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# Worth the Cost: Broadband Prices in Minnesota

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Just a few years ago, most people didn't even know what broadband was, let alone how it could benefit their lives. Today, a majority of Minnesotans see that being connected to broadband at home is worth the added cost. For some, though, the cost of broadband and the hardware that is necessary to get connected is a barrier they have been unable to overcome.

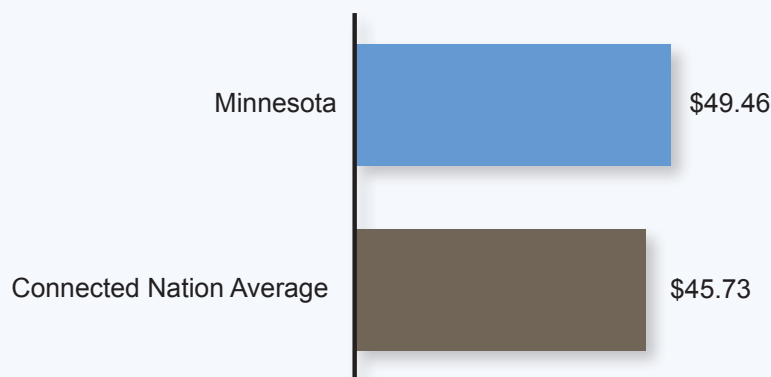
Recent efforts by providers as well as governmental and non-profit agencies are attempting to address the cost issue. For example, the Federal Communications Commission's Connect to Compete initiative recently brought together government officials, for-profit companies, and non-profit organizations to provide affordable broadband service to targeted populations and help them learn how to use a host of online tools.

The first thing any such program needs, though, is information. It is vital not only to know how many households currently are without home broadband service, but also how cost plays a role in their decision to subscribe. As part of its 2011 Residential Technology Assessment, Connect Minnesota examined the prices that Minnesotans pay for their broadband service, how changes in price affected their decisions to subscribe, and how cost impacts some Minnesotan's decision to adopt broadband.

### Prices that Minnesotans Pay for Home Broadband Service

On average, Minnesota broadband subscribers who know their monthly price say they pay \$49.46 per month for their home broadband service. By comparison, home broadband subscribers across all of the states surveyed by Connected Nation pay \$45.73 (Figure 1).<sup>i</sup>

**Figure 1.**  
**Average Price Paid by Home Broadband Subscribers**



It should be noted, though, that Minnesota broadband subscribers who know their advertised download speed subscribe to service that is significantly faster than other states surveyed by Connected Nation; Minnesota broadband subscribers who know their advertised download speed report an average speed of 6.0 Mbps downstream, compared to the average of 4.8 Mbps. As such, one would expect a higher average price in Minnesota.

### Among the findings from this survey:

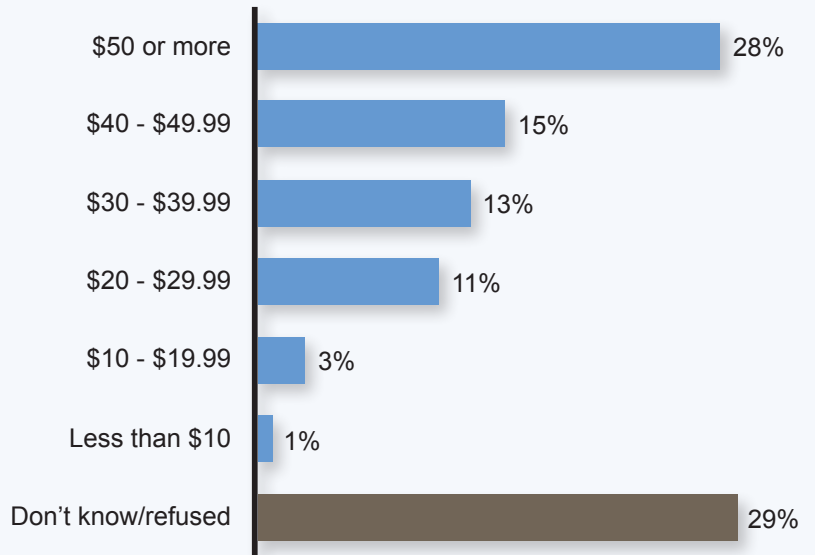
- On average, Minnesota broadband subscribers spend **\$49.46** a month on home broadband service. About 810,000 Minnesota adults (28% of broadband subscribers) report spending \$50.00 or more on their broadband subscription.
- When asked to rate their satisfaction with the price of their home broadband service, **15%** of broadband-connected Minnesotans (representing about 432,000 Minnesota adults) rated their satisfaction as "5 out of 5."
- More than **one out of five** Minnesota broadband subscribers (21%, representing approximately 607,000 adult residents) say that price was a factor in their decision to subscribe, either because the price of broadband service went down, or they realized that the cost was worth the extra price per month.
- Approximately **1.1 million** adult Minnesotans do not subscribe to broadband service. Cost is the main barrier to adoption for 26% of them (or approximately 297,000). This includes those who say that the monthly cost of broadband service is too high (17.5%), the cost of a computer is too expensive (5.5%), and the activation and installation fees are too expensive (3.3%).
- The cost of home broadband service is cited as a barrier by many at-risk groups, including low-income households and minorities; across Minnesota, approximately **37,000** minority adults do not subscribe to broadband primarily due to the cost barrier.

<sup>i</sup> Q: What do you pay each month for your Internet service?

Further examination of prices paid by Minnesota broadband subscribers shows that only 4% of Minnesota broadband subscribers say that they pay less than \$20.00 per month for their home broadband subscription (Figure 2).<sup>ii</sup>

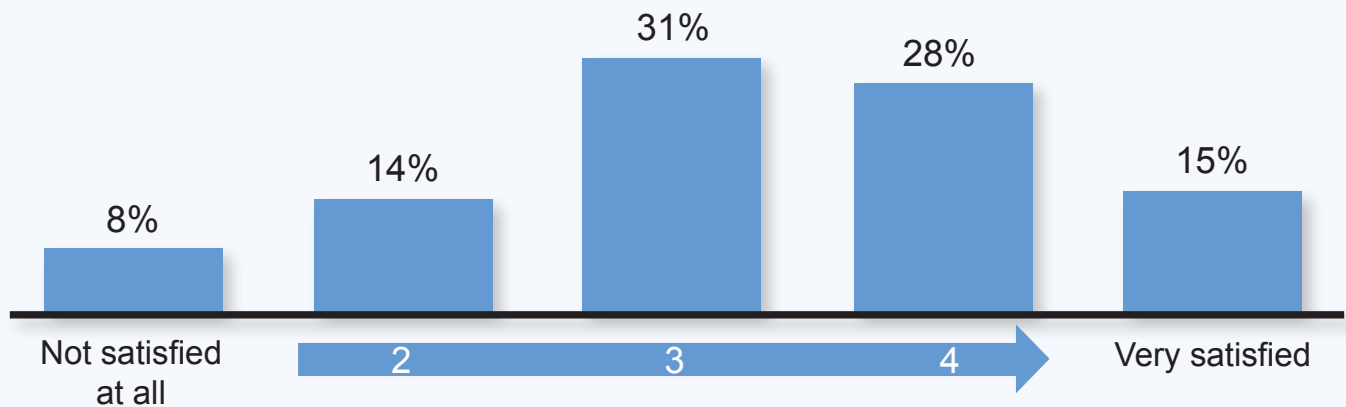
By comparison, more than one out of four Minnesotans who subscribe to home broadband service (approximately 810,000 adult Minnesotans) say they pay \$50.00 or more per month for their home broadband service. In addition, nearly three in ten Minnesota broadband subscribers do not know what they pay each month for their home broadband service.

**Figure 2.**  
**Prices Paid by Minnesota Broadband Subscribers**



It appears that Minnesota broadband adopters tend to be satisfied with the price that they are paying. When asked how satisfied they are with the monthly price they currently pay for their home broadband service, 15% of Minnesota broadband subscribers (representing approximately 432,000 adult Minnesotans) said they are “very satisfied,” compared to just 8% who said they were “not satisfied at all” (Figure 3).<sup>iii</sup> On a scale of one to five, with five being very satisfied and one being not satisfied at all, Minnesotans rated their average satisfaction with their download speed as 3.3 (compared to the average across Connected Nation of 3.5).

**Figure 3.**  
**Satisfaction with Monthly Price of Broadband Service**

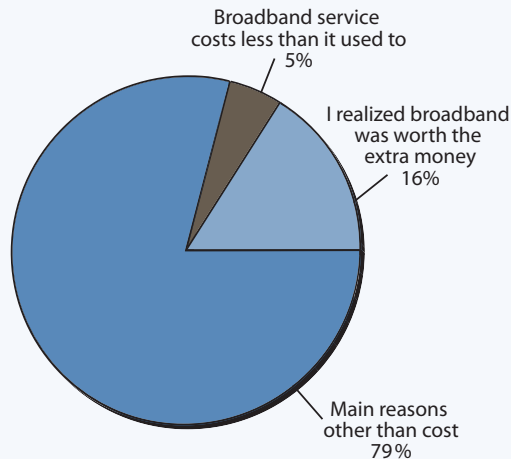


<sup>ii</sup> Ibid

<sup>iii</sup> Q: Now thinking about different aspects of your home broadband service, how would you rate your satisfaction with the monthly price you pay for your current broadband service on a scale from one to five, with five being very satisfied and one being not satisfied at all?

This high rate of satisfaction in home broadband prices is reflected in the number of Minnesotans who first subscribed to broadband due to price. More than one in five Minnesota broadband subscribers (21%, representing approximately 607,000 adult Minnesotans) say that price factored into their consideration to start subscribing (Figure 4).<sup>iv</sup>

**Figure 4.**  
**Why Minnesota Broadband Subscribers First Adopted**

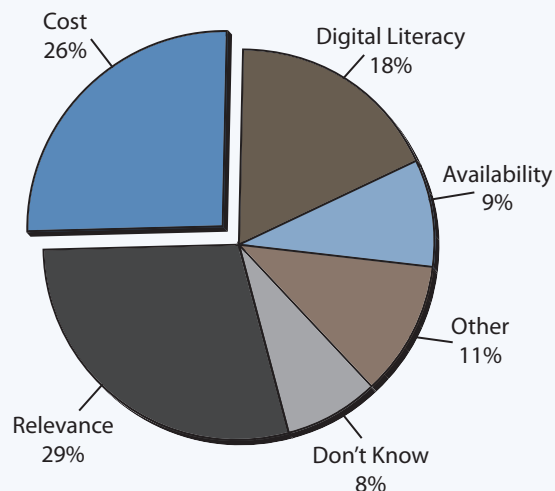


That is, 16% of adopters said they first subscribed because they realized that broadband was worth the extra money it would cost them. Another 5% of adopters said that broadband’s decreasing cost was the main reason they began subscribing.

**Cost as a Barrier to Home Broadband Adoption**

Although many Minnesotans subscribe to home broadband service, more than one in four Minnesota households (28%) still do not subscribe. This translates into more than 1.1 million adult Minnesotans who do not have broadband service in their homes. While Minnesotans cite a variety of reasons why they do not subscribe to broadband service, cost is a major factor that is cited by more than one out of four (26%) Minnesotans who do not subscribe to home broadband service (Figure 5).<sup>v</sup> In fact, among non-adopters in Minnesota, cost is second only to relevance as a barrier to home broadband adoption. Statewide, this means that approximately 297,000 adult Minnesotans do not have access to home broadband service or any of its benefits due to cost barriers.

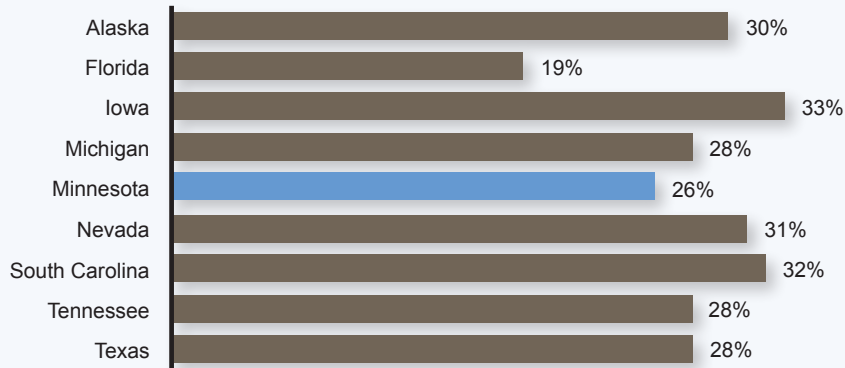
**Figure 5.**  
**Main Barriers to Home Broadband Adoption in Minnesota**



<sup>iv</sup> Q: Which one of these is the main reason why you decided to subscribe to home broadband service?  
<sup>v</sup> Q: Which one of these is the main reason why you do not subscribe to home broadband service?

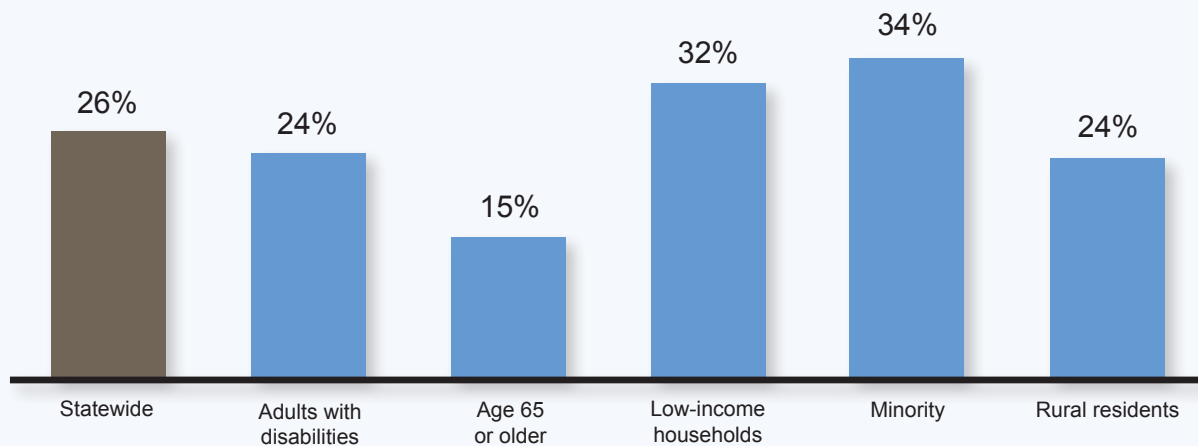
This figure is comparable to other states surveyed by Connected Nation, where on average, 27% of adults without home broadband service cite cost at their top barrier to broadband adoption (Figure 6).<sup>vi</sup> Among these nine states, Florida is the only state in which a smaller share of non-adopters cite cost as a barrier to home broadband adoption.

**Figure 6.**  
**Cost as the Main Barrier to Home Broadband**



While cost is a factor for residents of every socio-economic group, some Minnesotans feel the impact of cost more than others - a large portion of those who cite cost include populations who are at greater risk of falling on the wrong side of the digital divide (Figure 7).<sup>vii</sup>

**Figure 7.**  
**Cost as the Main Barrier to Home Broadband Adoption by Demographic**



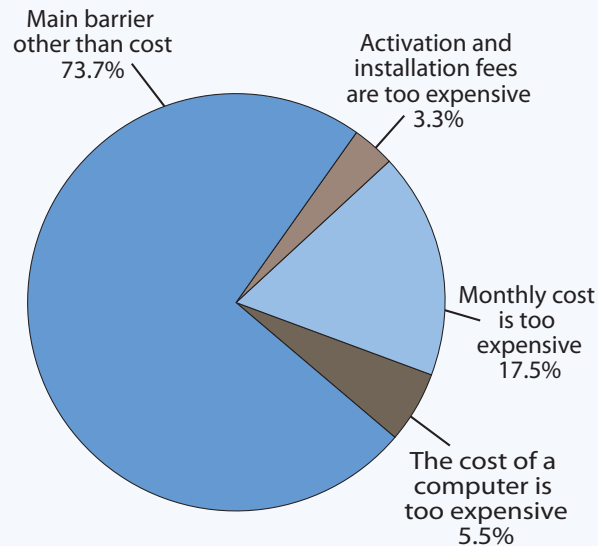
For example, more than one-third of minority Minnesota households (34%) cite price as the top barrier to home broadband adoption; this means that approximately 37,000 minority Minnesotans don't access broadband from home because it is too expensive.

<sup>vi</sup> ibid

<sup>vii</sup> Q: Which one of these is the main reason why you do not subscribe to home broadband service? "Low-income" is defined as having an annual household income below \$25,000.

A closer examination shows that among those Minnesotans who say that price is their main barrier to home broadband adoption, the majority cite the monthly cost of broadband service as a barrier to adoption. Statewide, 17.5% of Minnesotans who do not have home broadband service cite the monthly cost of subscribing to home broadband service as being their main barrier to broadband adoption (Figure 8).<sup>viii</sup>

**Figure 8.**  
**Cost as the Main Barrier to Home Broadband Adoption in Minnesota**



That means that two out of three Minnesotans who say that cost is their main barrier to home broadband adoption (representing approximately 198,000 adult Minnesotans) say the monthly price of broadband service is their top concern. By comparison, 3.3% of Minnesota non-adopters (approximately 37,000 adult Minnesotans) say that the activation and installation fees for broadband service are too expensive, while 5.5% (representing approximately 62,000 Minnesota adults) say that their top reason for not subscribing to broadband is because the cost of a computer is too expensive.



<sup>viii</sup> Q: Which one of these is the main reason why you do not subscribe to home broadband service?

## Methodology and Definitions

Between June 22 and August 14, 2011, Connect Minnesota conducted random digit dial telephone surveys of 1,200 adults across the state. Connect Minnesota also oversampled an additional 1,900 Minnesota adults who were specifically selected because they did not subscribe to home broadband service. This oversample of non-adopters was conducted separately to further explore barriers to broadband adoption and their willingness to subscribe to home broadband service in the future.

Of the 1,200 respondents randomly contacted statewide, 202 were called on their cellular phones, and 998 were contacted via landline telephone. Of these 1,200 respondents, 832 said that they subscribe to home broadband service. The results of this survey have been compared to similar surveys that Connected Nation conducted across ten states in 2011 (Alaska, Florida, Iowa, Michigan, Minnesota, Nevada, Ohio, South Carolina, Tennessee, and Texas). Altogether, Connected Nation surveyed 27,086 residents across these ten states in 2011 for this study, including 7,682 residents that subscribe to home broadband service.

“Home Broadband Subscribers” are defined as those respondents who answered “yes” when asked “Do you subscribe to the Internet at home?” and answered that they subscribe to home broadband Internet service when asked “Which of the following describe the type of Internet service you have at home?”

Multiple attempts were made to each working telephone number on different days of the week and at different times of the day to increase the likelihood of contacting a potential respondent. To ensure a representative sample, quotas were set by age, gender, and county of residence (rural or non-rural), and the results were weighted to coincide with 2010 United States Census population figures. For the purpose of setting quotas and weighting, “rural” respondents are defined as living in a county that is not a part of a Metropolitan Statistical Area (MSA), as designated by the United States Office of Management and Budget. Weighting and design consultation were provided by Lucidity Research.

Surveys were conducted by Thoroughbred Research Group. On average, the survey took approximately 12 minutes to complete after the respondent agreed to participate. Based on the effective sample size, the margin of error =  $\pm 3.2\%$  at a 95% level of confidence for the entire population,  $\pm 3.85\%$  for the sample of home broadband subscribers, and  $\pm 2.67\%$  for the sample of non-adopters. As with any survey, question wording and the practical challenges of data collection may introduce an element of error or bias that is not reflected in this margin of error.

These surveys were conducted as part of the State Broadband Initiative (SBI) grant program, funded by the National Telecommunications and Information Administration (NTIA). The SBI grant program was created by the Broadband Data Improvement Act (BDIA), unanimously passed by Congress in 2008 and funded by the American Recovery and Reinvestment Act (ARRA) in 2009. To learn more about Connect Minnesota and its programs please visit [www.connectmn.org](http://www.connectmn.org) or e-mail us at [info@connectmn.org](mailto:info@connectmn.org).

## APPENDIX A:

### Select questions and sample sizes from Statewide Oversample Non-Adopter Technology Assessment

	<i>n</i> Internet Users
Total	1,900

#### May I have your age, please?

Age 18-64	877
Age 65 or older	1,023

#### Do you have any long-term physical, mental, or emotional conditions that make it difficult to do any of the following tasks?

Walking or climbing stairs	309
Concentrating, remembering, or making decisions	151
Visiting a doctor's office or shopping by yourself	150
Dressing or bathing	74
Are you blind, or have serious difficulty seeing even when wearing glasses?	107
Are you deaf, or have serious difficulty hearing?	198
Any of the above	911

#### Which of the following race (or races) do you consider yourself to be? And are you, yourself, of Hispanic, Latino, or Spanish origin or descent?

White (non-Hispanic)	1,634
Minority	134
No answer/refused	132

#### Which of the following categories best describes the total annual household income earned by all wage earners in your household? And do you have any children under the age of 18 living at home?

Less than \$25,000	543
Greater than or equal to \$25,000	846
No answer/refused for annual household income	511