

PALO ALTO CUSTOMER SURVEY

Manager's Summary:

This report summarizes the responses from all 960 City of Palo Alto Utilities (CPAU) residential account holders' who responded to the survey invitation. Survey invitations went to 5000 account addresses which had been randomly generated from the total pool of CPAU residential customers. The response rate to the survey was approximately 20%, which is typical for Palo Alto, but superior to the typical commercial response rate of 5-8%.

The Utilities Senior Market Analyst has calculated the responses to be a statistically significant representation of the Palo Alto population with 95% certainty. Please see his report under this tab for the details. The results of this survey were adjusted by UpTown Services using standard industry methods to develop projected market penetrations for proposed services to be offered over the FTTH system.

DataCycles, a reputable survey firm with major international clients (Cisco), was selected by the city to develop and conduct the survey. DataCycles was chosen because of their willingness to work interactively with staff and the FTTH Advisory Team, and because of the unique functionality of their survey methodology. DataCycles methodology generally relies on e-mail or web based response to the questionnaire. However, for this survey staff created a paper copy mail back process to supplement the electronic process for those who could not respond electronically. Over 140 paper responses were received and entered into the data base by staff.

There are several unique benefits to DataCycles methodology which greatly increase the value of the survey:

- Speed: Responses received electronically are quickly processed.
- Flexibility: On line the data base can be filtered and viewed from a multitude of perspectives, allowing a deeper understanding of response patterns. This can also be useful in developing marketing strategies.
- Re-sampling: Using the respondents' e-mail addresses, they can be quickly re-sampled regarding a response where additional clarity is desired. Please see the example [Resampling: ISP Choice](#)

As a substantial side benefit to the FTTH business case study, an infrastructure for marketing, communication and community interface is being developed through the DataCycles process. For example, in the re-sampling effort mentioned above, 607 respondents were re-sampled with 85% responding. Of the 85% which responded 96% said they would be willing to answer other questions of interest to the city. This appears to be a potentially powerful tool for learning about the disposition of the public regarding issues of interest by the city.

As a part of the business case study, this survey focused on the three proven revenue generating services(Internet, video, and phone). There was no attempt to quantify community enhancement, utility efficiency or other non-revenue generating value additions that a FTTH system would likely provide.

The survey set out to learn about Utilities customer's satisfaction with existing telecommunications services, the type of service they are receiving, their cost for those services, their knowledge of currently offered Broadband services of telephone, cable TV and high speed internet access (AKA voice, video and data) plus the level of knowledge of Fiber Optics and FTTH. The survey also asked for their opinion of the City as a utilities provider and potential telecommunications provider, as well as their thoughts about pricing and what they envision the community benefits of a FTTH system to be.

Staff characterizes the survey results as follows:

Voice Service: Staff had not anticipated strong support from customers for a change in their phone service; therefore did not build detailed phone questioning into the survey. We were greatly surprised to find that 77% of the respondents would be interested in receiving phone service from the city at the same price and if the city received revenue from the service. The qualifier should be of small significance since the city would receive revenue, even if the service were offered through a third party provider. In any case the adoption rate for a city sponsored service should be fairly high as 60% of respondents were less than satisfied with their current service. If it is determined to move forward into the business planning phase, then additional surveying regarding city sponsored phone service maybe in order.

Video Service: The survey shows that 53% of the respondents are very interested in a city-provided video offering. This response pattern leads to a projected market penetration of roughly 40% which is of extreme importance because it compares well to the actual subscription rates observed in Alameda (over 40%) and with other municipal video offerings.. This is an important calibration point which leads us to believe that the responses can be used to project true penetration rates for all the services

For most attributes (quality, reliability, price, etc.) of the current video service, the level of service is below the level importance which the customer places on that attribute. This implies a huge gap between the level of service desired and the level of service now being delivered. This gap would be exploitable by the city in the acquisition of customers for its video offering.

Data (Internet) Service: As with video service there is a huge gap between the level of service being currently provided and the level desired by survey respondents. 75% are very interested in subscribing to a city offered high speed service. This is high when compared to typical response rates of other municipal offerings. However, City of Palo Alto connectivity to the Internet is very high, 95% compared to elsewhere. In addition, only 41% of the respondents are happy with their current service. The combination of high connectivity, low satisfaction with current service, statistical analysis of the survey results, and high correlation of video response to actual experience, lead staff to believe that the Internet response is an accurate representation of the market.

Further evidence was developed by re-sampling those who responded that they would be interested in a city based service. Skeptics suggested that the respondents meant city “enabled” Internet delivered through a third party, rather than city offered Internet delivered through the city. 607 respondents were resurveyed as described in the re-sample study within this tab of the report. 88% responded with only 11% being adverse to a city offered ISP. This supports the original survey results.

Palo Alto as a service provider: The Utilities Department has a long history of documented customer satisfaction including ongoing statistical sampling of customers. Regarding their recent interactions with Utilities staff. This survey is probably the most broad based effort done by the department in recent years. The results are compatible with the others, showing that 90% of those surveyed believe that CPAU performs current utility services well. One person in five is concerned that CPAU may not manage the FTTH services well. On the other hand, two-thirds favor the city owning and operating Internet and video services. 30% would not hesitate to subscribe to those Palo Alto offered services. This is important, considering that 30% is considered to be the rough break even point for most municipal telecom service offerings.

Summary: There is wide citizen support for the city to own and operate a system to provide Internet, video and phone services. There is great dissatisfaction with the incumbent service providers. In conclusion, staff believes that a well managed FTTH service would have a high subscription rate and strong customer support.