

Growth of broadband is good news to many

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Publishers, advertisers and retailers should be pleased to know that since January, more than 17 million Americans have signed up for broadband Internet access, bringing the total number of subscribers to 120.8 million, analysts said.

Nielsen/NetRatings issued a report this week indicating that broadband users make up 42 percent of the population, up from 36 percent in January. Since August 2004 the number of broadband subscribers has increased by 34 percent, while dialup use fell by 10 percent.

"There's not anyone that doesn't benefit from this," said Charles Buchwalter, vice president of analytics at Nielsen/NetRatings.

Buchwalter said online publishers appreciate the growth of broadband use because it allows them to appeal to a more engaged audience.

"(W)hen there's more engaged users, more advertisers want to be in front of them," Buchwalter explained. "You can add more bells and whistles to appeal to users on broadband than people with more limited connections." Most DSL service ranges from 8 to 20 mbps, while cable Internet can reach speeds up to 30 mbps. Standard dialup services operate at 56 kbps.

Buchwalter said broadband users spend more time -- and money -- on the Internet. Forrester Research, a technology research company, said in a July report that broadband users spend 31 percent more time online than dialup users.

"Not only are people spending more time, people have a tendency to purchase more things online, just because of the richer, more seamless experience," Buchwalter said.

Marketers, who have traditionally viewed television as one of the best modes of advertising, may start to place a greater emphasis on Internet advertising, as more and more users go high-speed. Buchwalter explained that Web advertising might become an attractive option, as the Internet experience is gradually starting to mirror the television one.

"I'm not going to tell you that the online experience is matching the TV experience ... however, the online experience today is so much more like the TV experience than it was three or four years ago," Buchwalter said.

The increased number of broadband subscribers might also bode well for software publishers and electronics manufacturers. Broadband users are more likely to engage in activities such as playing computer games, listening to MP3s and manage personal photos, Forrester said.

"A whole new world of applications are becoming mainstream, and people really benefit from a broadband application in conjunction with those applicants," said Bobbi Henson, a spokesperson for Verizon.

The Forrester report, based on surveys conducted in January and February, found that DSL has started to gain ground on cable in the broadband market over the last few years. About 58 percent of American users connect to the Internet via cable, while 41 percent used DSL, Forrester reported. Buchwald said new technologies such as wireless broadband networks and systems that rely on electric wiring to relay data could change the broadband standard down the line. He estimates that by 2015, 70 percent to 75 percent of households will be using broadband.

"The battle is far from over in terms of how broadband is going to unfold over the next decade," Buchwald said.

But until then, Internet service providers will have to think of creative ways to persuade the 54 million Americans connecting via dialup to switch to the faster -- and costlier -- broadband services. Though the price of broadband continued to fall, cost still remains a factor preventing more Americans from connecting at high speeds. Forrester found that the mean household income of U.S. broadband users is \$75,926, vs. \$58,668 for dialup households. DSL service usually starts at \$30 per month, and high-speed cable starts at \$45 per month. Dialup costs about \$10 per month.

Henson said Verizon just introduced a \$14.95 per month DSL plan. At 768 kbps, it's slower than standard DSL service, but it is also half price. SBC/Yahoo! offers a similar service, charging users \$14.95 to connect at speeds up to 1.5 mbps.

"Most people are paying more than that for dialup, and they can't talk on the phone while they surf," Henson said of Verizon's low-speed DSL service. "If they can move up to a good speed then they can start to benefit from some more of these applications, then I think the value really comes into a play."

Henson said in addition to offering a low-price DSL option, Verizon hopes that content such as a game portal and partnerships with Yahoo!'s radio service and MSN will draw more customers. The company now has 4.1 million DSL subscribers, up from 3.6 million at the end of 2004.

"Once they get a taste of that, we strongly believe they'll move up to an even higher speed," Henson said.

But Buchwalter said that some people will always cling to their dialup

subscriptions.

"Whenever you're asking someone to pay for something extra, you're not going to get to 100 percent penetration," he said. "There's always going to be people who aren't willing to pay."

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