



PRESS RELEASE

## The ISP Marketplace

EKOS' RETHINKING THE INFORMATION HIGHWAY STUDY  
OTTAWA, September 6<sup>th</sup>, 2002

"The ISP marketplace in Canada continues to be characterized by three broad trends: rapid adoption of high-speed, the growing dominance of telephone and cable companies, and a large degree of switching ISPs", says Malcolm Saravanamuttoo, Vice President (Technology) at EKOS Research Associates. Mr. Saravanamuttoo was making reference to the recently released "*The ISP Marketplace*", the latest volume in EKOS' *Rethinking the Information Highway* study. He went on to add, "for the first time, the telephone companies now have more than half of the total market share (52 per cent). The cable companies hold another 30 per cent, leaving the once dominant independent ISPs with 14 per cent."

Elaborating further, Mr. Saravanamuttoo noted, "Our latest results show a growing number of Canadians obtaining home Internet access, with high-speed threatening to overtake more traditional dial-up access as the way Canadian households log on to the Internet from home. There are also strong indications that the launch of high-speed "light" will accelerate this movement away from dial-up."

Overall, more than three in five Canadians (62 per cent) have access to the Internet from home, with 34 per cent using a traditional dial-up connection and 28 per cent of Canadian households having high-speed access.<sup>1</sup> An additional 10 per cent of Canadians are "intenders", or those who expect to get home access within the next twelve months, with more leaning towards high speed [Figure 1].<sup>2</sup>

Intender households, and to a lesser extent current dial-up subscribers, report significant interest in the high-speed "light" service option being offered by a growing number of high-speed providers. In fact, when introduced to high-speed "light", a strong majority (67 per cent) of households that expect to obtain access in the next year indicate that it is somewhat to extremely likely that they would sign-up for high-speed "light", suggesting

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<sup>1</sup> Dial-up — 34 per cent of Canadian households translates into 54 per cent of households with Internet access. High-speed — 28 per cent of Canadian households represents 46 per cent of households with Internet access.

<sup>2</sup> Overall, 59 per cent of intenders expect to get high speed and 37 per cent dial up. This corresponds to the 6 per cent and 4 per cent of the population shown on Figure 1.

that the “light” version may hold more appeal than the regular version for the next set of Canadians to get high-speed. At the same time, there is also some potential for current customers to downgrade to the slower and less expensive version — 24 per cent of current high-speed households report that it is somewhat to extremely likely that they would switch to the “light” version.

Regarding churning within the ISP marketplace, Mr. Saravanamuttoo remarked that “Many Canadians are not inclined to remain loyal to one ISP. You have about one in five subscribers who are now on their third or fourth ISP since getting home access”. In broad terms, EKOS’ analysis of the ISP marketplace points to five key groups based on how long households have had home access and how long they have been with their current ISP: “new clients”, “new switchers”, “old switchers”, “loyal clients”, and “long-term loyal clients” [Figure 2].

Overall, 14 per cent of wired households are “new clients” — households who have been online for less than a year and have never switched ISPs. However, while the ISP marketplace continues to expand, “new clients” are less and less of a source of new revenue for many providers. Two fifths of the ISP client base is composed of “new switchers” (19 per cent) — who have been online for more than one year but have been with their current ISP less than 12 months — and “old switchers” (21 per cent) — who have been online for more than two years and switched ISPs at some point, but not in the past year.

While there is no mistaking the dynamic nature of the ISP marketplace, a substantial proportion of households have remained loyal to their current provider. The 47 per cent of wired households who make up these steadfast subscribers divide into “loyal clients” (30 per cent) — who have had home access for one to four years and have never switched ISPs — and “long-term loyal clients” (17 per cent) — who have been with their current ISP for four years or more (with a portion having changed ISPs at some point prior to that). There are notable differences in these five segments across ISP types, with new switchers being more prominent among cable companies.

The latest findings from EKOS’ *Rethinking the Information Highway* study are based on the results of a telephone survey of a national random sample of 1,513 Canadians aged 16 and over that was conducted in the final week of June and first week of July 2002. The survey data was statistically weighted by age, gender and region to ensure that the findings are representative of the Canadian population aged 16 and over. With a sample size of 1,513, the results may be considered accurate within +/- 2.5 percentage points, 19 times out of 20. The margin of error for subgroups is larger.

## **ABOUT EKOS RESEARCH ASSOCIATES & RETHINKING THE INFORMATION HIGHWAY**

For more than two decades, EKOS Research Associates has been transforming research into credible knowledge and reliable advice. Today, EKOS is one of the country's leading full-service research consulting practices. With offices in Ottawa, Toronto, and Edmonton, EKOS specializes in market research, public opinion research and strategic communications advice, program evaluation and performance measurement, and human resources and organizational research.

Launched in 1996, EKOS' *Rethinking the Information Highway* grew out of the need for a better understanding of how the digital revolution is transforming the environment within which companies and governments are operating, and how that environment continues to evolve. Now in its sixth year, this study is one of the most comprehensive ongoing research initiatives being undertaken in Canada. Given its ongoing evolution as new issues emerge, the study continues to provide some of the largest companies and government departments with insight into how to better adapt to changing attitudes, expectations and behaviour of both Canadians and Canadian businesses.

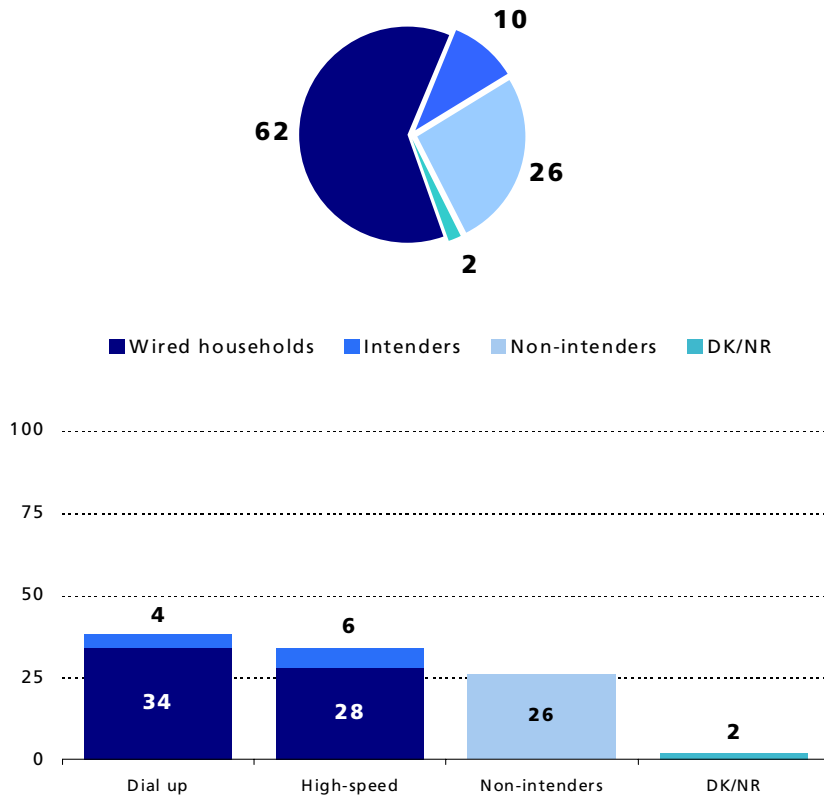
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### Figure 1: Home access \*

**Q:** Do you currently have access to the Internet, either at home, work or elsewhere? What type of Internet access is there in your household?

[If no home access]

Do you expect to get access to the Internet from home within the next year? Would you be more likely to get regular dial-up or high-speed Internet access?



{Base: All Canadians; Jun. 02; n=1513}

\* "Wired households" — households with home Internet access.

"Intenders" — households who expect to obtain home Internet access in the next year

"Non-Intenders" — households without Internet access who do not intend to obtain access within the next year

