



U.S. Consumers Switching to VoIP: Who Are They and What Do They Want?

Nearly one out of five Internet users surveyed say they are likely to subscribe to VoIP in the future, but who are these likely switchers and what will make VoIP appealing? Latest report from Ipsos-Insight

July 21, 2004, New York, New York— Nearly one out of five (19%) Internet users in the U.S. say they will likely upgrade their traditional phone service by subscribing to VoIP (Voice over Internet Protocol), the latest technology in Internet-based telephone service, according to findings from a recent study conducted by Ipsos-Insight among more than 1,200 Internet users in the U.S.

Current DSL and dial-up customers and people who spend over \$40 a month on phone bills are most likely to sign up for VoIP service.

"The cost savings proposition of VoIP will play a major role in drawing new subscribers into trying out Internet-based phone service," said Lynne Bartos, Senior Vice President and head of Ipsos-Insight's Cable, Media & Entertainment practice. "This applies primarily to those with high phone bills. People who spend over \$40 a month on their calls are more than twice as likely to VoIP."

In a twist, the data show that cable Internet users are more reluctant than DSL and dial-up users to try VoIP.

"In order to use VoIP services, subscribers need to have a broadband Internet connection. So it is not surprising that DSL Internet users who already having this high-speed connection—meaning one less technology barrier—would be more inclined to try VoIP. What is surprising is that dial-up Internet users are more likely than cable Internet users to try VoIP, despite cable users' broadband hook-up," said Bartos.

Must-Have VoIP Features

The study found that among consumers likely to subscribe to VoIP, the most desired add-on feature is caller ID, followed by voicemail, then battery back-up, and call waiting.

"VoIP providers entering the market need to offer these must-have features to gain entry, but need to look beyond these basic offerings to differentiate themselves from the competition," Bartos said.

It's Home-Court Advantage for Telcos offering VoIP

Among Internet users in the U.S., half (50%) said they feel that a telephone company would be the best provider for VoIP. ISPs came in second with a vote of confidence from 35%, and cable companies came in last with only marginal favour (15%).

"Right now, it looks like telephone companies would have the advantage when it comes the ability to capture VoIP market share," said Bartos. "Until consumers become more savvy about VoIP technology and services, most will naturally turn to familiar providers of telephone service, even if the service is Internet-based."

According to the findings, cable companies appear to be in the weakest competitive position to convert customers to VoIP. "Cable companies may be facing an uphill battle in the emerging VoIP marketplace," Bartos said. "But cable operators can definitely rise to the occasion. They have already proven they can transcend their traditional video services by offering a reliable, compelling high speed Internet access product. With solid marketing and substantial bundled offers, cable operators should be able to overcome VoIP barriers and gain market share pretty quickly," concluded Bartos.



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Methodology

Data were gathered using the Ipsos U.S. Online Panel from May 6—12, 2004, via a nationally representative U.S. sample of 1,247 respondents aged 12 and over. Panelists are chosen through random telephone surveys conducted on an ongoing basis across the United States. With a total sample size of 1,247 one can say with 95% certainty that the results are accurate to within $\pm 3.1\%$ percentage points of what they would have been had the entire population of the U.S.'s regular online users been surveyed. The margin of error will be larger for sub-groupings of the survey population.

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