

# ACSI Telecommunications Report 2016

June 1, 2016

## Customers Happier with Telecommunications, but Gains for Pay TV and ISPs May Be Short-lived; Customer Service Still Bleak

After two years of declining customer satisfaction, the telecommunications and information sector halts its slide and gains 1.9% to an ACSI score of 70.1 on the American Customer Satisfaction Index's 100-point scale. This report covers 2016 results for five telecommunications industries: subscription television service, Internet service providers, fixed-line telephone service, wireless telephone service, and cell phone manufacturers. For cell phones, the ACSI reports scores at both the company and brand levels, including satisfaction with more than two dozen smartphone models.

### Subscription Television Service

Customer satisfaction with subscription television service rebounds 3.2% to a score of 65, but pay TV remains among the lowest-ranked industries covered by the ACSI. The gain reverses last year's decline, and places subscription TV slightly above last-place Internet service providers for customer satisfaction.

Over-the-top (OTT) video-streaming services such as Netflix and Hulu have become increasingly competitive with pay TV, often providing consumers with better service and more choice at lower prices. In response, some pay TV providers also have begun offering video apps, streaming options that are accessible on multiple devices in order to keep customers from defecting.

Customers continue to prefer fiber optic and satellite service to cable. Verizon's Fios service slips 1% to 70, and its lead over AT&T's fiber optic U-verse TV shrinks slightly. Customer satisfaction with U-verse service is unchanged at 69 for a third year, as AT&T integrates operations with DIRECTV's satellite service (also unchanged at 68), which AT&T acquired in 2015.

With an ACSI score of 67, DISH Network is the lowest-scoring satellite provider, but stays ahead of the cable companies. Only two cable providers do better than the industry average: Bright House Networks and Cablevision Systems. In its second year of ACSI tracking, Bright House gains 2% to tie Cablevision Systems (down 1%) at 66. Both companies, however, may be on their way to being acquired by larger entities. Bright House has been bought by Charter Communications, along with Time Warner Cable—a deal recently approved by federal regulators. French telecommunications firm Altice's buying spree includes a pending deal to purchase Cablevision. In 2015, Altice bought a controlling stake in Suddenlink. Under its first full quarter of Altice control, Suddenlink shows a 9% ACSI gain to 62—as well as a 9% rise in its stock price in the first quarter of 2016.

Near the middle of the industry, the group of all other smaller subscription television providers retreats 3% to a combined score of 64. Cable giant Comcast leaps 15% to an ACSI score of 62 and also reports its largest first-quarter gain in subscription TV customers in nine years.

### ACSI: Subscription Television Service

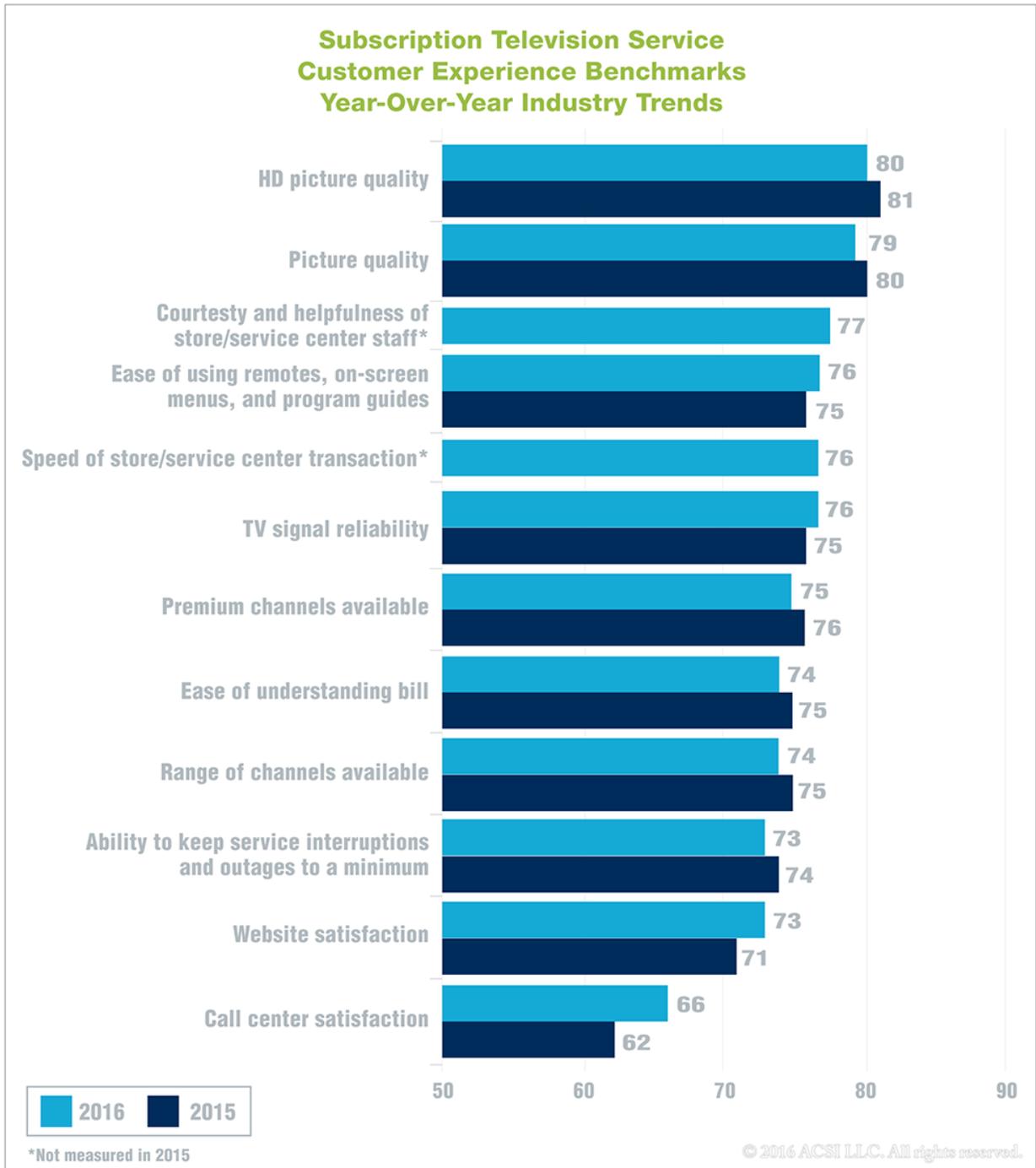
Company	2015	2016	% Change
<b>Subscription Television Service</b>	<b>63</b>	<b>65</b>	<b>3.2%</b>
Verizon Fios	71	70	-1%
AT&T U-verse	69	69	0%
DIRECTV (AT&T)	68	68	0%
DISH Network	67	67	0%
Bright House Networks	65	66	2%
Cablevision Systems	67	66	-1%
All Others	66	64	-3%
Comcast	54	62	15%
Suddenlink	57	62	9%
Charter Communications	63	60	-5%
Cox Communications	62	59	-5%
Time Warner Cable	51	59	16%
Mediacom	51	54	6%

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Charter Communications and Cox Communications each fall by 5% to 60 and 59, respectively. Time Warner Cable, on the other hand, surges 16% to an ACSI score of 59. Despite this big jump, TWC's score is still low. The Charter-TWC-Bright House merger will bring together more than 25 million customers—making the new entity the second-largest pay TV operator after Comcast. ACSI improvement notwithstanding, both Charter and TWC still lag the majority of the industry. This does not bode well for customers, especially those of Bright House, as mergers tend to cause customer satisfaction to deteriorate, at least in the short term. In last place, Mediacom rises 6% to 54.

For the industry overall, customers say that subscription TV service has deteriorated in many ways—but does show improvement in key areas. Website satisfaction and call center satisfaction are still sore spots, but not as bad as they were a year ago. Website satisfaction is up to 73, followed by call center satisfaction at 66. In-person, pay TV companies provide better customer service. Courtesy and helpfulness of in-store or service center staff earns a mark of 77, while transaction speed scores 76.

Although picture quality is the industry’s most-liked feature, customers give lower marks to both HD (80) and standard picture quality (79) compared to a year ago. Satisfaction with range of channels continues to slip as providers battle over content distribution (74), and viewers say that service interruption is more frequent (73). However, upgraded remotes, menus, and program guides have been well received (76).



## Internet Service Providers

Internet service providers improve customer satisfaction, up 1.6% to an ACSI score of 64, but remain the weakest among the 43 industries covered by the ACSI. Broadband cord cutting is on the rise as households increasingly rely on mobile devices to access the Internet, and broadband use in online households has plateaued. Nevertheless, pay TV cord cutters still rely on ISPs to provide the high-speed connectivity required for OTT services like Netflix and Amazon Prime Video. Data caps might affect satisfaction for these customers. ISPs and pay TV providers are often the same company, so it is no surprise that both of these industries are the worst in the ACSI.

<b>ACSI: Internet Service Providers</b>			
<b>Company</b>	<b>2015</b>	<b>2016</b>	<b>% Change</b>
<b>Internet Service Providers</b>	<b>63</b>	<b>64</b>	<b>1.6%</b>
Verizon Fios	68	73	7%
Cablevision Systems	61	69	13%
Bright House Networks	63	67	6%
Time Warner Cable	58	66	14%
All Others	65	64	-2%
AT&T U-verse	69	64	-7%
CenturyLink	60	63	5%
Charter Communications	57	63	11%
Cox Communications	58	63	9%
Suddenlink	NM	61	NA
Comcast	56	59	5%
Windstream	NM	59	NA
Mediacom	57	57	0%
Frontier Communications	61	56	-8%

NM=Not Measured  
NA=Not Available

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Among the large ISPs, Verizon Fios leads after picking up 7% to an ACSI score of 73. In second place, Cablevision Systems gains 13% to an ACSI score of 69. The company reported a 50% year-over-year increase in first quarter net video customers. Additionally, Cablevision has the lowest quarterly customer churn in more than eight years.

Time Warner Cable (TWC) advances 14% to an ACSI score of 66, its highest score to date and perhaps good news for Charter Communications, which has acquired TWC. TWC added 314,000 high-speed Internet subscribers in the first quarter of 2016.

The remaining ISPs fall at or below the industry average. AT&T's U-verse Internet service tumbles 7% to 64, tying the combined score for smaller ISPs (down 2%). CenturyLink (+5%), Cox Communications (+9%), and Charter Communications (+11%) all climb into a three-way tie at 63, but stay just below the average.

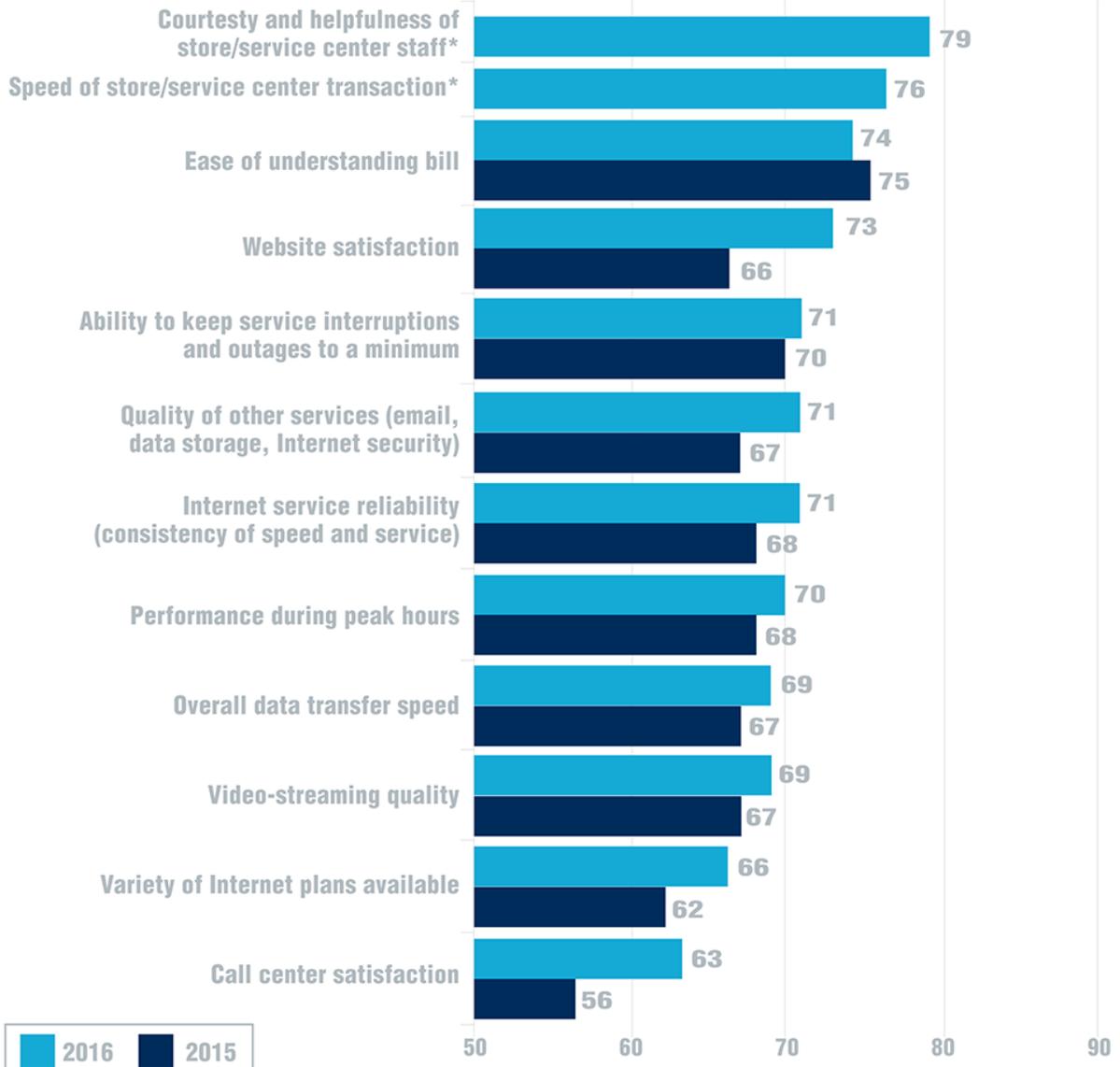
Two companies debut in the ISP category: Suddenlink at 61 and Windstream at 59. Comcast no longer occupies the bottom after moving up 5% to tie with Windstream. Sinking 8% to 56, Frontier Communication now sits in last place behind Mediacom—flat at 57 for a second year.

According to Internet users, video streaming and overall data speed have improved (both 69), along with most other aspects of the customer experience. Only ease of understanding billing has gotten worse (74), but it is better than it was in 2014 (69).

The quality of other services such as email, data storage, and security is up (71), and customers are happier with the variety of Internet plans (66). At 73, customer satisfaction with ISP websites is far better than it was a year ago. Call center performance also recovers slightly—rising to a benchmark of 63—but this remains the weakest score among all telecommunications services.

Courteousness and helpfulness of store and service center staff (79) and speed of transactions (76) are the highest-scoring customer experience benchmarks for ISPs.

**Internet Service Providers  
Customer Experience Benchmarks  
Year-Over-Year Industry Trends**



\*Not measured in 2015

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## Fixed-Line Telephone Service

Nearly half of all American households have shed landline telephone service and the trend shows no sign of slowing down. Customer satisfaction with fixed-line telephones inches up 1.4% to 70 as dissatisfied customers defect, leaving behind a stalwart customer base whose satisfaction does not tend to change. Voice-over-Internet protocol (VoIP) calling is quickly becoming the dominant mode of landline-based communication, and fixed-line operators are facing a loss of long-distance telephone business to cell phones or other IP-based modes of communication like Microsoft's Skype or Apple's FaceTime.

### ACSI: Fixed-Line Telephone Service

Company	2015	2016	% Change
<b>Fixed-Line Telephone Service</b>	<b>69</b>	<b>70</b>	<b>1.4%</b>
Vonage	73	78	7%
All Others	76	72	-5%
Bright House Networks	73	72	-1%
Cablevision Systems	67	72	7%
Verizon	68	72	6%
AT&T	65	70	8%
CenturyLink	70	68	-3%
Cox Communications	68	68	0%
Frontier Communications	59	67	14%
Charter Communications	69	65	-6%
Windstream	61	65	7%
Comcast	64	64	0%
Time Warner Cable	63	64	2%

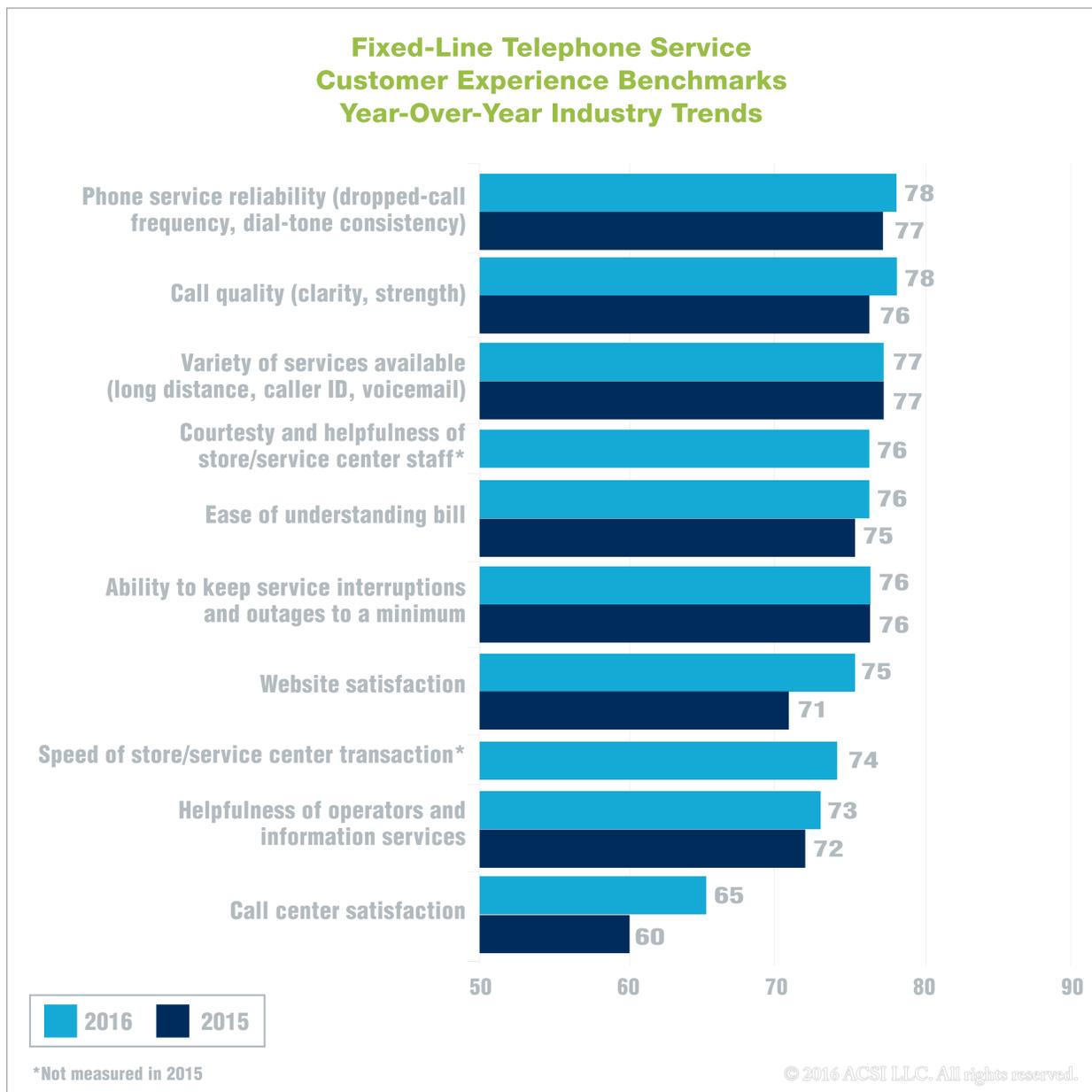
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Vonage, a VoIP provider, gains 7% for a solid lead. Unlike its competitors, Vonage deals exclusively on landline-based phone services, and because it is an OTT service that does not need to maintain network infrastructure, Vonage is able to direct resources toward customer service. Companies that provide both cable and Internet services in addition to landline telephone trail far behind Vonage. Bright House Networks slips 1% to 72, while the group of smaller fixed-line service providers declines 5% to the same score. Also at 72, but moving in the opposite direction, are Cablevision Systems (+7%) and Verizon (+6%). AT&T registers improvement as

well, jumping 8% to match the industry average at 70.

CenturyLink dips 3% to 68, tied with an unchanged Cox Communications. A notch below, Frontier Communications posts the largest improvement—up 14% to 67. A loss for Charter Communications (-6%) and a gain for Windstream (+7%) land both in a tie at 65. At the bottom of the category, Comcast and Time Warner Cable are neck-and-neck at 64.

According to customers, service interruptions are as frequent as they were a year ago (76), but service reliability and call quality (clarity and strength) have both improved (78). Most other aspects of the landline customer experience have gotten better. Website satisfaction rises to 75, while call center satisfaction is up to 65.



### Wireless Telephone Service

Wireless telephone service obtains a score of 71, 1.4% higher than in 2015. The uptick is attributable to a small gain for AT&T Mobility, one of the two largest wireless carriers, and big improvements for T-Mobile and Sprint. Cell phones are ubiquitous and many customers are shedding landlines for wireless-only telephone service. Additionally, many consumers are increasingly accessing the Internet on smartphones and other mobile devices that are connected to the net via wireless carrier networks. The number of households exclusively using mobile devices to access the Internet has doubled since 2013.

<b>ACSI: Wireless Telephone Service</b>			
<b>Company</b>	<b>2015</b>	<b>2016</b>	<b>% Change</b>
<b>Wireless Telephone Service</b>	<b>70</b>	<b>71</b>	<b>1.4%</b>
All Others	79	77	-3%
TracFone Wireless	77	75	-3%
T-Mobile	70	74	6%
U.S. Cellular	NM	72	NA
AT&T Mobility	70	71	1%
Verizon Wireless	71	71	0%
Sprint	65	70	8%

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The industry may be facing a new frontier of technology, but the current marketing battle is an old familiar story, strikingly similar to the history of fixed-line telephone. In the 1980s and 90s, landline phone companies waged price wars to lure customers away from each other, and customer switching was widespread. Today, wireless companies are engaged in similar battles, with price as the weapon of choice. The industry has moved away from locking customers into contracts and increased opportunity for switching is to the benefit of consumers, as companies need to work harder to retain customers.

To some extent, however, companies still turn to the established tactics of price baiting and incentivizing. Competing on price alone is a short-term tool to win customers, but it may well work as a reasonable starting point for the type of competition this industry needs. Fewer switching barriers for customers will put more pressure on wireless providers to deliver better customer service as moving between carriers has never been easier.

The highest customer satisfaction for the industry belongs to the group of smaller wireless companies (-3% to 77), which provide better customer service and include prepaid service providers popular with lower-income households.

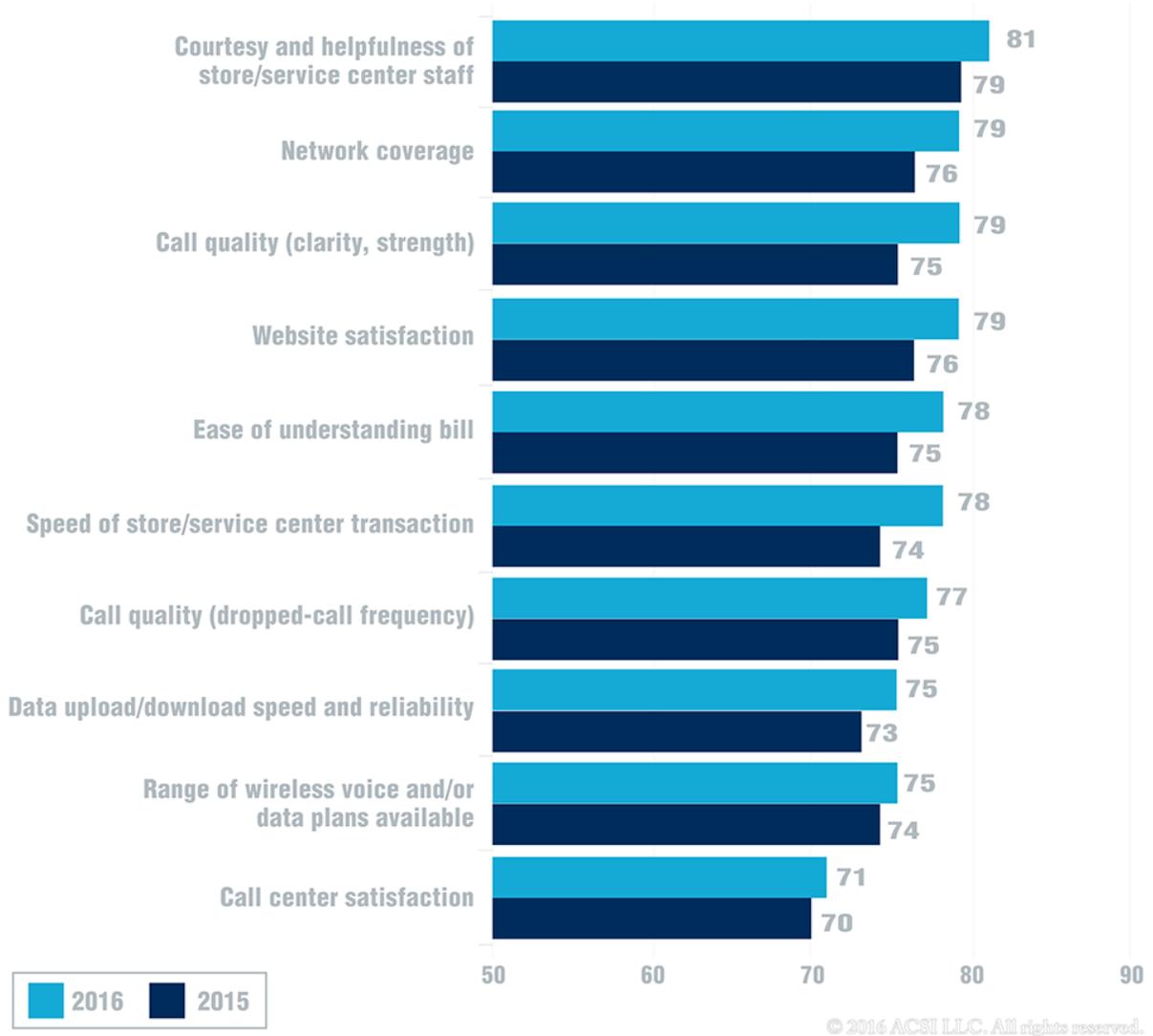
Prepaid phone provider TracFone Wireless slips 3% to a score of 75, but remains the highest-scoring wireless provider. T-Mobile beats the industry average and leads the national carriers after gaining 6% to an ACSI score of 74. The company captured nearly all of the industry's postpaid phone net customer growth in the fourth quarter 2015.

U.S. Cellular enters the ACSI with a score of 72, just ahead of AT&T Mobility and Verizon Wireless (both 71). Sprint shows the most improvement, up 8% to 70. Although it remains at the bottom of the rankings, Sprint has closed the gap to the rest of the industry considerably. However, Sprint's planned capital expenditure on network improvements this year is 40% less than analysts had expected and might not be enough to fight the perception that the company's network is weaker than those of its national rivals. Sprint offers aggressive incentives to attract customers, but it is usually difficult to remain competitive and sustain improved customer satisfaction on price incentives alone.

All aspects of the wireless customer experience are better than they were in 2015. There is improvement across the board and the in-store experience is getting better. Customers say that staff are more courteous and helpful (81) and transactions are more efficient (78).

Network coverage has improved (79), as have the quality of calls in terms of clarity and strength (79) and frequency of dropped calls (77). No-contract plans seem popular as perceptions of the variety of voice and data plans (75) edge up. Consumers use more bandwidth than ever before, and ACSI data suggest that networks are keeping up with demand as upload speed and reliability improves (75).

**Wireless Phone Service  
Customer Experience Benchmarks  
Year-Over-Year Industry Trends**



## Cellular Telephones

Consumers purchase new phones less frequently than they used to and nearly four in five cell phones sold today are smartphones. In the past, subsidies and wireless service contracts made it more difficult to assess the true cost of smartphones. While there was reason to believe that customer satisfaction would take a hit when these practices went away, particularly for Apple's popular iPhone models, the industry instead has improved, advancing 1.3% to 79. Moreover, ACSI data suggest that prices have not had a negative impact on Apple or Samsung—manufacturers of the top-selling smartphones. Apple is the only big company to improve, largely due to the success of its large-screen models.

Apple moves up 1% to take sole possession of the industry lead at 81, just ahead of Samsung, unchanged at 80. Lenovo's Motorola recedes 3% to 77, as does HTC (75), while LG remains at 74. Microsoft Mobile, with both Nokia- and MS-branded phones, dips to 74, followed by the smaller manufacturers, which edge up 3% to a combined score of 73.

<b>Company</b>	<b>2015</b>	<b>2016</b>	<b>% Change</b>
<b>Cellular Telephones</b>	<b>78</b>	<b>79</b>	<b>1.3%</b>
Apple	80	81	1%
Samsung	80	80	0%
Motorola (Lenovo)	79	77	-3%
HTC	77	75	-3%
LG	74	74	0%
Microsoft Mobile (Nokia)	75	74	-1%
All Others	71	73	3%

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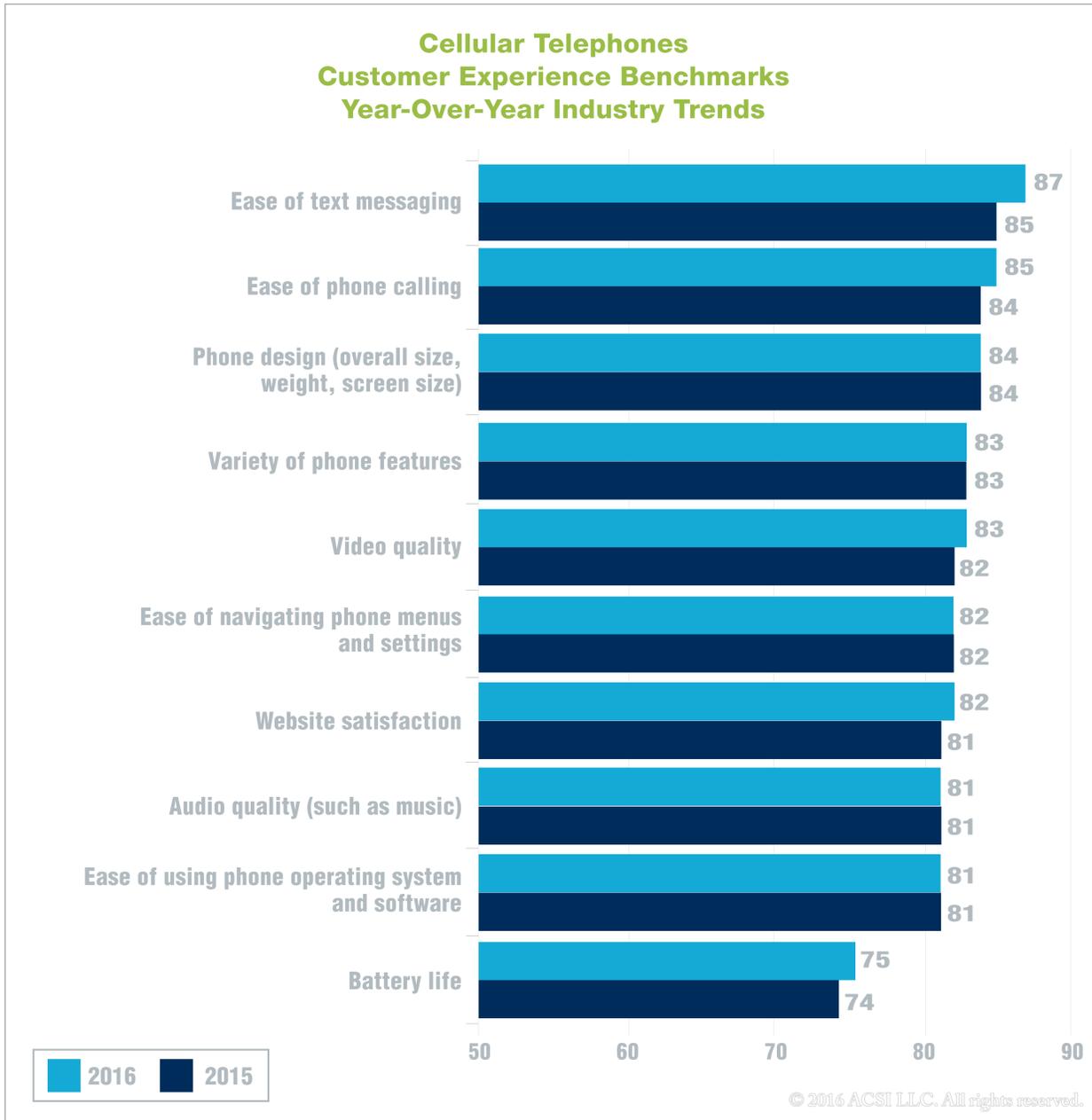
The good news for Samsung is that among smartphone models, Samsung's Galaxy Note5 is on top (86), providing a case in point that bigger seems to be better. The iPhone 6s Plus follows closely in second place (85), with the Galaxy S6 edge+ and the Galaxy Note 4 tied for third at 84. All four of these top-rated models have larger-sized screens (5.5 to 5.7 inches). The iPhone 6s rounds out the top five at 83. At 81, Motorola's Moto G is the only non-Apple or Samsung brand to score above 76.

### ACSI: Smartphone Brands

Model	Manufacturer	2016
Galaxy Note5	Samsung	86
iPhone 6s Plus	Apple	85
Galaxy S6 edge+	Samsung	84
Galaxy Note 4	Samsung	84
iPhone 6s	Apple	83
Galaxy S6 active	Samsung	82
iPhone 6 Plus	Apple	82
Galaxy S6 edge	Samsung	81
Moto G	Motorola	81
Galaxy S6	Samsung	80
Galaxy S III	Samsung	80
iPhone 5	Apple	80
iPhone 6	Apple	80
Galaxy S4	Samsung	79
Galaxy S5	Samsung	79
iPhone 5s	Apple	78
Galaxy Grand Prime	Samsung	77
HTC Desire 626	HTC	76
LG G4	LG	76
LG G3	LG	75
iPhone 4	Apple	75
iPhone 4s	Apple	75
Galaxy Core Prime	Samsung	74
iPhone 5c	Apple	74
Moto E	Motorola	71
G Stylo	LG	70
HTC Desire	HTC	67
Leon LTE	LG	67

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Overall, mobile phones do well on most aspects of the customer experience. The exception is battery life, which scores 75. However, battery life has improved steadily over time, as bigger-screen smartphones accommodate larger batteries and software improvements increase power efficiency.



According to customers, it is easier than ever to text (87) and call (85), and phone design and features (84) remain highly regarded. Operating systems and software are straightforward (81) and phone menus and settings are easy to navigate (82). Users are still satisfied with the audio quality on phones they purchased in the past year (81), but happier with manufacturer websites (82) compared to a year ago.

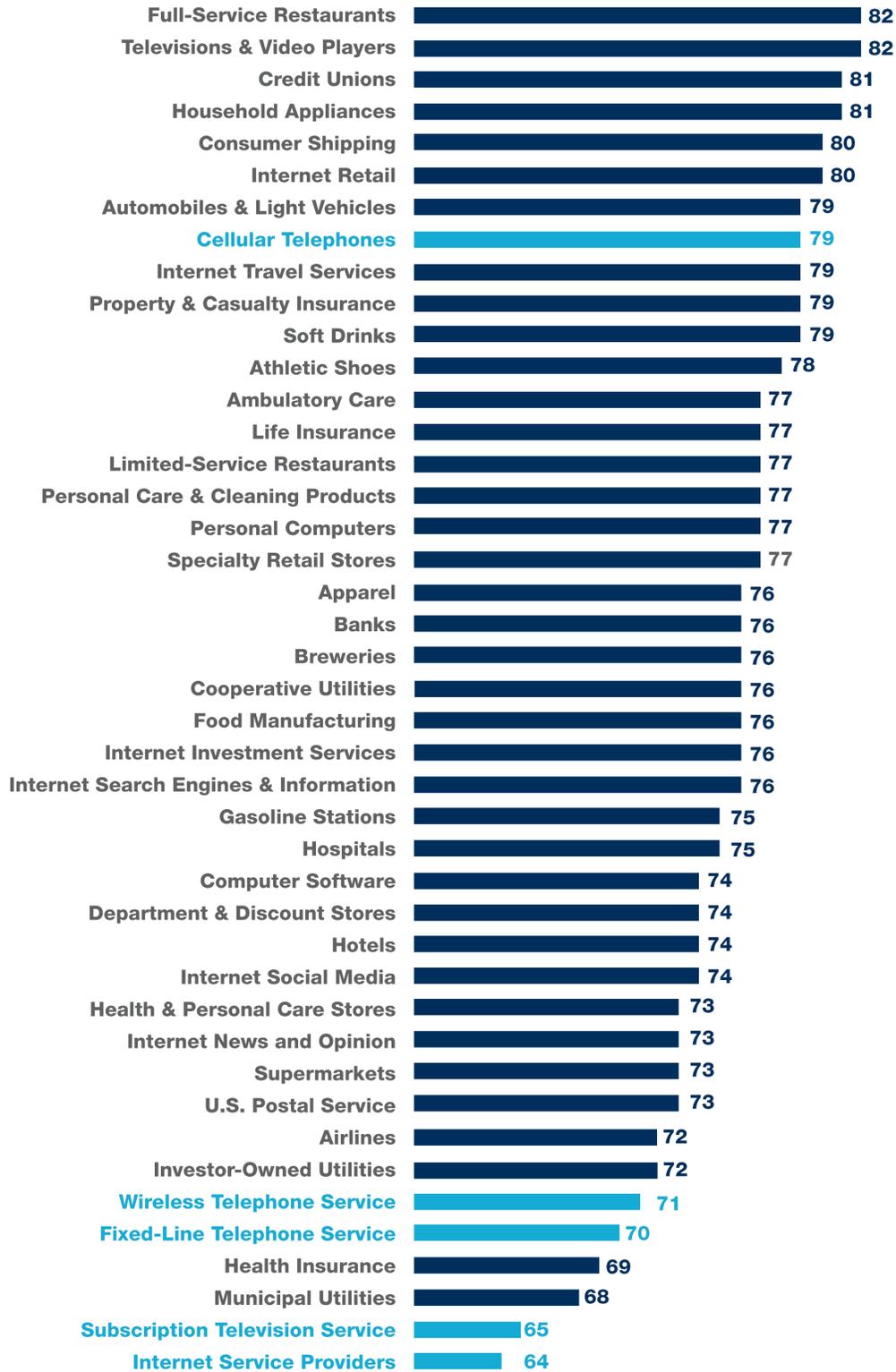
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### **About This Report**

The *ACSI Telecommunications Report 2016* on cellular telephones, fixed-line telephone service, Internet service providers, subscription television service, and wireless telephone service is based on interviews with 12,710 customers, chosen at random and contacted via email between March 5 and March 31, 2016. Customers are asked to evaluate their recent experiences with the largest telecommunications service providers and phone manufacturers in terms of market share, plus an aggregate category consisting of “all other”—and thus smaller—companies in those industries.

The survey data are used as inputs to ACSI’s cause-and-effect econometric model, which estimates customer satisfaction as the result of the survey-measured inputs of customer expectations, perceptions of quality, and perceptions of value. The ACSI model, in turn, links customer satisfaction with the survey-measured outcomes of customer complaints and customer loyalty. ACSI clients receive confidential industry-competitive and best-in-class data on all modeled variables and customer experience benchmarks.

## Customer Satisfaction Benchmarks by Industry



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