

Press Release



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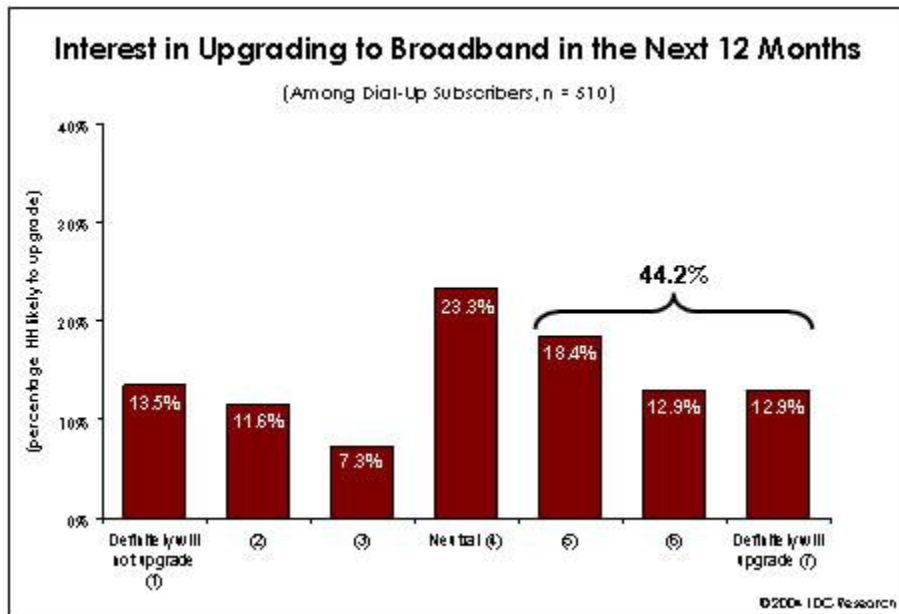
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Decline in Broadband Additions to be Short-Lived

New Research from The Diffusion Group Suggests More than Seven Million U.S. Dial-Up Internet Households Will Upgrade to Broadband by Mid-2005

August 19, 2004 (Dallas, Texas) - According to new research from The Diffusion Group, almost 45% of U.S. dial-up Internet households are interested in upgrading to broadband in the next 12 months. The survey, fielded in May 2004, also found that about one-third of dial-up households are unlikely to upgrade to broadband, while approximately one-fourth remain neutral.

"There is no doubt that cumulative interest in upgrading to broadband Internet service has declined, due in large part to the fact that most broadband intenders have already upgraded their Internet service," said Michael Greeson, President and Principal Analyst of The Diffusion Group. "However, short-term demand for residential broadband service continues to be strong. Yes, second quarter subscriber numbers were down, but this is little more than a temporary cyclical lull. To suggest that this is somehow "the beginning of the end" for broadband is a gross oversimplification."



Using data from its most recent consumer research and applying a proprietary forecasting model, The Diffusion Group projects that approximately seven million dial-up households will upgrade to broadband between the end of Q2 2004 and Q2 2005. TDG's founder, Michael Greeson, has been one of the most accurate analysts in the country when it comes to forecasting broadband penetration among U.S. households.

Despite the fact that the cost of broadband service has declined significantly over the last 18 months, more than one-half of dial-up households that are neutral or negative toward upgrading to broadband cite "cost of service" as the primary reason for their lack of interest.

"Broadband service providers are attempting to attract new subscribers by offering less expensive lower-tier services, but consumers for the most part remain unaware of these offerings," Greeson continues. "Marketing efforts continue to be focused on higher-bandwidth offerings, not on low-ARPU, low-bandwidth services. However, if demand for broadband does indeed slow for several quarters, you'll see prices drop further on higher-bandwidth services and more marketing emphasis placed on lower-tier services. In either case, demand for broadband will continue to be strong for several more years."

TDG will launch a new primary consumer research project in September on broadband value-added services, digital electronic ownership, and on-demand media services. For more information about participating in this project, visit [TDG's website](#).

About TDG

The Diffusion Group is a market planning and research firm dedicated to keeping our clients *In Front of the Curve*.™ Since 2004, TDG has helped more than 250 technology leaders, media companies, and service providers to understand and manage the quantum shifts now impacting how consumers access, navigate, distribute and consume media – whenever and wherever they may be.

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