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Dial-Up Holdouts Ask: Why Go To Broadband?

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By Andrew D. Smith

Some announce their position and explain why it's smart. Others blush when relatives mockingly raise the topic. But neither type expects to upgrade from dial-up to broadband Internet – ever.

Analysts who monitor such holdouts closer than investors monitor Ben Bernanke say most dial-up users are kidding themselves. Broadband Internet has spread faster than did telephones, radio or television, and it will eventually become as common as any of them.

Pundits, meanwhile, ponder whether holdouts hurt the national economy and debate what our impatience with dial-up says about us.

"Nearly 75 years elapsed between the invention of the telephone and anything approaching universal adoption. Broadband Internet has reached half the nation's homes in less than a decade," said Jim Murphy, AT&T Corp.'s executive director for retail DSL.

"If you keep this history in mind, it's really not surprising that we still have holdouts. It's only surprising that so many of us are surprised."

I'm not surprised, though, because I've lived it – my father-in-law was a holdout until a few months ago.

AT&T research reveals much about holdouts, some expected, some surprising.

Holdout demographics do, of course, skew older and lower-income. Many holdouts retired before fast Internet hit offices. Working holdouts rarely use the Internet in the office.

In these days of \$10 dial-up and \$15 DSL, the actual costs rarely prevent upgrades. In fact, people with a second phone line for dial-up Internet can actually save by switching.

But some holdouts don't know that broadband is so cheap because they never bother to investigate.

Others know they can afford to upgrade but don't see the need. This group rarely goes online and sticks mostly to e-mail. And some members of the club take pride in denying themselves anything as frivolous as fast Internet.

"I just don't need it." "I don't mind waiting a couple seconds for a page to load up." "How fast does it need to be?"

I heard all these explanations from my father-in-law, generally accompanied by dismissive hand gestures. The battle only ended when his son bought him DSL last Christmas.

"Children are broadband's greatest friend," said Sandra Carpenter, Verizon Communications Inc.'s group manager of marketing for the Texas region.

Fast-spreading

About 56 million U.S. homes subscribe to some sort of fast Internet, and 21 million have dial-up.

Broadband enthusiasts use it so much that they often think it's been around longer than it has.

Colleges and corporations got fast Internet in the 1990s, but consumers had to wait. According to the Organization for Economic Cooperation and Development, only 5 percent of Americans had fast Internet in 2001 and just 15 percent had it in 2005.

These figures are strangely controversial; other sources put them far higher, but you can see how new Internet ubiquity is by considering where you got your news on Sept. 11 or even during Hurricane Katrina.

Only a few of you turned instantly to the Internet because only a few of you had the sort of connection that makes the Internet an instant source of news.

The explosive growth of fast Internet began in the middle of this decade, when price drops and speed boosts began attracting more than 2 million households per quarter.

The conversion rate may be slowing. Broadband service providers added only 1.2 million accounts during the three months ended June 30. That said, second-quarter numbers are always weak, and half of the nation's holdouts may have broadband by this time next year.

"We expect that 73 percent of all homes will have a broadband connection by 2011," said Amanda Sabia, an analyst at Gartner Research. "Most of the others won't be dial-up customers. They'll be people who don't even own a computer."

Not for everyone

Analysts doubt we'll ever get to universal broadband. Some people just aren't interested in the Internet; others will never learn to use it. And roughly one in five Americans struggles to read well enough for basic Internet use.

Such limitations will probably hold the U.S. far behind tech leaders such as South Korea, which already boasts that 89 percent of its households have fast connections. Eight other nations and territories report broadband penetration above 67 percent.

Some say this puts the U.S. at a competitive disadvantage.

"It's not just the number of people with broadband but the sheer speed of the broadband they have," said Andrew King, president of the consulting firm Web Site Optimization.

"Some people question why anyone needs anything more than 2 or 3 megabits, but there are many possible uses. It would be a very big deal if South Korean businesses could slash travel costs – or even office costs – because their networks support high-definition video conferencing for salespeople and telecommuters."

Others worry far less.

"Logic says broadband should spur economic development, but when you crunch all the available data, you get underwhelming results," said Robert Crandall, a senior fellow at the Brookings Institution, a Washington think tank.

"They show that broadband boosts employment slightly, but it's a minor effect compared to factors like education."

Sales force

Despite the long odds, big corporations appear determined to sell fast Internet to every American.

Internet sellers advertise on television, over the radio and in print. They set up booths at fairs. They send information through the mail. They even go door to door.

"All we really have to do is get someone to give broadband a try," said Bill Kula, a Verizon spokesman. "Practically no one ever drops broadband Internet and goes back to dial-up. I'm not sure I've ever heard of anyone doing that."

Such assertions certainly match my experience. Less than six months after getting basic DSL, my father-in-law upgraded his service again.

"I can't believe I waited as long as I did," he said. Then he explained why he had no "need" for high-definition television.