Top U.S. ISPs by Subscriber: Q3 2001

by Patricia Fusco
Managing Editor ISP-Planet
[November 2, 2001]
http://www.isp-planet.com/

Top U.S. ISPs by Subscriber: Q3 2001 - Market Analysis

We rank U.S. Consumer ISPs by overall subscriber numbers, regardless of connectivity method. It's time to see how much the economic downturn affected top-ranked service providers when it comes to capturing new users.

According to the *CIA's World Factbook* the U.S. Online population consists of 110.8 million users. This is a significant leap from the 70.7 million online population reported by TRI for the second quarter of this year. If 40.1 million new users logged on for the first time between July 1st and Sept. 30th, ISPs would be dealing with growth rates in excess of 56 percent. This is certainly not the case. But, if one of these numbers is more accurate than the other, we're going with the CIA on this one.

In order to determine if your ISP is trending along with the top U.S. service providers when it comes to quarter-by-quarter growth rates, we have to toss out a few foul numbers to determine the average increase—or decrease. For example, we cannot include Compuserve's decrease in subscribers from 3 million to 1.8 million users because the reporting formula with AOL was adjusted.

We also have to omit BellSouth's reported downturn, because, like Verizon, only broadband subscribers are being reported. These companies join AT&T in reporting structure similarities—narrowband figures are only be released in annual reports at the end of the year.

Bluelight's performance must be tossed out of the mix as a seasonal anomaly. When KMart moved from free dialup services to $9.95 a month metered access, 2.6 million registerd users signed off for good.

Comcast experienced another type of business anomaly for the reporting period when it completed a sale of several markets to AT&T. On the other hand, United Online completed its unification of NetZero and Juno Online while it migrated users to fee-based programs.

Finally, we must omit Gateway.net and Cablevision from the equation because neither company has reported new subscriber information for the reporting period.

Law of averages

The average growth rate of U.S. ISPs between the second and third quarter of this year is 9.9 percent, based on the performance of the eight ISPs that remain. We cannot break out an exact number for narrowband or broadband growth because several providers combine both types of users in their reporting structures. But we can narrow it down a bit and provide an estimate by taking a look at cable access providers performance, as opposed to conventional ISPs.

We consider conventional ISPs to include MSN, EarthLink, Prodigy and PeoplePC. The business model of these providers predominately reflects narrowband users in the U.S. Accepting this formula, dialup access grew 4.7 percent on average between the second and third quarters.

On average, broadband use in the U.S. grew 14.4 percent during the same reporting period At least, based on the performance of @Home, Road Runner, and Cox Communications.

What should we learn from this?

The Internet access industry is by no means recession-proof. When it comes to new users, the market continues to grow. But dialup is not as robust as it used to be. Average growth rates for this time last year hovered around 8 percent—nearly double what it is today.

Residential broadband access is not as appealing as it used to be, either. All cable access users combined account for about 8 percent of the U.S. online population to date. If growth factors remain steady through the end of this year, there will be about 10.3 million cable access users in the U.S. by 2002.

The third quarter of 2001 teaches us two lessons. First, the sky is not falling for dialup access providers in the U.S. Second, the sky is not the limit for broadband subscriber growth. Consequently, both narrow and broadband access providers will experience moderate growth through the end of this year.