



# Cablecos & The Channel: State of the Market 2017

By Craig Leddy

**Channel Partners™**

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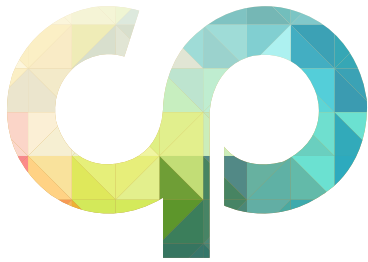
# About the Author



**CRAIG LEDDY** is a veteran cable industry writer, speaker and market analyst, and a contributing analyst for Heavy Reading, an Informa property. Leddy founded Interactive TV Works, a media consultancy, to promote understanding of advanced digital services. He is a former editor of Cablevision Magazine, senior analyst for The Myers Group and contributing editor for Multichannel News. He teaches the popular How Cable Works industry courses that include CTAM's How Cable Goes to Market. He also founded and hosts the Interactive Launch Competition, a leading case study contest for business students.

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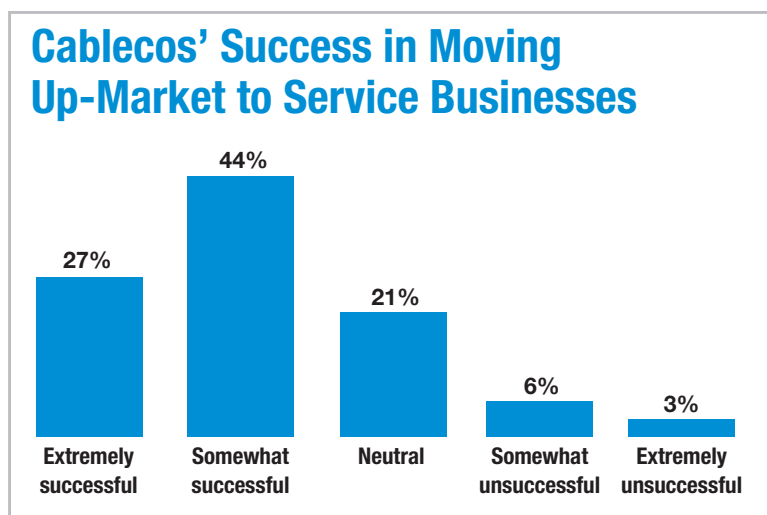
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# Cablecos & The Channel: State of the Market 2017

In 2016, the cable industry underwent major changes that have the potential to empower and reshape the relationship between cable companies and their channel partners. The major cablecos got bigger, they set their sights higher and they improved their stature among channel partners, as Channel Partners' seventh annual Cablecos & The Channel: State of the Market survey reveals.

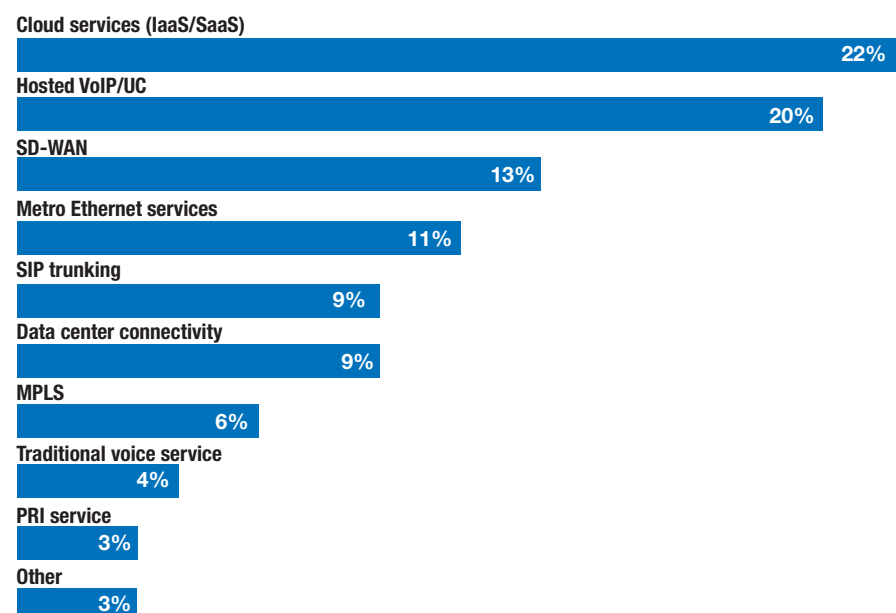
More than 70 percent of survey respondents, including agents and others in the channel partner sales and distribution chain, said cable providers have been extremely or somewhat successful in their efforts to move up-market from their SMB base to serve larger companies and enterprise businesses.



Figures do not total 100% due to rounding.  
Source: Channel Partners' Cablecos & The Channel: State of the Market Survey, March 2017

Similarly, most channel partners are looking to move up-market as well. While coaxial cable services currently comprise the majority of channel partners' revenue, partners rate fiber-fueled services as the most important drivers to their growth, including cloud services (IaaS/SaaS), hosted voice and unified communications, SD-WAN (software-defined wide area network) and Metro Ethernet services.

## Services Most Important in Driving Growth as Channel Partner



Source: Channel Partners' Cablecos & The Channel: State of the Market Survey, March 2017

Channel partners' perceptions of cablecos compared with other telecom providers continue to improve, with two-thirds or more putting cable on equal or better footing for many key attributes and performance criteria. However, cable receives nearly equal levels of high marks and low marks in certain areas of support for channel partners or end users, showing that some still need to be won over.

Overall, business services continue to play an increasingly important role in cable companies' bottom lines, generating double-digit percentage growth each quarter. In 2016, [Comcast](#)'s revenue from business services totaled nearly \$6 billion, [Charter](#) made \$5.4 billion, privately held [Cox Communications](#) an estimated \$2.2 billion and [Altice USA](#) \$1.2 billion. Smaller cable companies also saw significant growth, with [Mediacom Communications](#) earning \$230 million in 2016 revenue and [CableOne](#) \$100 million, according to [Light Reading](#), a Channel Partners sister publication.

Moreover, nearly every cable company is engaging in infrastructure upgrades designed to increase internet speeds to gigabit levels and provide a foundation for new revenue opportunities in both the residential and business markets. In addition to dedicated fiber connections, they are pulling fiber deeper into their hybrid fiber-coax (HFC) networks and adopting DOCSIS 3.1, the latest version of cable internet specifications, to enable gigabit internet speeds over traditional coaxial wires.

“Cable is the most disruptive force in the telecom space today,” declared Cary Tengler, executive director, national partner programs, Comcast Business. Speaking at the 2017 Channel Partners Conference & Expo, Tengler said cable will play an increasing role to support cloud computing with apps and data connectivity for everything from SMBs to enterprises, such as those that use Comcast’s 10-gig fiber network. Comcast is planning hosted voice, productivity apps, SD-WAN and IoT offerings, he said.

## Hot Trends

Several trends took hold in 2016 that will affect cable and its channel partners in 2017 and beyond, including:

- **Consolidation:** Charter Communications acquired Time Warner Cable and Bright House Networks and now operates its properties under Charter’s Spectrum Business brand. Altice USA acquired Cablevision Systems and Suddenlink Communications. Cablecos today have larger footprints and increased capability to engage in cross-territory relationships to serve enterprises that have multiple business locations.
- **Gigabit internet:** Cable continues to increase its internet speeds in a march toward gigabit internet capability. Not only are cable companies building out fiber to reach more businesses, they also are adopting DOCSIS 3.1 for gigabit speeds over coax. An extension of DOCSIS 3.1, called full-duplex DOCSIS (FDX) will enable gigabit upstream speeds so cable can offer multi-gig symmetrical services. Such services could be attractive to key business verticals targeted by cable, including health care, education, government, hospitality and financial.
- **Up-market strategies:** Consolidation and greater broadband capability will support cable’s interest in solidifying its expansive SMB base and moving up-market to attract larger companies. Two years ago, Comcast, which sees enterprise as a \$13-15 billion annual revenue opportunity in its market, launched a separate Enterprise Services unit to attract Fortune 1000 businesses.

These trends could be joined by even bigger plays in the future. Cable providers have staked their claim in wireless with the rapid deployment of Wi-Fi hot spots, while Comcast and Charter are rolling out mobile services by leveraging a mobile virtual network operator (MVNO) relationship with [Verizon](#). Cablecos are keeping close tabs on 5G mobile to see what opportunities are in store, most likely starting with fiber backhaul of 5G transmissions.

Cable providers also are exploring their role with virtualization, automation and Internet of Things (IoT) trends that are sweeping big business. As cable becomes a more IP-based cloud delivery system, the industry is seeking to take advantage of software-defined networking (SDN) and network functions virtualization (NFV) both for itself and its customers. Cablecos already provide some security and automation services that could lead to more extensive IoT offerings.

## The Up-Market Focus

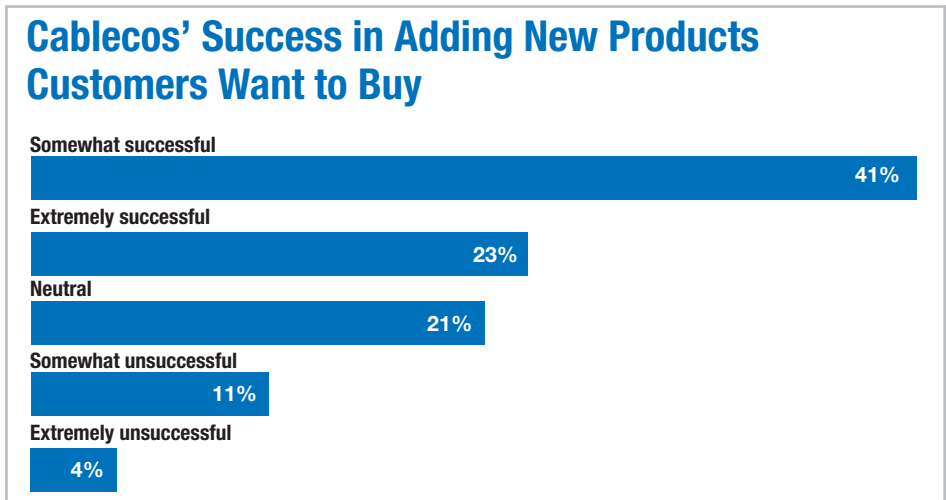
While cable providers are seeking to move up-market and adopt the latest broadband innovations, their channel partners have similar interests. Fiber-based services are continuing to gain in sales versus coaxial services. Master agents estimate that sales today break down to about 40 percent fiber and 60 percent coax. Many foresee SD-WAN as the next big opportunity.

“Whether directly from cablecos or with outside SD-WAN providers, SD-WAN will drive a tremendous amount of new business,” said Alan Sandler, founder and managing partner, [Sandler Partners](#), a master agent. “Customers will be using cable, local or wireless providers for SD-WAN solutions, not just for traditional business redundancy, but for specialized applications relating to IoT.”

Comcast anticipates the launch of an SD-WAN product by the third quarter of this year. Charter has SD-WAN on its long-range road map but currently is busy consolidating and streamlining pricing and policy across its acquired Time Warner Cable and Bright House Networks properties, a process that it plans to complete this spring, according to Michelle Kadlacek, senior director, enterprise channel, [Spectrum Partner Program](#), who spoke during a Channel Partners Conference & Expo cable session.

SD-WAN is viewed as a means of establishing a wide area network that is much more affordable than using multiprotocol label switching (MPLS). “MPLS is dead,” said Jed Kenzy, partner at [Innovative Business Solutions](#), during a Channel Partners Conference panel. “SD-WAN requires cable.”

In the survey, two-thirds of channel partners said cablecos have been successful in adding new products that customers want to buy. Still, when asked separately if there are products their customers want to buy that cablecos are not selling in their service areas, 37 percent said yes, suggesting there’s a desire for more products.



Source: Channel Partners' Cablecos & The Channel: State of the Market Survey, March 2017

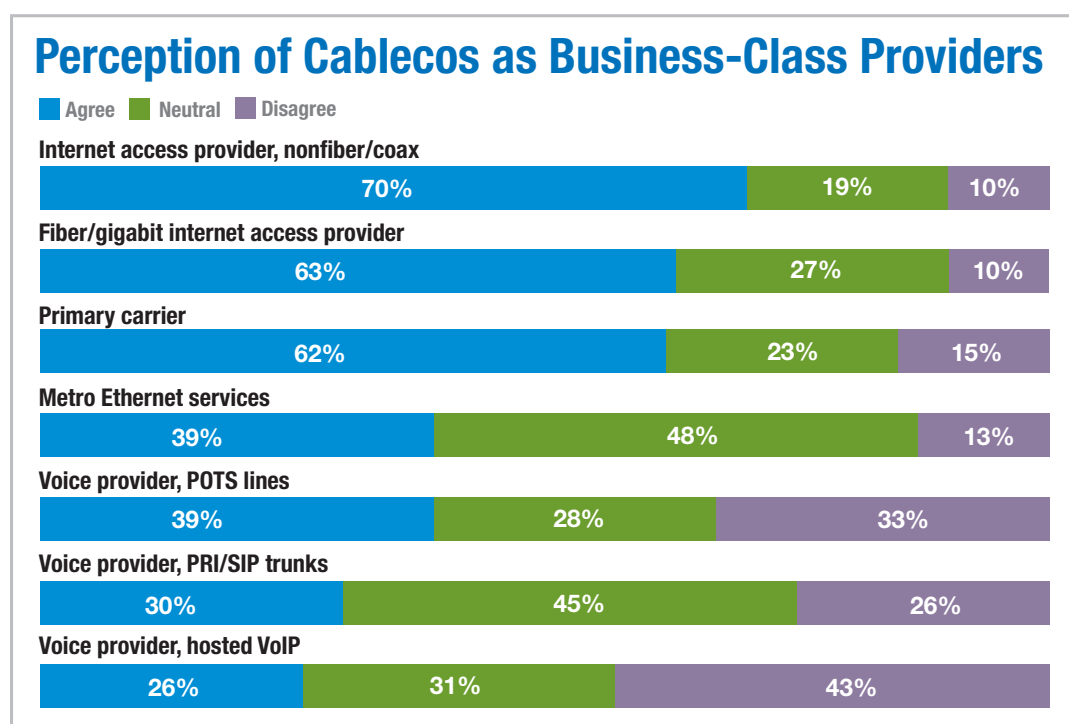


Master agents interviewed for this report also agreed with cable’s up-market strategy. “They’re certainly going in the right direction. With evolving technologies, especially around the SD-WAN space, you can rely on cable delivery for a lot of applications. So there’s nothing to stop them,” said Randy Friedberg, vice president, business development, for [Converged Network Services Group \(CNSG\)](#).

To move up-market, cable needs to do more to educate the partner and their customer that cable is a great option, said Amy Bailey, vice president of marketing at [Telarus](#), another master agent in the cable space. “We need to get rid of the stigma that it’s your grandma’s cable,” Bailey said.

## Perceptions of Cable

Channel partners’ perceptions of cable continue to rise. As shown in the following chart, a solid majority perceives cablecos as business-class providers of coax and fiber services. Perhaps more important to cable providers, they increasingly are perceived as primary carriers as opposed to just secondary or redundant carriers.

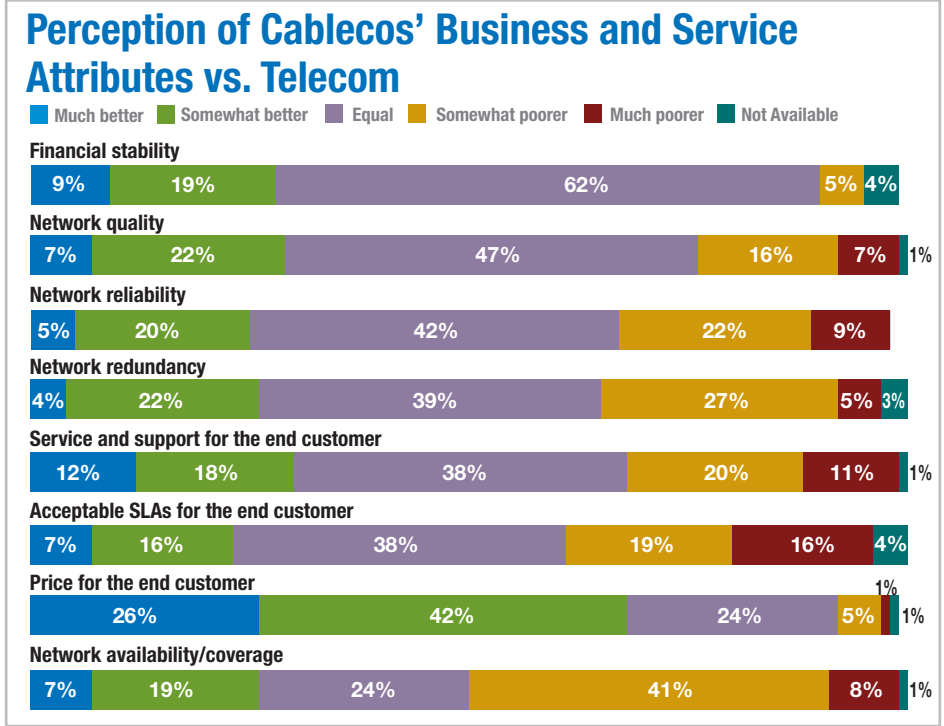


Figures do not total 100% due to rounding.

Source: Channel Partners’ Cablecos & The Channel: State of the Market Survey, March 2017

The perception of cable for Metro Ethernet probably is below where cablecos would like it, especially since many are members of the [Metro Ethernet Forum](#), but perhaps that’s because other telecom players originally dominated the Metro Ethernet field. The lower rating on hosted voice may have to do with channel partners’ interest in that service and cable’s current shortage of offerings.

When rating cable on business and service attributes versus telecom providers, most channel partner survey respondents see cable as being better or equal in financial stability, network quality, network reliability, network redundancy and service and support for the end customer. However, in most categories, those who think it is better is offset by the number of those who think cable is poorer.



Figures do not total 100% due to rounding.  
 Source: Channel Partners' Cablecos & The Channel: State of the Market Survey, March 2017

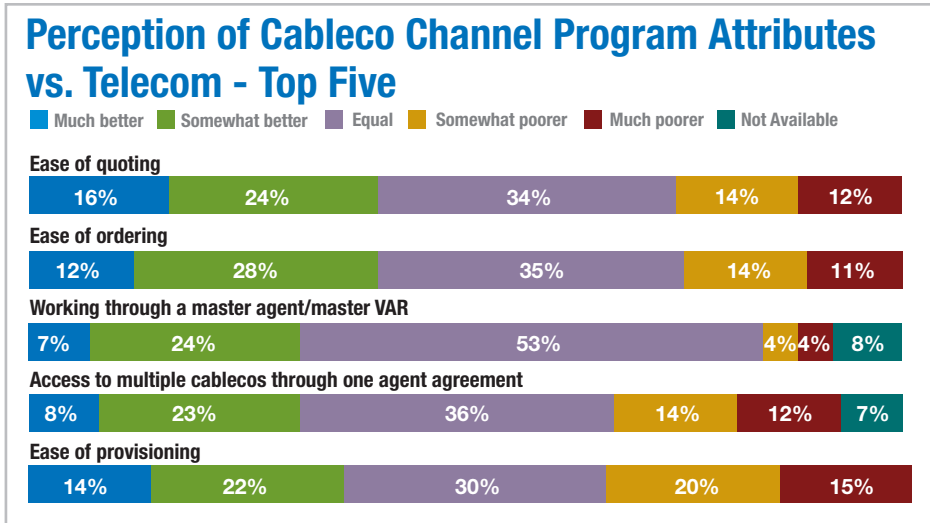
Sixty-eight percent said cable is a better price for the end customer than other telecom providers. That's good news for cable and its customers, although, as some master agents pointed out, that can mean lower commissions for sales agents. Cable is perceived as having poorer network availability/coverage, which is understandable given the reach of telcos such as [AT&T](#) and Verizon, but that's likely to change now that consolidation is increasing cableco footprints.

## Cable: The Easy Choice

Channel partners want a sales and provisioning process that is as easy and automated as possible. That's in clear evidence when survey respondents were asked to rate program attributes that are important to their business. Aside from the importance of their commissions, partners want access to human sales support as well as tools like a sales portal. Here is how partners ranked channel program attributes in order of importance:

<b>1</b>	<b>Access to human sales support</b>
<b>2</b>	<b>Commission to the partner</b>
<b>3</b>	<b>Ease of ordering</b>
<b>4</b>	<b>Access to self-service sales support (e.g., portal)</b>
<b>5</b>	<b>Access to in-person training</b>
<b>6</b>	<b>Ease of provisioning</b>
<b>7</b>	<b>Access to multiple cablecos through one agent agreement</b>
<b>8</b>	<b>Ease of quoting</b>
<b>9</b>	<b>Dedicated channel manager</b>
<b>10</b>	<b>Assistance with lead generation</b>
<b>11</b>	<b>Access to web-based training</b>
<b>12</b>	<b>Field sales assistance</b>
<b>13</b>	<b>Joint educational, marketing or communication initiatives facilitated by the cablecos</b>
<b>14</b>	<b>Industry-standard training on cable networks and technology, and how to optimize selling success</b>
<b>15</b>	<b>Teaming with cablecos' direct sales representatives</b>
<b>16</b>	<b>Participating in online peer community to discuss cableco solutions to customer requirements</b>
<b>17</b>	<b>Partnering between non-like peers (agents and VARs) facilitated by the cableco</b>
<b>18</b>	<b>Working through a master agent/master VAR</b>
<b>19</b>	<b>Working through an aggregator (rebillor)</b>

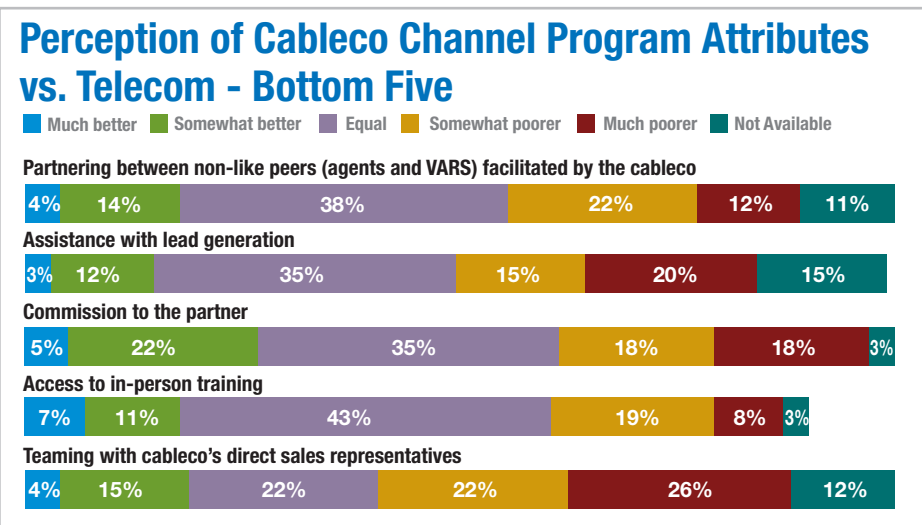
Cable appears to be making progress to fulfill partners' need for easier sales and provisioning. When asked to rate cable on a list of program attributes, the top responses were ease of quoting, ordering and provisioning, plus working through master agents and accessing multiple cablecos through one agent agreement.



Figures do not total 100% due to rounding.  
 Source: Channel Partners' Cablecos & The Channel: State of the Market Survey, March 2017

“Cable providers are financially stable, reliable and offer an incredible product value,” Sandler said. “In addition, they are developing automation tools to streamline the process from quoting to ordering to provisioning. These tools require development but are going in a promising direction.”

Among the bottom five attributes for cablecos versus telecom providers is commission to the partner, which likely is due to cable’s better price for customers. There is some natural concern — “heartburn,” as one agent called it — about the future of commissions now that cablecos are getting larger in size.



Figures do not total 100% due to rounding.  
 Source: Channel Partners' Cablecos & The Channel: State of the Market Survey, March 2017

At least one telecom reportedly is reducing or eliminating monthly commissions on certain low-level coax sales. There are no signs that cablecos are planning to alter their commission structures.

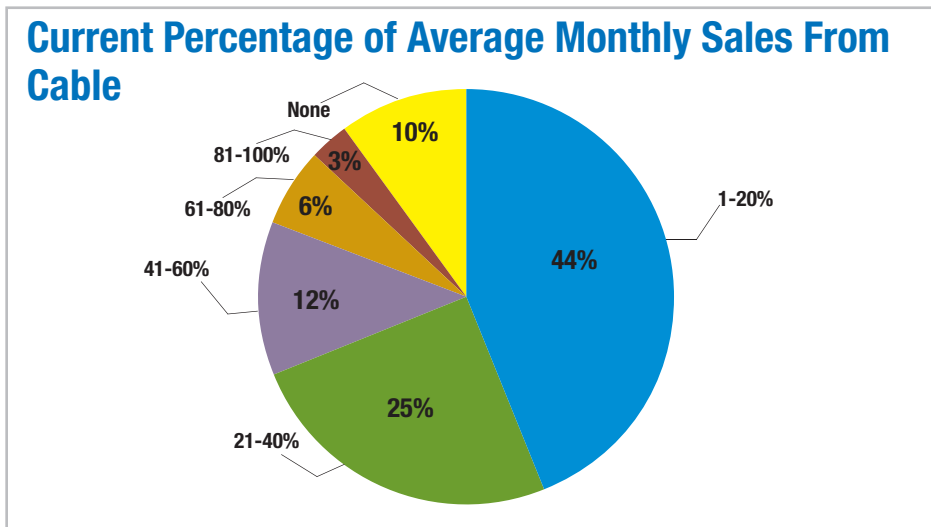
“We enjoy a very good relationship with our cable providers and as long as nothing changes from a compensation and support standpoint, it’s going to continue to be a very bright future,” said Friedberg of CNSG.

Sandler believes that cable consolidation will lead to channel partner consolidation as well. “Cablecos will find that consolidation is a step toward driving consolidation among master agents because smaller masters will become marginalized and not accepted into the channel programs directly,” he said. “The lower-priced coax services will be sold primarily by call centers, internet SEO and street teams, with fewer sales by traditional channel consultants. The industry eventually will evolve to the point in which education and training from the master agents, including spending more time on understanding the value to specific business verticals, will be more important.”

### The Future Relationship

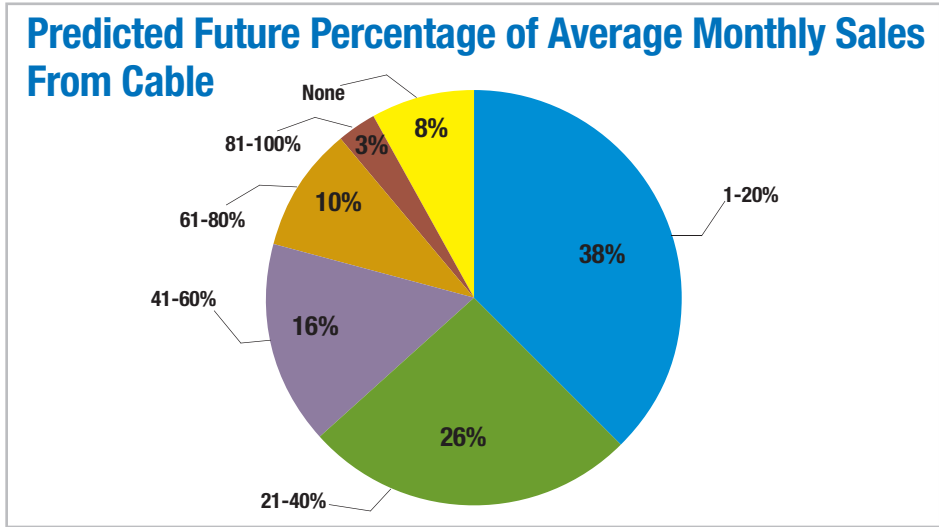
In background interviews for this report, it was clear that cablecos and channel partners both need each other and respect each other’s roles. Both will need a fruitful partnership as they seek to move up-market and take advantage of next-generation technologies that are emerging in the marketplace.

Cable is expected to make up an increasing percentage of channel partners’ revenue pie. When asked what percentage of their current average monthly sales comes from cable services, about two-thirds said 40 percent or less. Only 9 percent said 60 percent in sales or more.



Source: Channel Partners' Cablecos & The Channel: State of the Market Survey, March 2017

But when predicting their sales percentage over the next 12 months, cable's slice of the price increased in several areas: 16 percent anticipate cable revenue of 41-60 percent, 10 percent foresee 61-80 percent and 3 percent said 81-100 percent.

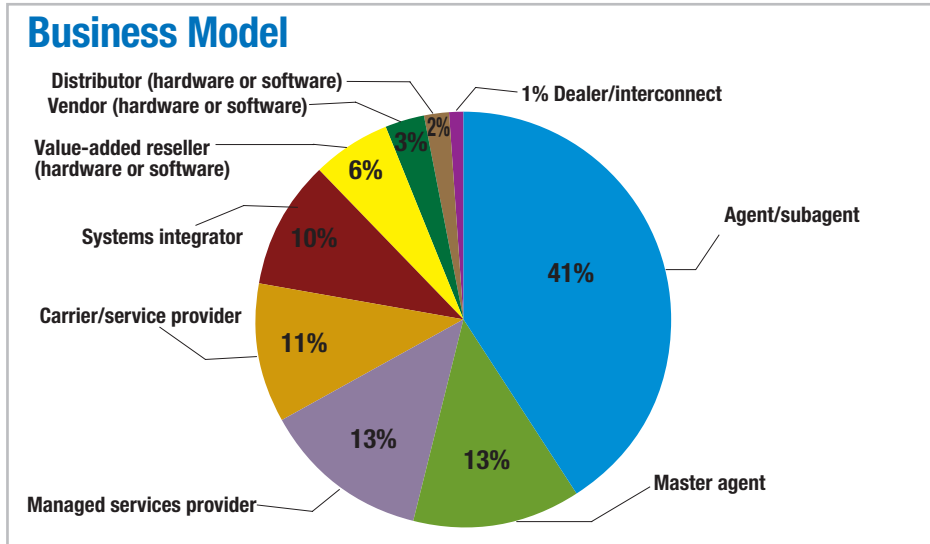


Figures do not total 100% due to rounding.  
Source: Channel Partners' Cablecos & The Channel: State of the Market Survey, March 2017

In conclusion, both cablecos and channel partners are focused on products and capabilities that will solidify their SMB base and enable them to move up-market. When it comes to performance, channel partners increasingly view cablecos as better or on par with other telecoms, but there are areas where cable needs to tip the scale in its favor. With the advent of increasing capabilities and new products, the prospects and partnerships will become more intertwined.

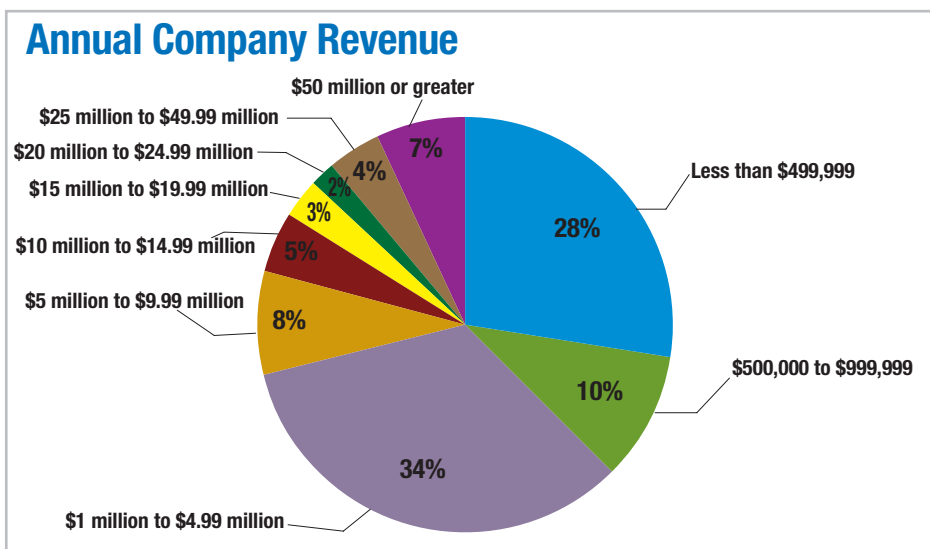
## The 2017 Respondent Profile

Channel Partners surveyed its readership using an online poll in March 2017 to ascertain channel partners' interest in, adoption of and challenges with selling cableco telecommunications services to business. One hundred and five qualified respondents provided the data contained in this report.



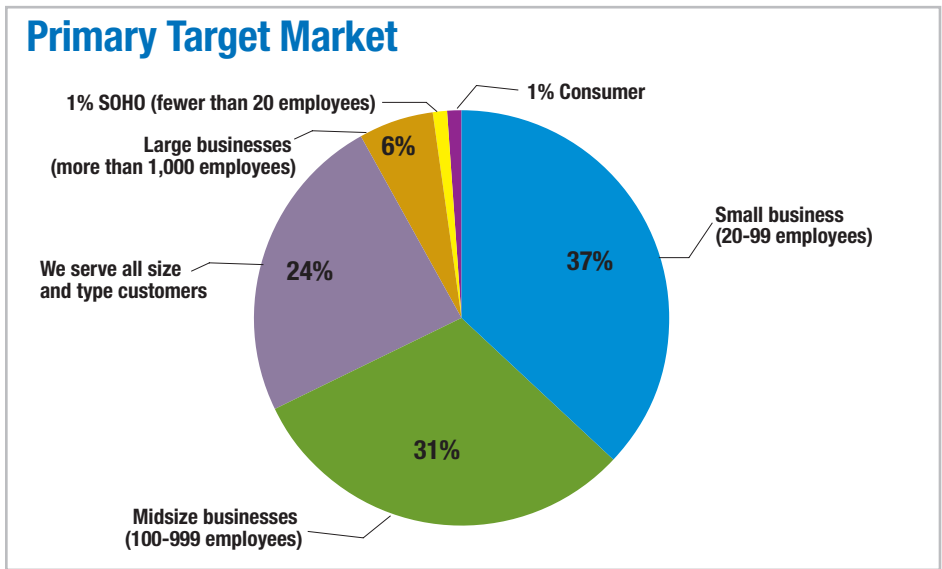
Figures do not total 100% due to rounding.  
Source: Channel Partners' Cablecos & The Channel: State of the Market Survey, March 2017

More than half of the 105 respondents to this year's survey identified themselves as agent/subagent or master agent, a level consistent with last year's survey.



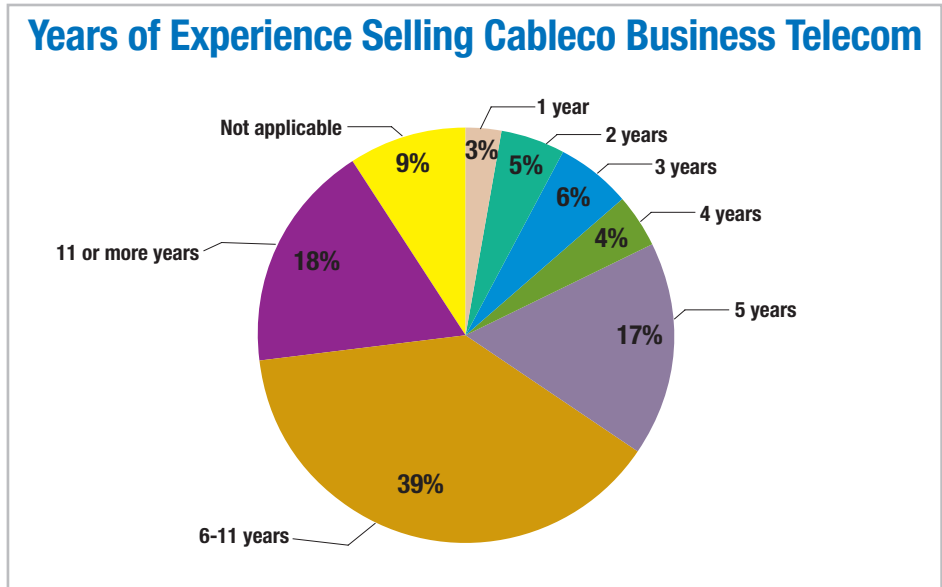
Figures do not total 100% due to rounding.  
Source: Channel Partners' Cablecos & The Channel: State of the Market Survey, March 2017

Nearly three-quarters of the respondents are in channel companies with annual revenue of less than \$5 million. Twenty-nine percent earn more than \$5 million annually and 7 percent are in companies with annual revenue of more than \$50 million.



Source: Channel Partners' Cablecos & The Channel: State of the Market Survey, March 2017

SMBs remain the primary target market for channel partners although they, like their cableco suppliers, are seeking opportunities to move up-market.



Figures do not total 100% due to rounding  
Source: Channel Partners' Cablecos & The Channel: State of the Market Survey, March 2017

As the cable and channel partner relationship has grown, it has created a class of experienced sales veterans. More than half of respondents have six or more years of cableco sales experience; 18 percent have been in the field for 11 or more years.



## Cablecos Routinely Quoted for Business Telecom Services

Comcast Business	27%
Spectrum Business (including former TWC Business Class and Bright House Networks Business Solutions)	24%
Charter	20%
Cox Business	11%
Altice USA: Cablevision, Optimum, Lightpath, Suddenlink	6%
Mediacom	6%
None	3%
Other Option	2%
Shaw Communications Inc.	1%
	<b>100%</b>

Respondents could select multiple answers.

Source: Channel Partners' Cablecos & The Channel: State of the Market Survey, March 2017

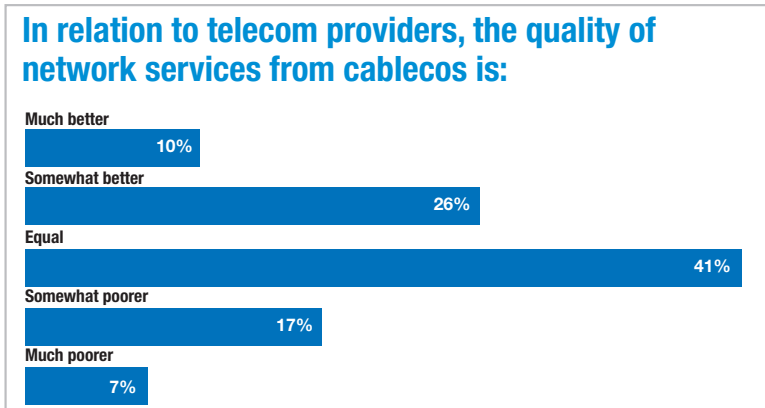
Channel partners routinely quote all of the major cablecos. The order of percentages matches the size of the cablecos. Charter has rebranded all of its business services as Spectrum Business while Altice USA has retained Cablevision's brands, Optimum Business and Lightpath, and Suddenlink Business.

### Other survey findings:

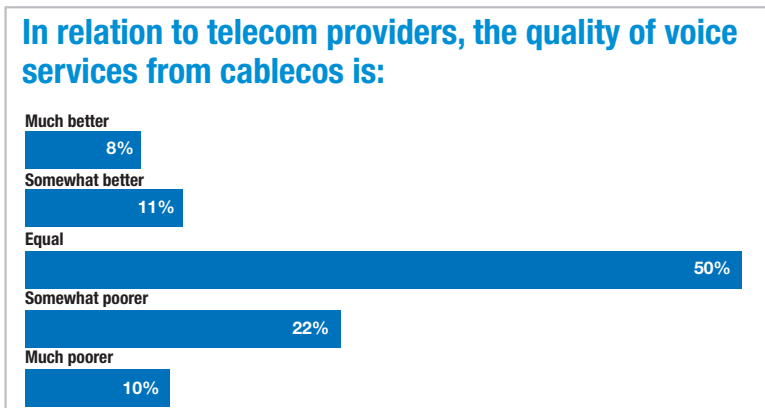
- When asked if they were familiar with DOCSIS, the underlying technology for cable coaxial-based internet service, 71 percent said yes and a surprising 29 percent said no, suggesting that cable needs to do more to educate the market.
- Among customers, 55 percent said use of public cloud services (IaaS or SaaS) is driving some bandwidth upgrades while 32 percent said it is driving major bandwidth upgrades.
- Thirty-nine percent sell services in Canada and 10 percent have agents there.

# Appendix

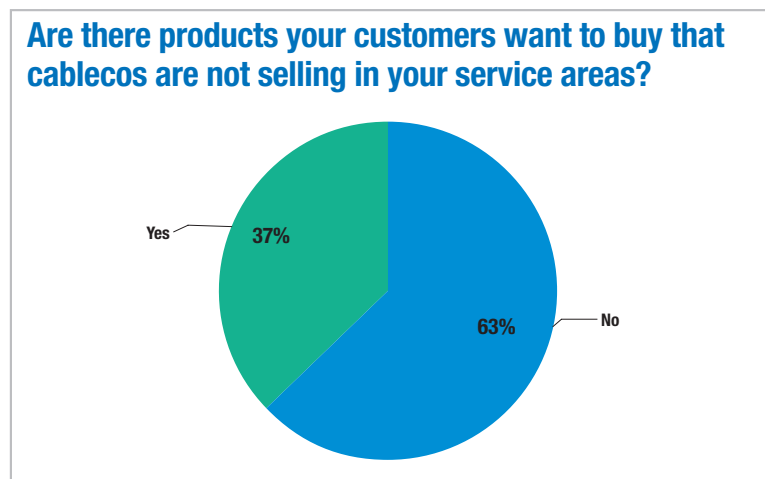
The following charts are for responses to questions in the 2017 Channel Partners Cablecos & The Channel: State of the Market Survey that were not included within the body of the report.



\*Figures do not total 100% due to rounding.  
Source: Channel Partners' Cablecos & The Channel: State of the Market Survey, March 2017

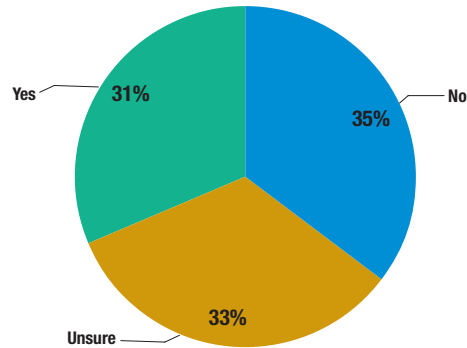


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Source: Channel Partners' Cablecos & The Channel: State of the Market Survey, March 2017



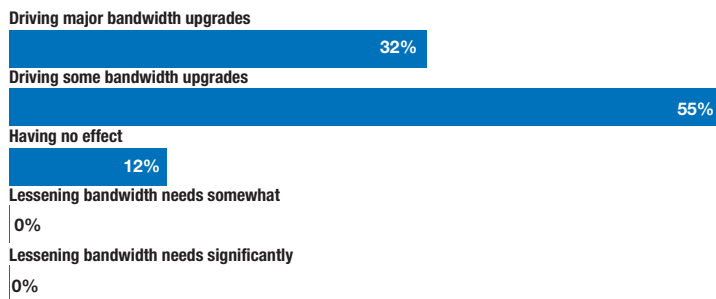
Source: Channel Partners' Cablecos & The Channel: State of the Market Survey, March 2017

**Do you have an interest in doing business with mobile virtual network operators (MVNOs) such as MetroPCS or Cricket Wireless?**



\*Figures do not total 100% due to rounding.  
 Source: Channel Partners' Cablecos & The Channel: State of the Market Survey, March 2017

**Among customers, use of public cloud services (IaaS or SaaS) is:**



\*Figures do not total 100% due to rounding.  
 Source: Channel Partners' Cablecos & The Channel: State of the Market Survey, March 2017

## Perception of Cablecos' Channel Program Attributes vs. Telecom

	Much Better	Somewhat Better	Equal	Somewhat Poorer	Much Poorer	Not Available
Ease of quoting	16%	24%	34%	14%	12%	0%
Ease of ordering	12%	28%	35%	14%	11%	0%
Access to self-service sales support (e.g., portal)	9%	16%	42%	20%	9%	3%
Working through a master agent/master VAR	7%	24%	53%	4%	4%	8%
Ease of provisioning	14%	22%	29%	20%	15%	0%
Access to human sales support	8%	23%	35%	22%	12%	0%
Dedicated channel manager	7%	22%	43%	12%	12%	4%
Access to web-based training	3%	20%	50%	15%	9%	3%
Access to multiple cablecos through one agent agreement	8%	23%	36%	14%	12%	7%
Commission to the partner	5%	22%	35%	18%	18%	3%
Field sales assistance	7%	18%	38%	16%	18%	4%
Joint educational, marketing or communication initiatives facilitated by the cablecos	7%	14%	45%	14%	12%	9%
Access to in-person training	7%	11%	43%	19%	18%	3%
Industry-standard training on cable networks and how to optimize selling success	8%	16%	36%	16%	14%	9%
Participating in online peer community to discuss cableco solutions to customer requirements	4%	14%	43%	18%	9%	12%
Partnering between non-like peers (agents and VARs) facilitated by cableco	4%	14%	38%	22%	12%	11%
Working through an aggregate (rebillor)	3%	11%	43%	16%	8%	19%
Assistance with lead generation	3%	12%	35%	15%	20%	15%
Teaming with cablecos' direct sales representatives	4%	15%	22%	22%	26%	12%

Figures do not total 100% due to rounding.

Source: Channel Partners' Cablecos & The Channel: State of the Market Survey, March 2017

## Please rate your perception of these business attributes from cablecos vs. other telecom providers

	<b>Much Better</b>	<b>Somewhat Better</b>	<b>Equal</b>	<b>Somewhat Poorer</b>	<b>Much Poorer</b>	<b>Not Available</b>
Price for the end customer	32%	52%	3%	13%	0%	0%
Financial stability	10%	42%	35%	10%	0%	3%
Network reliability	13%	26%	23%	29%	10%	0%
Network quality	10%	23%	35%	26%	6%	0%
Network redundancy	10%	16%	42%	26%	6%	0%
Acceptable SLAs for the end customer	13%	19%	32%	23%	13%	0%
Network availability/coverage	6%	26%	19%	42%	3%	3%
Service and support for the end customer	10%	23%	16%	32%	19%	0%

Figures do not total 100% due to rounding.

Source: Channel Partners' Cablecos & The Channel: State of the Market Survey, March 2017

## Please rate your perception of these support attributes from cablecos vs. other telecom providers

	Much Better	Somewhat Better	Equal	Somewhat Poorer	Much Poorer	Not Available
Access to human sales support	23%	23%	26%	19%	10%	0%
Industry-standard training on cable networks and how to optimize selling success	6%	35%	45%	10%	0%	3%
Dedicated channel manager	13%	26%	32%	26%	0%	3%
Joint educational, marketing or communication initiatives facilitated by the cablecos	6%	23%	52%	13%	3%	3%
Ease of quoting	13%	19%	39%	16%	10%	3%
Participating in online peer community to discuss cableco solutions to customer requirements	6%	26%	42%	19%	0%	6%
Access to self-service sales support (e.g., portal)	3%	32%	32%	23%	10%	0%
Access to multiple cablecos through one agent agreement	6%	26%	39%	13%	13%	3%
Access to web-based training	3%	26%	39%	23%	6%	3%
Ease of ordering	10%	19%	32%	26%	10%	3%
Field sales assistance	13%	13%	42%	16%	6%	10%
Commission to the partner	3%	23%	35%	19%	13%	6%
Partnering between non-like peers (agents and VARs) facilitated by cableco	6%	19%	35%	23%	3%	13%
Access to in-person training	6%	19%	23%	39%	6%	6%
Ease of provisioning	3%	23%	26%	23%	23%	3%
Assistance with lead generation	6%	16%	39%	10%	16%	13%

Figures do not total 100% due to rounding.

Source: Channel Partners' Cablecos & The Channel: State of the Market Survey, March 2017

## Please rate these support attributes in order of importance to your business

<b>1</b>	<b>Access to human sales support</b>
<b>2</b>	<b>Commission to the partner</b>
<b>3</b>	<b>Dedicated channel manager</b>
<b>4</b>	<b>Access to self-service sales support (e.g., portal)</b>
<b>5</b>	<b>Access to multiple cablecos through one agent agreement</b>
<b>6</b>	<b>Access to in-person training</b>
<b>7</b>	<b>Ease of ordering</b>
<b>8</b>	<b>Ease of quoting</b>
<b>9</b>	<b>Access to web-based training</b>
<b>10</b>	<b>Ease of provisioning</b>
<b>11</b>	<b>Assistance with lead generation</b>
<b>12</b>	<b>Field sales assistance</b>
<b>13</b>	<b>Industry-standard training on cable networks and technology, and how to optimize selling success</b>
<b>14</b>	<b>Joint educational, marketing or communication initiatives facilitated by the cablecos</b>
<b>15</b>	<b>Teaming with cablecos' direct sales representatives</b>
<b>16</b>	<b>Partnering between non-like peers (agents and VARs) facilitated by the cableco</b>
<b>17</b>	<b>Participating in online peer community to discuss cableco solutions to customer requirements</b>

Source: Channel Partners' Cablecos & The Channel: State of the Market Survey, March 2017