

Consumers Dissatisfied with Cable Prefer Bundled Communications Services from Telecoms

Poor Customer Service and High Rates are Biggest Reasons for Switching Providers

Ann Arbor, Mich. (September 30, 2008) –Consumers would prefer to bundle communications services with telecommunication companies by a 2 to 1 margin to cable companies if given the choice, according to the second annual Telecom-Cable Industry Satisfaction Study from CFI Group. However, cable companies still provide bundled communications to twice as many consumers surveyed as do telecom companies.

The survey of over 1,200 households, which examined customer satisfaction for video, broadband Internet access, and wireless communications using the methodology of the University of Michigan’s American Customer Satisfaction Index, found that customer satisfaction provides telecom companies with a competitive advantage. As the telecoms roll out high-speed fiber services across their networks, they will be able to challenge cable company dominance in bundles, high speed Internet and video.

“The cable companies are asleep at the wheel if they don’t see the threat from the telecoms,” said Phil Doriot, program director for CFI Group. “But the network upgrades aren’t going to happen overnight, so cable companies still have the opportunity to improve their customer service and cover their Achilles heel.”

The study identified high rates and poor customer service as the two biggest reasons customers would consider leaving a cable provider of communications bundles. For telecom companies, customers cite the need for faster access as a primary reason for switching. Video services like AT&T’s U-Verse IPTV and Verizon’s FiOS are beginning to make their mark, and 2% of survey respondents are already using video services from a telecom company.

“Consumers stand to benefit most from the battle between cable and telecom,” said Doriot. “Telecoms have no choice but to upgrade their systems to offer video and faster Internet because they are losing customers to cable. That should bring more choice to the marketplace, stem the price hikes, and raise the satisfaction bar for the whole industry.”

Telecom companies own national wireless carriers, giving them another potential advantage in the battle of bundled services. Only 8 percent of surveyed consumers have bundles that include wireless telephone, and more consumers are dropping landlines

altogether in favor of wireless telephony. The study suggests that this presents an opportunity for telecoms and another challenge for cable companies.

“Without a wireless play, cable companies aren’t future-proofing their bundles, but new technologies like WiMax might change the game,” said Doriot.

Though telecom companies generally enjoy better satisfaction ratings than cable companies, churn may be the biggest issue for wireless carriers. According to CFI Group’s research, the top reasons customers give for switching carriers are better rates, better plans, and better coverage and reliability.

The full report is available at no charge at <http://www.cfigroup.com/>.

About CFI Group

CFI Group (www.cfigroup.com) conducts its measurement consulting practice worldwide, through 12 offices on four continents. Launched in 1988 by University of Michigan professor Claes Fornell, CFI Group is headquartered in Ann Arbor, Michigan. It uses rigorous measurement science to diagnose its clients’ customer relationships, resulting in exacting advice on actions that strengthen these relationships and improve clients’ overall financial performance. The CFI Group methodology is used as the basis for calculating the American Customer Satisfaction Index (ACSI) via the Ross School of Business at the University of Michigan. CFI Group clients include Best Buy, British Telecom, U.S. Federal Government, UPS, Yahoo! and other leading companies around the world.

About the ACSI

The American Customer Satisfaction Index is a national economic indicator of customer evaluations of the quality of products and services available to household consumers in the United States. It is updated each quarter with new measures for different sectors of the economy replacing data from the prior year. The overall ACSI score for a given quarter factors in scores from about 200 companies in 43 industries and from government agencies over the previous four quarters. The Index is produced by the [University of Michigan's Ross School of Business](#) in partnership with the [American Society for Quality](#) and [CFI Group](#).

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