



Summary of Broadband Market Research For The City of Bellingham, WA

August, 2024

Overview

In late 2023, Uptown was tasked with developing a municipal fiber network plan for the city of Bellingham. As part of this study, Uptown conducted market research within both the residential and large business segments.

Survey Methodology & Scope

The research design for the residential segment involved conducting both phone and online surveys in January of 2024. The survey resulted in 395 phone survey completes and 1,127 online survey completes, for a total sample of 1,522 responses. Industry-standard research methodology was used to reduce bias and ensure a statistically significant survey outcome with a sample error of $\pm 2.5\%$.

Internet Use In Bellingham

The survey found that 98% of Bellingham households subscribe to Internet service in their home and that 86% of households connect to the Internet via a wired connection. Comcast has 74% market share of the residential market. Average monthly spending on Internet is \$70 per household. In Bellingham, 43% of households state they are subscribing to a speed greater than 100Mbps, but only 18% of households subscribe to speeds at 1Gbps or higher.

Current satisfaction levels with Internet are low with an overall satisfaction rating of 5.7 on a scale of 1 to 10 with 10 being very satisfied. Satisfaction was measured across a range of attributes with the highest satisfaction score for 'reliability' at 6.7 and the lowest score for 'price' at 4.7. The importance of a range of Internet attributes was also measured. Here, 'reliability' and 'service value' came in as the most important Internet attributes. The ability to 'bundle' Internet with other services and the 'brand name' scored lowest in importance. Bellingham households were also asked what they would like to see most improved with their current broadband service. The top area for improvement was 'lower prices' followed by 'increased Internet speed'.

Internet Affordability

The survey also explored the affordability of Internet service among Bellingham households. We found that 48% of households either 'strongly' or 'somewhat agree' that they are subscribing to a lower speed Internet tier in order to save money. However, only 26% of households were aware that their Internet provider offered discounted Internet service for lower income households that qualify. Currently, 10% of households in Bellingham are receiving a discount of this nature.

Provider Preference & Purchase Intent

The survey asked participants to state which Internet provider they would prefer to receive Internet service from. Both the traditional national level incumbents as well as regional and local providers were included in the list along with the city. Across the total sample, the city was vastly preferred as the service provider with 46% of participants stating so, compared to Comcast at 17% and Lumen (CenturyLink) at 5%.

The survey tested the purchase intent if the city were to offer Internet service with a 1Gbps symmetrical Internet connection for \$70 per month. A total of 41% of survey participants stated they definitely would purchase, and 25% stated they probably would if this service were offered. The primary motivation for switching was 'preference for the city as the service provider' by 47% of those that stated they would switch, followed by 'lower price' by 28% and 'more capacity' by 22%. Uptown's estimation of the take rate based on the survey response is that Bellingham would achieve a 38% take rate if one gig Internet was offered at the \$70 price point. In addition to the 1Gbps tier, tiers at 2Gbps and 4Gbps were also tested. The survey determined that of those who would switch to the City Internet offering, 21% would upgrade to 2Gbps and 4% would upgrade to 4Gbps. This would result in an average revenue per user of \$81 per month.

Large Business Research

Separately, Uptown conducted research within the large business and institutional segment to understand the needs of this market. A total of eight in-depth interviews were conducted for this purpose. These interviews identified fiber availability, capacity needs, performance criteria, current price levels, and the prevalence of contracts. It also evaluated the potential for the city to serve this market.

This research determined that fiber is robustly available to this market segment throughout Bellingham and that a vast majority of these businesses are using fiber connections today. They are under contract and the typical term is three years. Additionally, the contract includes a service level agreement. Satisfaction within this segment is high, however, this segment will definitely consider the City as an optional data connection, especially as a redundant circuit to minimize the possibility of a complete outage.