized triple play bundle in place, the customer is receiving the desired services, but the cable operator must ensure the use of those services increases the customer's perception of the value they are receiving.

Too often, customers are left frustrated by their interactions with service providers and call centers. The customer wants its concerns and issues addressed in a complete and timely manner. In order to achieve a benchmark level of customer care, the cable operator's call center and website must be highly responsive and provide useful, easy to understand information that anticipates and encompasses all the customer's needs.

According to a recent Forrester Research survey, the average customer satisfaction rate for online self-service was 40%, compared to a 53% satisfaction rate for customer service hotlines.¹ As providers strive to cut costs by shifting customer care elements to web-based support, it is essential to provide an uncomplicated site with information that is valuable and practical. Customer web service centers should serve as a comprehensive information location incorporating:

- Information on optimizing the home network
- Technical support and usage tips
- Online bill pay and management
- Hardware recommendations and purchase options
- Reference capabilities with guidance on Internet usage

In summary, the service website must be a "one stop shop" for all broadband related issues. Customers will appreciate the convenience and the expertise and be reluctant to relinquish this valuable resource.

Phase Three: Expand For Integrated Service Market Leadership

As the strengthen and extend phases drive continuous improvement in services and customer care, the cable operator reaches the threshold of world-class performance -- delivering significant subscriber value, and competitive advantage. The cable operator has successfully fortified its infrastructure, deployed fully integrated triple play services, attained a comprehensive understanding of customers, and created a superior overall customer experience.

As a result, the cable operator has significantly increased its market share. The subscriber is now firmly established in the realm of the cable operator and is confident the cable operator offers the greatest possible value and the highest quality services. At this point, the focus can shift from customer satisfaction and retention to customer loyalty. The cable operator can move confidently into the expand phase.

Moving To Main Street: Building Commercial Market Opportunities

The cable operator now has a loyal customer base in the residential market. Expanding into the commercial arena is the next logical step. While this has traditionally been the domain of the telephone companies, cable operators today increasingly look to small and mid-sized businesses as a ripe opportunity. The cable networks

have a significant proximity to a majority of businesses and can easily increase their range through the use of fiber extensions and wireless technologies. Despite their relative lack of experience in the commercial market, cable operators have some distinct advantages which differentiate them from telcos, including an established and extensive fiber-rich network, the ability to leverage a strong brand presence through their residential customers, lower localization costs, greater flexibility, and an expanding offering of advanced commercial services. One recent market study of the business sector indicated more than 70% of those surveyed were aware that cable operators offered commercial services. Nearly 60% expressed a willingness to consider these services.² If cable operators can successfully exploit this opportunity, they can capture a meaningful portion of the commercial market and create a substantial new revenue stream.

Converging Services and Rolling Out Back Office Integration

During the expand phase, the cable operator also transitions from an integration framework to a true convergence of video, voice and data services. No longer operating in silos, cable operators can offer an entire multimedia platform that allows click of a button access to any of the data streams across voice, video, and data. Consequently, the convergence begins to create a blurring of the lines between each of the services.

Leveraging Customer Loyalty To Increase Revenue

In order to achieve the world-class performance in the market and create a sustainable leadership position with competitive advantage, cable operators in the expand phase will focus on market share capabilities and look to push the average revenue per subscriber to higher levels. The first two phases developed credibility and customer satisfaction. The next step is to encourage these loyal customers to select upgrades and premium packages. In addition, this customer loyalty drives down acquisition costs as customers market for the cable operator by word of mouth. As a result, the cable operator derives superior margins and franchise value.

Maturing Broadband Industry

Forrester Research estimates another 7.6 million households will adopt broadband in 2008, but that market penetration will ultimately level out at 70%.³ Cable operators who have successfully implemented the strengthen, extend, and expand phases of the strategy outlined in this article will be positioned to continue to drive market share gains for cable broadband service. As this happens, a positive cycle ensues: the operator increases average revenue per user and overall subscribers, reduces capital costs, and allows for more funding to take expansion efforts even further. The cable operator can utilize increased operating cash flows to extend the network infrastructure, improve the network delivery mechanism, or even acquire struggling cable companies.

Conclusion

The enduring success of cable operators requires a commitment to long range planning including a steadfast resolve to implement continuous improvement and a philosophy of total quality management. By establishing a foundation built on quality and proactively maintaining the foundation throughout all phases of development, the

About the Author

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cable operator can reduce costs while improving its services and customer experience. This blueprint for success requires sustained leadership, yet with it the determined cable operator can gain competitive advantage and succeed in a dynamic and demanding market. □

Footnotes

- 1 Sally M. Cohen, "The State of Service Provider Customer Service," Forrester Research, Inc., March 31, 2008.
 - 2 Ciena Corporation, "Helping MSO's Solve the Commercial Puzzle," January 2007.
 - 3 Sally M. Cohen, "Top Consumer Broadband Trends for 2008," Forrester Research, Inc., January 28, 2008.
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