

Recent Survey Shows that Verizon, Bell South Have Most Loyal Business Customers

Verizon Communications Inc. and BellSouth Corp., two of the three largest U.S. local-telephone carriers, ranked highest in customer loyalty for Internet and long- distance service in a survey of businesses.

The two scored higher and drew more positive comments than MCI Inc. and AT&T Corp., traditional providers of such services to businesses that are now being acquired, according to the study of more than 2,000 U.S. and Canadian companies released today by Walker Information, an Indianapolis-based consultant.

Leaders in loyalty outperform competitors in sales and profit growth, profit margins and stock-price performance, Walker Information said. The March survey found customers favored BellSouth and Verizon because of their strong brands and service. Motorola Inc. had the highest loyalty rating in the survey. Time Warner Inc.'s cable unit was a leader in Internet service.

“Having a culture that is customer-focused always leads to loyalty. The customer interactions are the times you build or destroy the relationship,” said Phillip Bounsall, executive vice president at Walker, which specializes in customer service.

BellSouth was “a clear leader in the whole study” in customer service. Three-fourths of the 70 BellSouth replies identified the Atlanta-based company as one of the best brands. More than half of 154 Verizon respondents said they are committed to the New York-based company as a long-distance provider.

Verizon's strong brand among businesses may be the result of heavy advertising by its Verizon Wireless unit, Bounsall said in an interview last week. Verizon Wireless, jointly owned with Vodafone Plc, was the only standout for wireless service.

‘Advantage’

“They have a real competitive advantage they can leverage due to this loyalty,” Bounsall said. “Network quality is the key driver of loyalty.”

Verizon Wireless is the second-largest U.S. wireless service provider behind Cingular Wireless LLC, which is owned by BellSouth and SBC Communications Inc.

Shares of BellSouth fell 6 cents to \$26.26 in New York Stock Exchange composite trading on May 20 and have fallen 4.2 percent this year. Verizon rose 14 cents to \$35.20 and has declined by 13 percent this year.

Of 286 Motorola respondents, 47 percent said they aren't likely to shop for better deals and 62 percent said they would likely buy more handsets from Motorola. That's an indication the Schaumburg, Illinois-based company will take market share from competitors, Bounsall said.

Motorola, Research In Motion Ltd., which makes Blackberry devices, Nokia Oyj and Sony Ericsson were the leaders among handset makers, Walker found.

More Loyalty

Wireless customers showed more loyalty to their service providers and handset makers than customers of long-distance, local-phone and Internet service, the company said.

“Advance technologies are getting a little bit of forgiveness with their customers,” said Bounsall, whose company counts Verizon and Cisco Systems Inc. among its clients.

The study, which surveyed companies with 50 or more employees, didn't find top leaders in local telephone service.

It also found AT&T, MCI and Nextel Communications Inc., which have all agreed to takeover offers, didn't register as leaders in their markets. Walker didn't release information on loyalty laggards.

Mergers are interesting to consumers and “generate uncertainty,” Bounsall said. “There may be some of that going on, though there's nothing in the study that says that.”

SBC, the second-largest U.S. local-phone carrier, will have 30 percent of the market for phone services after completing its acquisition of AT&T, the largest long-distance company, for \$16 billion, according to the Yankee Group.

Verizon is buying MCI for \$8.44 billion to gain the company's 140-nation phone-and-data network and contracts with corporate customers including Hewlett-Packard Co.

Comcast Lawyer Misled Court, Federal Judge Asserts

Wayne Lonstein has made a specialty of representing cable and satellite TV companies, filing hundreds of signal piracy cases in courts around the country, more than 250 in New Jersey alone.

The cases seldom go to trial and the defendants, mostly without counsel, often fail to answer, paving the way for default judgments that have exceeded \$100,000.

Now, a federal judge has found that the Ellenville, N.Y., lawyer routinely overreached by seeking relief for his client, Comcast, under a \$100,000 statutory damages provision, and further that he misled judges into granting default judgments against lawyerless defendants.

In an April 28 opinion, U.S. District Judge Dickinson Debevoise stated that "throughout the District of New Jersey (and perhaps elsewhere in the United States) Comcast has sought relief for the kind of offense charged in this case which is without basis in law or the facts."

"In its zeal to eliminate distribution and use of illegal coding devices, Comcast has departed from the role of victim of illegal conduct and has assumed the role of victimizer," Debevoise wrote in *Comcast Cable Communications v. Adubato*.

He was especially disturbed by the role played by Lonstein, who is licensed to practice in New Jersey. "Particularly, where as here, a defendant is unrepresented, an attorney must ensure that a judge is fully advised of the applicable law and that no allegations are advanced that are not fully supported by reliable evidence," he wrote.

The suit against Noel Adubato of West Orange, N.J., is typical of those filed by Comcast for theft of cable TV services.

Comcast identifies sellers of signal decoder devices, seizes their customer lists under court order and turns the names over to Lonstein, who sues the buyers.

The complaint charged Adubato with having bought a decoder device to receive Comcast programs without paying and asked for injunctive relief and damages under the Federal Communications Act, 47 U.S.C. sections 605 and 553.

Section 605, which applies to radio or wire transmissions, provides for statutory damages of \$1,000 to \$10,000 per violation, and up to \$100,000 more where the violation was willful and done for commercial advantage or financial gain. Section 553 prohibits interception of cable signals and allows damages of \$250 to \$10,000, but up to \$50,000 where the violation was willful.

In Adubato and many other cases, Comcast's complaints asked for \$110,000 under Section 605, plus interest and costs.

Networked Broadband Households to Top 160 Million & Network-Connected Devices to Approach 1 Billion by 2010

According to new research from The Diffusion Group, a leading digital home research consultancy, global home network adoption is expected to grow from 35 million in 2004 to more than 162 million in 2010.

This growth will be fueled in large part by broadband service providers who are beginning to push combined modem/networking solutions known as residential gateways (RGWs) into the homes of new broadband subscribers.

TDG also forecasts that the number of network-connected devices will grow from 108 million in 2004 to just under 1 billion by 2010, growing from an average of approximately three networked devices per household in 2004 to approximately six devices by 2010.

“While global broadband adoption continues to grow at a rapid pace, home network adoption has been held back due to a combination of poor consumer familiarity with the technology and a lack of technology push on the part of vendors, governments, and service providers,” said Michael Greeson, co-founder and President of The Diffusion Group.

Despite the relatively tepid pace of global network adoption, home network penetration is nonetheless expected to reach millions of homes in Asia, Europe, and North America via service provider “push” strategies. As Greeson noted, “Broadband service providers are now looking ‘beyond the modem’ for new sources of revenue, and home networks are a key part of their strategy to dominate emerging digital home control points and thus locking revenue and profits. This especially holds true for select European and Asian consumer broadband markets.”

Such push strategies will help drive significant network penetration in a number of countries, a few of which are listed below.

TDG’s latest report, *Control Points and Profit Distribution in the Networked Digital Home*, examines the evolution of the digital home market in US, offering a case study of how service provider home network strategies are likely to award them a significant share of the \$90 billion digital home revenue pool. For more information about this report or The Diffusion Group, visit TDG’s website at www.tdgresearch.com.