

2019

Bundling Team

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GROUP OBJECTIVE AND PARTICIPANTS

Bundling Group Goal: Define the best practices around bundling in a post landline world; what works best in pairing with wireless, home automation, friendly OTT, etc.

2019 Team Members

1. Altice Pedro Pinheiro, VP, Customer Acquisition
2. Armstrong Peter Grewar, Director, Sales & Customer Experience
3. Comcast Jakob Rasmussen, Sr. Manager, Direct Marketing & Testing Strategy
4. Cox Betty Jo Roberts, Ex. Director, Homelife & Acquisition Marketing Strategy
5. Mediacom Dianne Schanne, VP, Consumer Marketing
6. Rogers Helene Bahsous, Sr. Manager, Next Gen Content
7. Rogers Mustafa Zileli, Sr. Manager, Residential Internet Pricing
8. Shaw Dale Turner, VP, Marketing, pricing & Products
9. Shaw Karin Borgersen, Director, Pricing & Promotions
10. Shaw Kevin Banks, Director, Base Management

Guest Presenter

1. Cox Joel Frost, Senior Manager, Consumer Insights

The group chose the following items as their 2019 focus:

- What is the role of landline, and does its inclusion in the bundle turn off certain segments (e.g. younger city-dwellers)
- How do new products fit into the bundle (i.e. home automation/security and wireless)
- How are we defining the key audience segments as part of this evolution?
- What are successful message strategies that move the needle as the bundle is redefined?

WHAT IS THE ROLE OF LANDLINE, AND DOES ITS INCLUSION IN THE BUNDLE TURN OFF CERTAIN SEGMENTS? (E.G. YOUNGER CITY-DWELLERS)

Altice USA

Altice has not completed any recent research on phone but offered the following overview of their phone subscribers:

For their Optimum brand in NY, NJ and CT, approximately 70-75% of bundles include phone service. Altice feels customers see value in phone but at the right price. They are currently offering phone service as an add-on priced at \$5.

For their Suddenlink brand in Southern and Midwestern states, the phone adoption rate is less than 40%. The pricing is also at \$5 for an add-on to bundles but still the adoption rate is low. Altice believes this could be due to demographics.

Comcast

For Comcast, their West and Central divisions primarily offer 2P and Internet only – landlines are handled as a cross sell opportunity. The majority of 3P penetration is in the Northeast division and therefore still promoted in those markets.

Comcast has recently rolled out new segmentation in:

- TV traditional – premium, basic – more traditional segments
- Growth segments – Value first, Hyper Connected and Streamers
 - Comcast has seen some of these segments not interested in landline service, for example Streamers.

Cox

In February 2019 Cox completed voice value prop research and can share with the group on a future call. The work answered 3 questions:

- What is the value to phone to current subscribers?
- How compelling are new phone features?
- What are the demographics of phone subscribers?

Cox found that 2 in 5 homes subscribed to phone and planned to maintain this service. Of those who did not subscribe, only 17% are likely to subscribe in the future. From that information, Cox's focus is on:

- What to do to maintain current phone subscribers
- What to do to potentially attract competitive home subscribers

- How to determine what future subscribers look like

Other key takeaways from the research are as follows:

- 15% of current phone subscribers feel the bundle discount keeps them attached to phone service
- New features did resonate with consumers currently not subscribed to phone (i.e. call blocking, nomorobo)
- For demographics, distinct groups of phone subscribers exist – majority are older but there are younger groups who subscribe for specific needs purposes, such as emergency planning, or people working from home

Cox noted while phone is not necessarily a growth category, they do view it as an opportunity to enhance value prop, retain existing customers and potentially attracting customers from competing phone providers.

Cox does not do a lot of advertising for phone but when the traditional 3P bundle is positioned, they have begun to mention new features and functionality such as targeting emergency planning and focused on the specific segments/use-cases mentioned.

Mediacom

All internet/video bundles and Internet only products are now branded Xstream, powered by Mediacom.

Bundling Strategy and principles, as follows:

1. All Bundles are anchored in Broadband with speeds from 60 – 1Gig. In-home WiFi is included.
 - a. A 10 Mg product exception is provided for public assistance - eligible subscribers
 - b. A Lower priced 60 mg options for lower income is available with lower usage allowances, than standard offerings.
 - c. We offer incentives to purchase broadband enabled features and capabilities:
 - i. WiFi 360
 - ii. Free speed boosts
 - iii. Netflix free for x months
2. Video offerings are always margin- positive
 - a. Cable package of 170+ channels is the promoted TV package
 - b. Skinny bundles are available, but promoted strategically, as needed, and not a regular part of marketing promotions
3. Internet only and traditional HSD + Video + Phone bundles continue to be primary offerings.
 - a. Bundles discounting Home Automation when purchased with HSD receives a modest marketing investment and is largely offered as an upsell, utilizing sales channel incentives.

Shaw

Shaw introduced phone service in the mid-late 2000s. At that time, there was not much competition, and home phone was a big area of growth for them. When Shaw introduced the bundle, phone was required. However, when the market for home phone declined, Shaw still promoted phone service but found that it caused many issues, including installers pushing phone service onto customers to get their commissions,

etc. This resulted in customers having phone equipment, but not using it as they only signed up to receive the discounted bundle price.

Shaw has since corrected their bundle approach. They realize there is still a market for home phone at an appropriate price, but it is not required in their bundle. Currently, approximately 50% of their historical base subscribe to phone, but only 20% of onboarders subscribe.

HOW DO NEW PRODUCTS FIT INTO THE BUNDLE? (I.E. HOME AUTOMATION/SECURITY AND WIRELESS)

Altice USA

Altice offers Home Security for Optimum and Suddenlink but neither are performing well.

Altice sells Net products for home security but do not currently have a comprehensive home security solution. Altice is working to have their own home security solutions which will be part of their acquisition strategy.

For Altice, Home Security is an upsell opportunity and is not currently offered in a bundle – it is a standalone product.

Comcast

Comcast offers both Home Security and wireless in their bundles. For wireless, customers must be existing Comcast subscribers. Comcast has done extensive research in wireless options and have found that leading with a mobile message to spike interest has not worked. Mobile is an upsell to existing data customers.

For Home Security, Comcast offers Xfinity Home. Comcast has found it's hard to sell home security upfront and does better positioning home security within the bundle.

Cox

Cox's Home Life home security is fully included in their branding and is offered in all sales channels. Their fastest growing bundle is in 2P that includes Data and Home Life Automation. Home Life is now included in reps compensation and Cox is working hard to ensure they right balance of billing, automation and professionally monitored home security for consumers who choose that option. Data is required for Home Life but is not required to be Cox. However, more than 98% of Cox Home Life customers also have Cox Data.

New customers (acquisition) or add-ons/up-sell are the main customer sources for SmartHome/Automation products. Cox has seen this grow as part of a bundle for the new customer connects category, as well as for the existing customer upgrade category. It is also interestingly a top churn stabilizer (some tenure attached).

Customers essentially have more ways of designing their own bundle (2P, 3P) with trained Cox sales reps as Home Life and phone carry equal weight.

COX HOME PHONE VALUE RESEARCH PROPOSITION OVERVIEW

Joel Frost, Senior Manager, Consumer Insights, Cox, presented an overview of the attached Cox Home Phone Value Research deck, appendix A.

Highlights of the presentation include:

- 2 in 5 households subscribe to home phone and the majority plan to retain it
- Discounts are a primary motivator for subscribing to phone, but other use case do exist
- Most phone subscribers to phone value and do use their phone service
- A Telemarketer Blocker is the most valuable feature
- While phone subscribers do skew older and late tech adopters, younger consumers are still subscribing to phone and using it
- Cox Voice remains an important product in the portfolio; while not a growth category, there is an opportunity to enhance the value proposition to retain existing Voice customers and attract competitive Phone subscribers.

HOW ARE WE DEFINING THE KEY AUDIENCE SEGMENTS AS PART OF THIS EVOLUTION?

Cox

Cox has viewed segmentation around tenure and value.

For tenure, Cox has identified homes, within their network, who have not done business with Cox for 5 years or more. Cox refers to do these homes as “cold homes”. They are working to reintroduce Cox services to these cold homes and learning what it will take to get customers to choose Cox.

In looking at value segments, they are currently divided into “high value” and “price sensitive”. As Cox begins to learn more about consumers’ reactions to connected experiences, they will be able to delve deeper into how to segment consumers.

Mediacom

1. Xstream, powered by Mediacom segments its prospect audience for direct response purposes by using a propensity model to target likely candidates for Internet only, and Internet and Video packages.
 - a. The Internet/Video prospect modeling is further refined by a propensity to connect for messaging and pricing of a skinny bundle or full complement of available Cable Channels, (with or without premium channels).
2. Promotional pricing is at two levels:
 - a. Standard for most markets, with 1 to 2 competitors
 - b. Competitive pricing, (lower than standard), for markets subjected to significant competition from 2 or more competitors.

In June 2019, Mediacom launched a new lower-priced Xstream internet product called, Access Internet 60 targeted to lower income prospects. Access Internet 60 offers 60 Mg speed with a 60 Gig usage

Rogers

Rogers feels the most important criteria is how customers in these segments approach TV products. For some customers it’s a habit/must-have. For others it is about live sports or certain channels/shows.

Customers with relatively below average price sensitivity make up an important portion of the key audience. Home phone penetration skews to age as expected.

There is an emerging home automation market (at early adopter stage) that resonates with only a limited audience. Smart home devices/services will be an important driver in the evolution of bundling.

WHAT ARE SUCCESSFUL MESSAGE STRATEGIES THAT MOVE THE NEEDLE AS THE BUNDLE IS REDEFINED?

Cox

Cox is beginning to build integrated home messaging between video, voice remote and home automation (Home Life) products. They are currently testing a 1P bundle which is grounded in data - where the data customers would receive Cox's Contour content stream player which includes the voice remote but has limited content available.

Mediacom

Mediacom has largely converted its consumer marketing messaging to the brand "Xtream, powered by Mediacom." The key marketing messages are focused on Xtream as a state of the art, high technology broadband company, offering high performance internet and video products, suited to consumer lifestyles. This forms the backbone of our Brand, Product Awareness, Digital and Direct Response advertising.

Fastest Internet speeds, served over fiber – rich networks, with 99.9% reliability are our core messages. Almost ubiquitous availability of gigabit speeds in all the markets we serve, means we are uniquely positioned to provide the speed you need, and the speed you want, at a very competitive price.

We also message our high-performance video product as part of double and triple play offers. We outline key attributes such as # of channels and TiVo enabled search and channel guide, Free TVE, including thousands of free VOD.

Testing messaging of Internet Only with internet only pricing and a call-out to "Add Video, contact us for details?"

A value-based messaging initiative is under development to support our price sensitive markets and our target markets for our Access Internet 60 product. Messaging to date has focused on affordability, and a product, appropriate for lighter users of the internet. A 60 second "infomercial-like," TV format to air during the daytime, will launch in October to build awareness, and to support direct response tactics.

Mediacom has no plans, at this time, to add wireless to our bundles, or to invest in the promotion of internet and internet/video bundles with Home Automation. Our next strategic effort is in concert with our efforts to become a premier broadband company. Mediacom will be looking to bring 10G to our markets. We anticipate our first technology trial to commenced in 2020.

Rogers

Above-the-line messaging should focus on value proposition. For the emerging home automation market, customers are looking at cable companies to help them get familiarized with the new technology and all it has to offer. Customers need to have peace of mind when it comes to smart home products.

Below-the-line focus would be on value for money.

HOW IS YOUR MSO APPROACHING THE COMPETITIVE ENVIRONMENT FROM A MESSAGING PERSPECTIVE?

Altice

Altice tends to focus more on product and value prop, rather than on the competition. Their Bundle includes a complete video product starting with 260 channels (vs. competitors where you choose the channels). Altice makes tactical comparisons clearly listed on their website; autopay vs. non, pricing and speeds/comparisons.

Suddenlink footprints call out savings vs. competitor. Suddenlink has a more video-based footprint and the Video product has improved greatly in past 2 years. The percentage of internet only is higher than in Optimum. The focus is on aligning the strategy, even though demos are different and starting points are different.

In addition to mobile, Altice has launched the “Price for life offer”. This offers promises customers that the price of the bundle will stay the same as long as they remain a customer and are in good standing.

Altice feels the product is not a commodity, they do not feel the need to constantly compare to competition; speeds, customer experience, user interface, etc. offer the differentiation.

Mediacom

Mediacom’s key value proposition and marketing messaging has shifted from High Speed Internet (HSI) in the bundle, to just HSI alone. Mediacom Gig speeds since 2017 have been well ahead of competitors. In their footprint, there are income-challenged audiences that exist, so speeds start low at 60Mbps but are still higher than many competitors. Mediacom’s messaging has been focused on fastest internet and their 99.9% reliability.

Shifting to HSI messaging approach has been a challenge for Mediacom so they had to find the messaging and strategy set that works. So, Mediacom does a High-performance, high-reliability message strategy and separate budget-focused message strategy which is far more targeted.

Rogers

Rogers follows the Comcast roadmap, similar to Blue Curve product. Shaw is doing their own version of the Wi-Fi Home Hub. Their messaging follows the Comcast roadmap of bringing the customer experience to life.

Rogers is also facing the same wholesale regulatory pressures as Shaw.

Shaw

Shaw has an upcoming rebrand/re-message change on Blue Curve products and rolling in video products – Shaw will share with the group after launch.

There has been regulatory pressure in Canada on pricing power on broadband. Price, content, and speed are areas where competitors may not play to differentiate.

Shaw will concentrate on Experience (Shaw is also on Comcast's roadmap) and customer experience/interface (home app, search remote, etc.) as their messaging strategy.

FOR THOSE MSOS THAT OFFER OTT CONTENT BUNDLES WHICH INCLUDE AUDIO AND/OR VIDEO – ARE THERE LEARNINGS OR TESTING ON CUSTOMER RECEPTION/REACTION TO THESE OFFERINGS?

Altice

Amazon Prime and Netflix are included in Altice 1 box, drives improved interface/customer experience. There is no billing integration with partners – cost of billing integration causes it not to be a high priority.

Mediacom

Mediacom has done some things to make OTT easier to engage in – some partners such as Netflix and Hulu are included in their boxes but have not done billing on partner behalf.

Rogers

Rogers echoes the group comments; but is curious about billing integration and perceived benefits. In the past, Rogers had billing integration with Spotify, but stepped away; cost and tech issues arose. Rogers is eager to understand current dynamics.

Shaw

Shaw's play on this has been about customer maintaining the billing relationship with OTT, but Shaw will be the aggregator of the content.

Home Phone Value Proposition Research: CTAM Review

May, 2019

Key Questions Explored

Question #1: Beyond access to bundle discounts, what is the value of Phone to current subscribers?

Question #2: How compelling are new Phone features – those available now and coming soon?

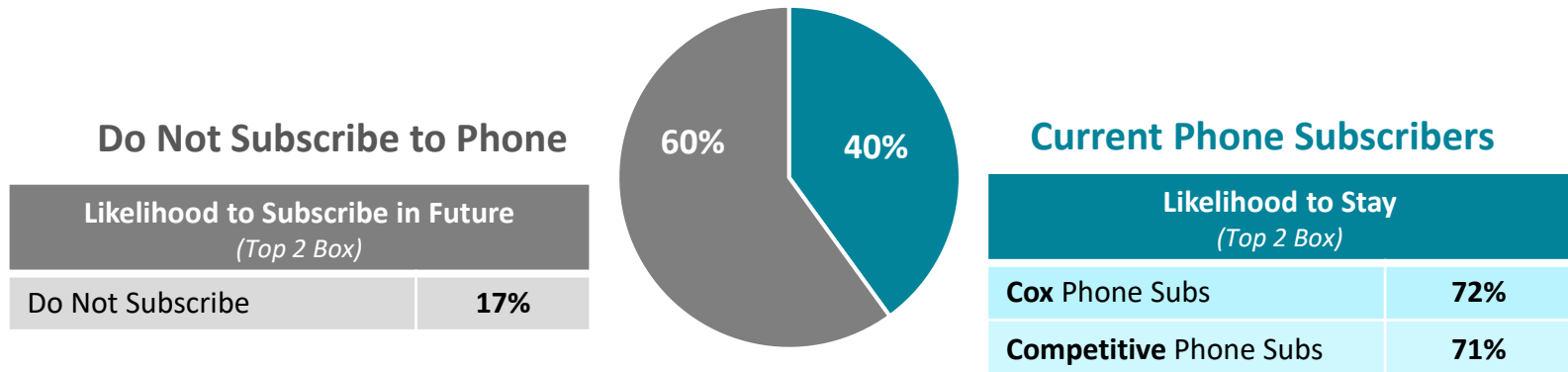
Question #3: What are the demographics of Phone subscribers? Are they concentrated in the Boomer Generation?

Key Insights

Question #1: Beyond access to bundle discounts, what is the value of Phone to current subscribers?

Two-in-five HHs subscribe to home phone and the majority plan to keep it.

Current Phone Market Opportunity *Total Footprint (FP)*



* Home phone subscriptions based to Total Screenings.

A7b. How likely are you to continue subscribing to your home phone service provider in the next 12 months? S9. Which of the following services do you currently subscribe to? This can be with any service provider. S11. How likely to consider subscribing to a home phone service in the future are you, if at all?



Question #1: Beyond access to bundle discounts, what is the value of Phone to current subscribers?

Discounts are a primary motivator for subscribing to phone, but other use cases do exist, including emergency/backup benefits.

Top Drivers for Subscribing to Phone

Home Phone Subscribers (n=1,000)

Inertia

Have always had phone / Don't want to lose Phone # 58%

Safety/Security

Good for use in case of emergency 46%

Additional line to use as a backup to cell phone 33%

Use Cases

Get bundle discount 41%

Central number for family 29%

To give a different number than cell phone 28%

Cox Phone Subs: 49%

Competitive Phone Subs: 34% ↓

19% of all Phone subs say a bundle discount is the primary reason

↑↓ Note: Arrows indicate statistical significance at the 90% confidence interval vs. competitive phone subscribers.

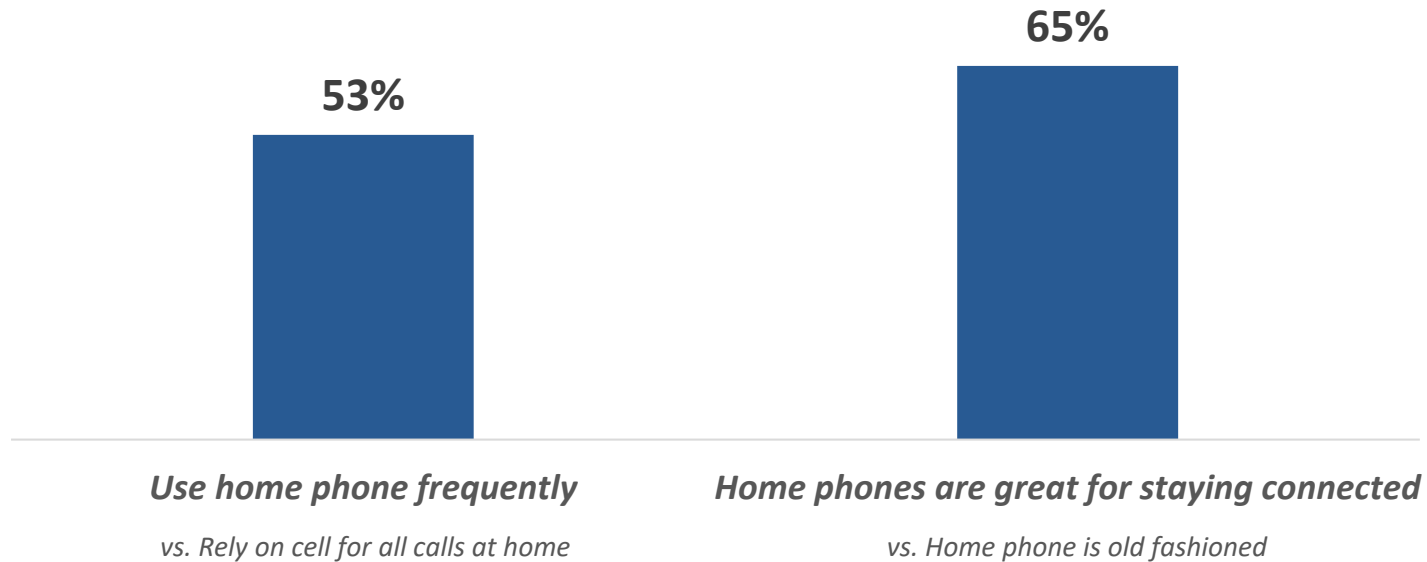
A8. Which of the following, if any, are reasons why you [subscribe / might consider subscribing] to a home phone service? A10. Which of the following, if any, are problems or issues you have with your home phone service?



Question #1: Beyond access to bundle discounts, what is the value of Phone to current subscribers?

Most Phone subscribers value, and use, their phone service.

Phone Usage and Perceptions

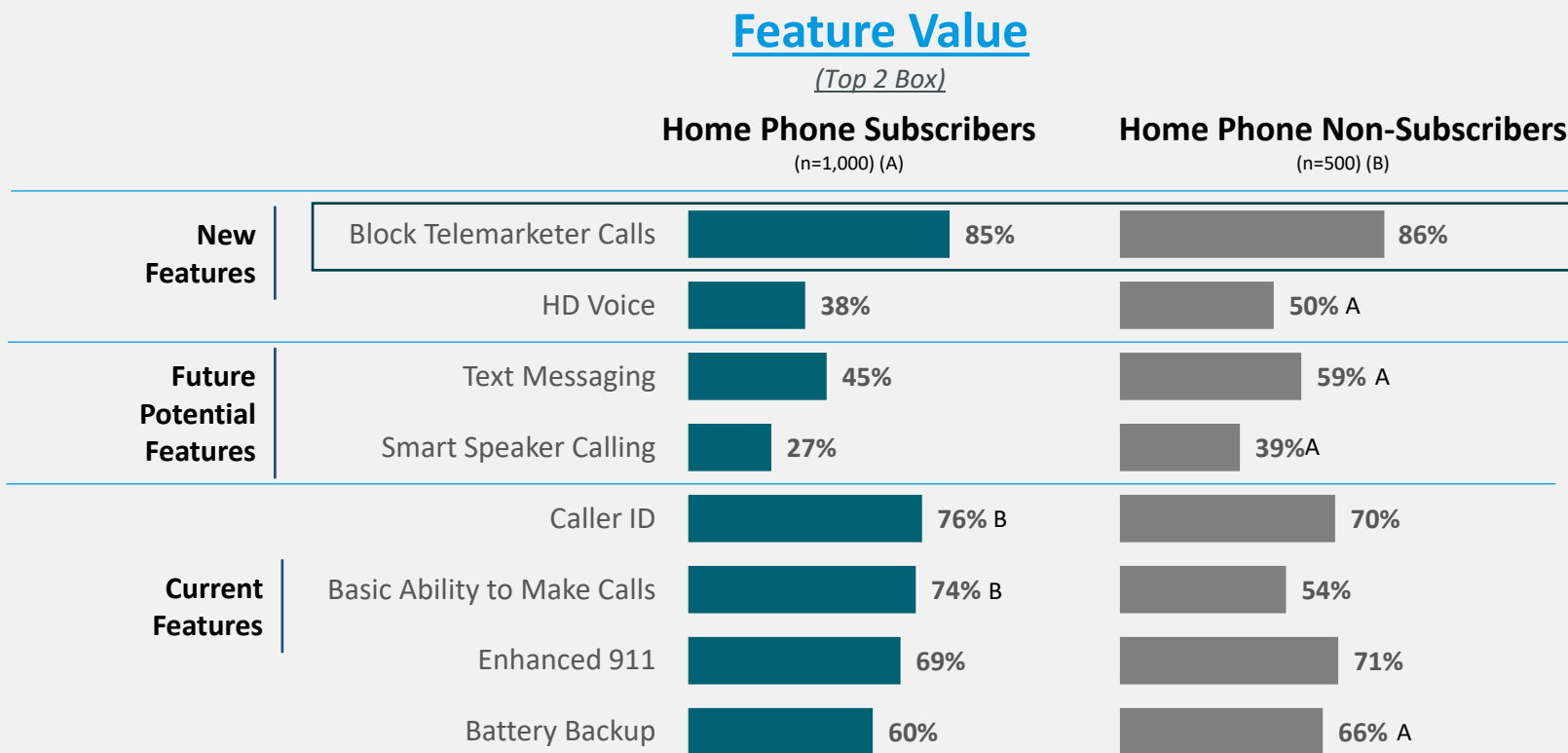


A11. Below are several pairs of statements about home phones. For each pair, please indicate whether you agree with more.



Question #2: How compelling are new Phone features – those available now and coming soon?

A Telemarketer Blocker is the most valuable feature; new/future features resonate more with those without phone service.



Note: Capital letters indicate statistical significance at the 90% confidence interval.

B1. Thinking about each of the features below, how valuable are they?



B2. If home phone service providers offered each of the features below at no additional cost, how valuable would each of these home phone services be?



Question #3: What are the demographics of Phone subscribers? Are they concentrated in the Boomer Generation?

While phone subscribers do skew older and late tech adopters, younger consumers are still subscribing to phone and using it.

Phone Subscriber Snapshot

	<u>Phone Subs</u>	<u>Non-Subs*</u>
 Older (55+):	42%	19%
 Late tech adopters:	73%	66%



Home phone Usage by age:

- < 39: **31%** of calls
- 39-54: **35%** of calls
- 55+: **57%** of calls

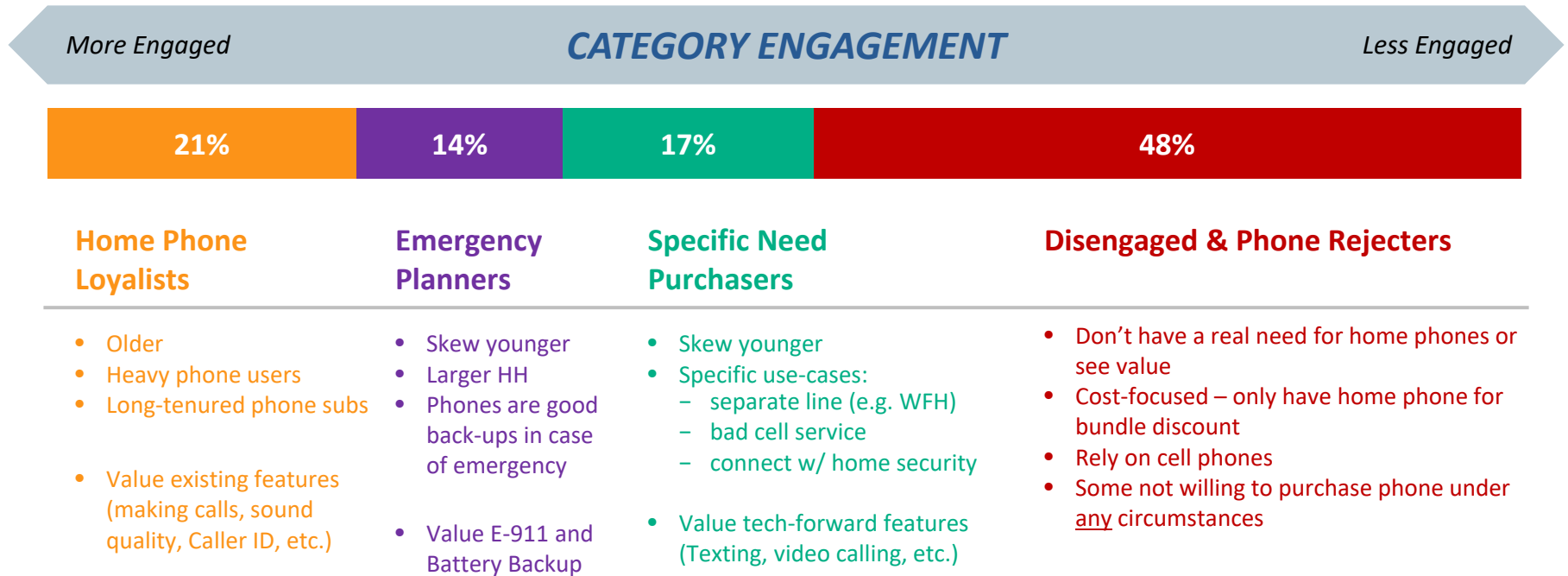
* Note: Non-subscribers shown here are Non-rejecters (Non-subscribers who would never subscribe to Phone are not included)

A15. Thinking about when making or receiving calls at home, what percent of the time do you use your cell phone vs. home phone for these calls? S2, S6, D1, D2, D6, D7, D11.

Question #3: What are the demographics of Phone subscribers? Are they concentrated in the Boomer Generation?

A segmentation of the total market reveals distinct consumer segments, across varying levels of engagement with different needs.

Segment Overview



Executive Summary: Cox Voice remains an important product in the portfolio; while not a growth category, there is an opportunity to enhance the value proposition to retain existing Voice customers and attract competitive Phone subscribers.

Question	Answer	Support
<p>1 <i>Beyond access to bundle discounts, what is the value of Phone to current subscribers?</i></p>	<p>Phone does have utility for many consumers beyond accessing bundle discounts</p>	<ul style="list-style-type: none"> • Two-in-five have phone, most plan to keep it • Phone is actively used for making/receiving calls • Many Phone subs see Emergency/backup benefits
<p>2 <i>How compelling are new Phone features – those available now & future?</i></p>	<p>There is limited potential to grow the category, but a Telemarketing Call Blocker does resonate very well with Phone subscribers/prospects</p>	<ul style="list-style-type: none"> • Almost half of those without phone would never consider purchasing (but new features resonate more with those <u>not</u> subscribed to phone) • NoMoRobo solves the #1 pain point
<p>3 <i>What are the demos of Phone subscribers? Are they concentrated in the Boomer Generation?</i></p>	<p>Distinct groups exist among current/potential Phone consumers, and some do skew younger</p>	<ul style="list-style-type: none"> • While users skew older, home phone continues to be used by Millennials • <i>Home Phone Loyalists</i> care most about home phone superiority and traditional phone features. <i>Emergency Planners</i> and <i>Specific Need Purchasers</i> represent distinct, new target opportunities that skews younger