

GENERAL PRESS RELEASE OF RESEARCH FINDINGS (Public Release Date: February 23, 2006)

US Home Internet Market Continues March to Broadband: Speed (and Reliability) Continue to “Kill” the Competition

Vancouver: The home internet access provision market in the US continues to steadily grow in number of customers and continues to rapidly transform from dial-up to high-speed. Prophis eResearch conducted research with 2037 US households in November and December 2005 to determine market share by provider, spending patterns, and customer satisfaction aspects. Full details can be found in Prophis eResearch’s February 2006 available report entitled *4Q 2005 US Household Internet Service Provider (ISP) Market and Customer Satisfaction Report*. Below are some highlights extracted from the report for public release.

US Internet Access Market Size and Leading Home ISPs

Prophis eResearch estimates 2005 sales for household internet access services to be US\$27.2 billion. In terms of overall revenues by a given provider, Prophis eResearch projects Comcast to be the leader, with estimated annualized sales for 2005 to be just in excess of US\$4.0 billion. AOL (America Online) still provides internet access to the largest number of household customers among ISPs, with an estimated 10.9 million households being served with access either provided directly from AOL or from an AOL partner.

Broadband Revolution Well Underway

According to our Q4 2005 survey, broadband access reaches 68% of internet households in the US while 32% of connected households still access the internet via dial-up modem. We also project that, based on current trends, broadband access will cover over 90% of households with internet connections sometime in 2008.

Customer Service Leaders

Among individual predominantly broadband access suppliers who were rated by their own customers, Cable One (4.45) and Alltel (4.32) rated the highest on a composite satisfaction scale from 1 (lowest satisfaction) to 5 (highest satisfaction). In terms of those suppliers who still have provide exclusively dial-up services, NetZero (with composite satisfaction score of 4.24) was found to have the highest overall levels of satisfaction among its customers.

Customer Retention Dynamics

Prophis eResearch found that customer service satisfaction was highly correlated with customer retention. Our analysis shows that approximately half of overall “likelihood to switch to another supplier” could be explained by how satisfied people were with their current provider on items not relating to cost of service. For example, customers of NetZero and Cable One rated each highly on customer satisfaction and were also significantly less likely to switch suppliers than the overall average, despite the fact that they paid more than other suppliers’ customers for similar services.

The following are quotes from Stuart W. Hemerling, Senior Research Consultant with Prophis eResearch, on the implications of these findings:

“While customers clearly like lower prices over higher prices, non-price criteria were more important in predicting satisfaction than was price. Especially in the case of broadband customers, reliability and speed are extremely important and competitors were found to vary considerably in their ability to deliver. Many of the top rated groups of broadband providers in terms of customer satisfaction are also able to charge significantly higher monthly fees, into the \$40-45 range.”

“For suppliers wishing to attempt to maintain their dial-up services as much and as long as possible, cost remains a significant issue, but so does delivery on reliability, speed, ease-of-use and other components. While the market for dial-up will continue to erode rather rapidly, dial-up providers may mitigate loss of customer base at least for a time by focusing on outperforming competitors on key satisfaction drivers while maintaining competitive, yet not necessarily “the lowest price” strategy.”

Additional Information

For more information about this study, please contact Stuart W. Hemerling of Prophis Research and Consulting Inc. at shemerling@prophis.com. Prophis is an independent marketing research and consulting company based in Vancouver, BC, Canada and operates also under the name Prophis eResearch. The report cited in this press release can be found for purchase on www.prophis.com.