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What's Pushing Broadband Growth: Cable or DSL?

30 April 2004

The US will gain 8.5 million new broadband households by the end of the year, with most of the gain coming from new cable subscribers, according to Strategy Analytics.

Broadband continues to see strong growth, attracting both first time Internet users and those switching from dial-up to high-speed. The number of high-speed homes will increase to 33.5 million by the end of the year, up from 25.0 million at the present time.

Broadband Households in the US, 2004 (in millions)

April 2004	25.0
December 2004	33.5

Source: Strategy Analytics, April 2004

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Most of this growth will be from an increase in cable Internet households, Strategy finds, with 5.2 million new households coming on board before the end of the year. DSL will contribute 2.9 million new households, and just under one-half million alternate broadband technology households will be added.

Broadband Household Net Additions in the US, by Connection Type, April-December 2004 (in millions)

Cable	5.2
DSL	2.9
Alternate broadband*	0.4

Note: *fiber, wireless and two-way satellite

Source: Strategy Analytics, April 2004

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Strategy Analytics attributes cable's advantage to its superior position in delivering bundled packages to consumers. Cable companies can offer Internet access bundled with cable television and, especially, increasingly popular technologies such as video-on-demand (VOD) and HDTV. This allows cable Internet to reach a broader range of customers, outstripping DSL's advantage in switching dial-up customers because of lower prices. Indeed a survey by the Yankee Group in May 2003 indicated that broadband subscribers were quite interested in VOD services.

US Households that Are Very Interested in Cable Video-on-Demand (VOD), by Technology, 2003 (as a % of respondents)

Broadband households	39%
Pay-per-view user	39%
Premium households	27%
PC households	20%
Cable households	15%

Source: Yankee Group, May 2003

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To compete, DSL providers must create similarly attractive bundling packages, such as better offers in conjunction with satellite TV operators (who also have an interest in fighting the cable companies). Though such bundles have been tried in the past, they have not been successfully formulated and didn't sell as well as cable packages.

The Pew Internet & American Life Project recently released its analysis of the broadband market, and reached a contrasting conclusion. As eMarketer notes in "[DSL Driving US Broadband Adoption](#)", Pew believes that although cable still dominates the US broadband at-home market, it is the growth of the DSL user base that has impelled the rise in broadband adoption over the past year

eMarketer releases reports and spotlights on broadband throughout the year, including the recent [Broadband Worldwide 2004: Subscriber Update](#) in February 2004.

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