

## The General Market is Shifting: Can You Identify Your Most Valuable Customers?

### *Research Paves the Way for Understanding New Market Dynamics*

*Published in the July 21, 2003 edition of Multichannel News*

*By Adriana Waterston, Director of Marketing  
Horowitz Associates, Inc.*

Since 1985, Horowitz Associates has focused on the development and consumption of cable, Internet, and broadband services and content in the universe of cable homespassed. Four years ago, our Surveys Unlimited division started publishing the **State of Broadband Urban Markets** study series. Our notions of the true locus of the dynamics of American culture and economy faced considerable skepticism before being validated by the publication of the Census 2000.

The evolution of our growing focus on multicultural consumers was inevitable, driven by the very subject matter. Our data have consistently shown, and our latest research from **State of Broadband Urban Markets IV** reinforces what our clients have come to embrace as fact: that Americans in urban, ethnic markets are indeed, among cable and broadband's most valuable customers.

In June 2003, our survey of 2000 multicultural consumers in urban markets found that digital cable penetration is at 26% -- higher than the 21% penetration shown in our national **State of Cable and Broadband 2003** study of cable homespassed. In fact, *just about half* of all multichannel homes in urban markets are currently getting digital services from either a cable or satellite provider. Moreover, added-revenue services such as premium subscriptions and pay per view usage are higher in urban markets compared to the national market, and highest of all in urban African-American and Latino households.

Importantly, the data show strong growth potential for many new cable and broadband services among multicultural, urban consumers. For example, market potential for digital cable in urban markets is on par with the national average, hovering at around 45%. Potential is highest among African-Americans, Latinos and Asians. Consumers interviewed for our urban markets study are also more likely to be willing to pay for many of the *premium* digital features like VOD, PVR capability, and home networking than are consumers in our national State of Cable and Broadband 2003 study. This translates to even more opportunities for incremental revenue in this key, urban marketplace.

When it comes to high speed Internet, the numbers are equally compelling. One quarter of households in the cable homespassed universe surveyed for **State of Cable and Broadband 2003** have high speed data service, either via a cable modem or DSL.

In urban markets, penetration of high speed is a bit higher, with three out of ten homes subscribing to high speed.

But we believe that the importance of America's urban, multicultural markets to the media industry is not only in its high penetration numbers and market potential for cable and broadband services. Along with the inexorable transition to the digital home, the American population we serve with digital media is undergoing a profound and radical demographic shift.

The "minority" population in the U.S. has grown, and will continue to grow much more rapidly than will the white population. Now, *almost half* of Americans under the age of 24 are Black, Latino, Asian or from some other group other than white. The world in which America's young people are being raised is no longer defined by and segregated into ethnic enclaves. Instead, our urban markets, where the vast majority of these young consumers live, are characterized by multiculturalism and diversity.

The bottom line for our industry is that today's multicolored, multilingual, and multiethnic young people will be the next generation of TV and Internet households. Going forward, your multicultural marketing and programming strategies will not be a separate endeavor from your general market strategies since these consumers are fast becoming your general market.

As the cable industry faces increased competition from satellite and other alternative providers, as more and more options for ethnic-oriented networks appear on the media landscape, and as broadband media service providers (BMSP's) look to their new, advanced digital services for incremental revenue, we can once again identify cable and broadband's most valuable customers. Our recent study of **America's Multicultural Youth: The Next Generation** reveals exactly how core young, multiethnic consumers will be as we enter the new digital media landscape. Unlike generations before them, these 12-24 year olds have been raised in a digital environment. Already accustomed to digital TV, the Internet, and high speed, the analog world has little appeal for them. Moreover, these young people are much more at ease with digital technology than are older generations of consumers, and they can easily flow from one application to the next, from one digital screen to the other. True convergence can and will happen among this generation of consumers.

In households where America's multicultural youth reside, digital cable penetration is at 45%. In addition, approximately 40% of these households subscribe to high speed data services, indicating that broadband services in the home -- both to the TV and the PC-- are much more prevalent in homes where America's young people are being raised.

Armed with PC's, laptops, cell phones, MP3 players, hand-held games, and now, VOD, PVR, and HDTV, these young people are surrounded by digital technology both in the home and outside, in a public arena filled with wireless broadband. As the industry grapples with the challenges posed by competition, compatibility and convergence, we have a bullish outlook on the future growth prospects for advanced digital services-- with America's multicultural youth, the next generation, leading the way.