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The documents are being provided in response to the November 3, 1999 letter from To-Quyen Truong, Associate Chief of the Cable Services Bureau. Specifically, they respond to Question 7 (Bates Nos. AT&T 000210 and AT&T 000782 through AT&T 000918), Question 13 (Bates Nos. AT&T 000919 through AT&T 000921) and Question 19 (Bates Nos. AT&T 000924 through AT&T 000941).

Respectfully submitted,



Lorrie M. Marcil

cc: w/Attachment: To-Quyen Truong
Sunil Daluvoy
Royce Dickens

**the Yankee Group's 1998 Technologically
Advanced Family Survey numbers**

**MediaOne Brand Tracking August 1998
Assessment**

**-AT&T Brand Perceptions Compared to
MediaOne Brand Perceptions-**

MediaOne Brand Tracking

1998 Brand Advertising Progress:

Pre-Post Assessment 1998

Bundled Services 1998:

**A Study of the Residential Market Potential
for Bundled Cable and Telecommunications
Packages**

Local Service Brand Preference

HFC Status Report
11/17/99

**AT&T Local Services /MediaOne Cable Service
Area Comparison Chart**

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POTENTIAL MARKET FOR TELEPHONE SERVICE PROVIDED BY CABLE TV OPERATORS HAS INCREASED TO ONE-THIRD OF U.S. HOUSEHOLDS

Arthur D. Little finds many customers ready to switch

CAMBRIDGE, MA, November 9, 1999 - Telephone services offered by cable TV operators could capture a significant market share from incumbent telephone companies, according to telecommunications experts at Arthur D. Little, Inc., the international management and technology consulting firm.

A national study recently commissioned by Arthur D. Little highlights strong potential demand for cable telephony service in the United States. In the study, cable telephony service was described as providing a price advantage of at least 20 percent. The study also noted that customers switching to cable telephony service could retain their current telephone numbers. Both of these conditions now typically apply to cable telephony offerings. The Arthur D. Little Cable Telephony Study, conducted in October 1999, found a substantial increase in potential demand relative to results of a similar study conducted in 1994.

Among the key findings:

- Cable-provided telephone service could attract up to 34 percent of U.S. households. In the 1994 study, the comparable demand estimate was 25 percent.
- Cost savings are a significant motivator to switch telephone service suppliers. For those inclined to make the change, 77 percent cite cost savings as an important reason.

"Cable telephony services are just now getting started," according to Dr. Peter D. Shapiro, a Principal in Arthur D. Little's Communications Practice. "The ultimate potential of this business for cable operators is quite substantial. Incumbent telephone companies are vulnerable to significant market share and revenue erosion. Given current average household spending on telephone service, cable could take as much as \$14.7 billion in revenues from the telephone companies. The outlook is clearly positive for cable, even though we are still in the early days of marketing of cable telephony when most U.S. households are unaware of the real possibility of choice for their local telephone service."

"Although the telephone companies generally provide good customer service they will need to do more, including becoming more effective marketers of broadband services, to respond to the challenge from cable operators," notes Stuart Lipoff, Managing Director of Arthur D. Little's Communications Practice. "This is especially true now that AT&T has become the largest cable operator."

There is significant overlap between potential customers of cable telephony service and potential customers for high-speed Internet access via cable modems. A cable modem is a terminal device that connects a subscriber's PC to the Internet via the cable TV network. Of the likely cable modem customers identified in the study, 59 percent are inclined to also subscribe to cable telephony service.

"That the most promising candidates for cable modem services are also more likely than the average to subscribe to cable telephony indicates an excellent opportunity for cable operators to bundle the two services," said Dr. Shapiro. "Customer demand is likely to be stimulated for both services if they can be purchased together at a discount as compared with buying them separately. This underscores the importance of successful and rapid roll-out of cable modem services to provide a foundation for cross-selling of other telecommunications services. Cable modem services are important not only for the revenues they will generate, but also as door openers for other telecommunications services."

Of the households that are unlikely to subscribe to cable telephony services, 74 percent cite as a primary reason satisfaction with their current telephone company service. Only 21 percent cite lack of greater cost savings. "These households are unlikely to be swayed by a

cable marketing campaign based purely on cost," Dr. Shapiro said. "To attract a greater market share, cable operators will need to deploy marketing strategies that persuade the doubters that cable telephony will offer them substantially more value than their current telephone services. The fact that each market share point will be worth over \$400 million provides ample justification for the marketing effort that will be needed."

"Unlike the situation with video and high speed Internet services, consumers are much less likely to take a chance on telephone service over cable," notes Mr. Lipoff. "However, by providing a new standard of customer service excellence in offering Internet services, cable operators can demonstrate that they should be considered as viable providers of telephone services."

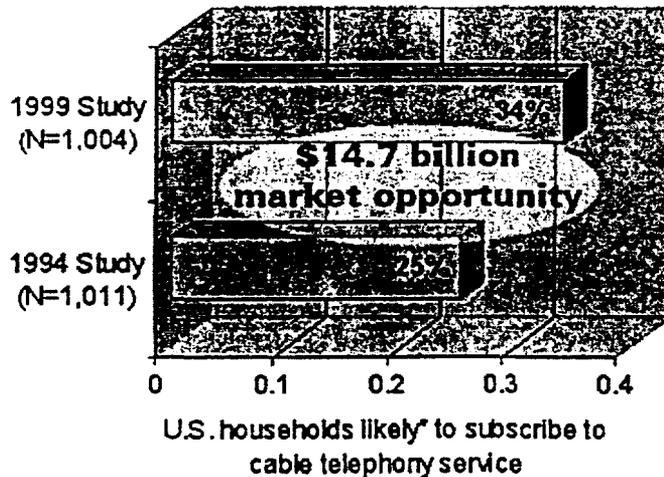
About the Study

Data collection for The Arthur D. Little Cable Telephony Study was completed in mid-October 1999, via a telephone survey of a national probability sample of 1,004 adults (495 men and 509 women), 18 years and older, living in private households in the continental United States. The study was conducted for Arthur D. Little by Opinion Research Corporation, Princeton, New Jersey.

About Arthur D. Little

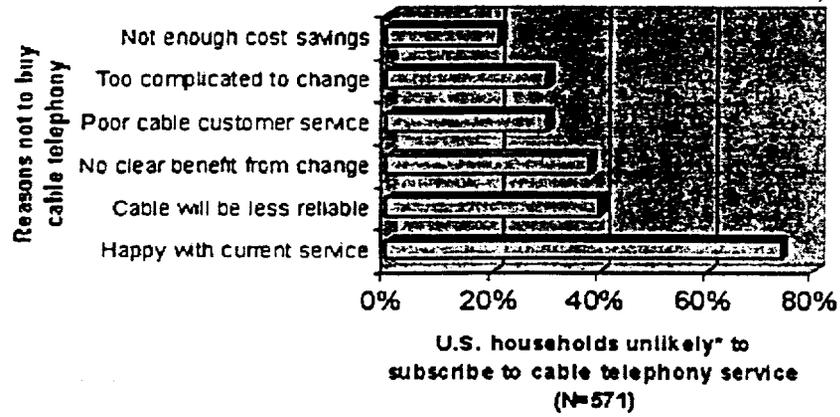
Arthur D. Little helps leading companies, governments, and emerging ventures with their most pressing business challenges. From offices and laboratories in 31 countries, we help our clients set strategy, shape organizational culture, and develop cutting-edge products and technologies. Working with Arthur D. Little, our clients get the performance improvements and breakthrough results that increase top-line growth and bottom-line results. Our Global Telecommunications, Information Technology, Media, and Electronics (TIME) Practice is a global network of world-class professionals. Together we offer an unparalleled combination of industry experience, understanding of the underlying technologies shaping the global digital industries, and mastery of the business processes within these industries.

Cable could take as much as \$14.7 billion in revenues from telephone companies, as people are now more likely to subscribe than in earlier years.



* Includes households indicating they will "probably" or "definitely" subscribe
Source: **Arthur D Little**

Satisfaction with telephone company service, not cost, is the major obstacle to further cable penetration of telephone service



*Includes households indicating they will "probably" or "definitely" not subscribe
Source: **Arthur D Little**

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