



PRIME INSIGHT + FOCUS

Vol. 5, 2008

MARK YOUR CALENDARS...

RFC's 2009 EVENTS

... designed for telecom directors and their managers in product, market, sales and channel management.

Telecom Marketing—Small/Med Biz

March 9-10, 2009

Telecom Marketing — Consumer

(a.k.a. Consumer Services Marketing)

March 11-13, 2009

Sales/Care Channels & Operations

April 1-3, 2009

BMMA 2009 Annual Meeting

(Broadband Multimedia Marketing Assn)

April 27-28, 2009

Broadband Services 2009

April 29—May 1, 2009

All of our 2009 spring seminars will take place at the [Hilton Clearwater](#) in beautiful Clearwater Beach, Florida.

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3Q 2008 Telco Broadband Results Improve

BY Stan Romero

Average North American telco broadband gains of 1.5% in the third quarter represent a gain of over half a million customers. This is a marked improvement from the 0.8% gain in 2Q'08 in spite of a weakening economy.

Cablecos out-gained telcos with 3Q gains averaging 2.5% but the cable industry reports that DSL is dead are greatly exaggerated. The cablecos hold a slight edge with less than 54% market share in North America. However, four years ago, they had 60% of the market in the US and have lost much of the benefit they gained from being first to market in most areas.

A recent article in the cable industry magazine *Multichannel News*, "Will DSL

Survive?" presented a somewhat biased view of the state of the industry (this magazine's subscription base is the cable television industry). Their cable vs. DSL comparison chart indicates that the low-est speeds available via DSL are 256Kbps compared with 5Mbps for cable modem service. This is strange since cablecos do offer Lite products just like the telcos. Time Warner Cable's web site, for example, shows Roadrunner Lite at 768Kbps. The chart and later discussion also compare the high end of 30Mbps for cable modems against just 7.1Mbps for DSL. However, in the same article it later concedes that AT&T offers an 18Mbps service (U-Verse) and the cable 30Mbps is only for short bursts with their "Power Boost" feature. A number of other telcos

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Training Update

BY ANNA GIBSON

Throughout the past year RFC has had many opportunities to gain a greater understanding about New Hire training in all of the major North American Telcos as well as some international firms. The key learning was that no one has broken the code on what constitutes efficient/effective training for New Hires. Many of these issues have plagued the industry but have been exasperated in recent years as attrition has increased and training has been elongated with the introduction of new products and bundles. So...training costs have risen and effectiveness has decreased.

Most companies deliver training in a similar fashion. Facilitator-led is the most prevalent delivery method while some have read along online or self-paced pencil and paper. Many companies do not have

any computer based training (CBT) and of those that do, it averages about 20% or less of their total curriculum. CBT is seen as an effective medium to reduce training time and increase effectiveness for certain subjects within the curriculum. The input that I have received is that the desire to increase the amount of CBT in the curriculum is hindered only by lack of budget to invest in the development. One company utilizes streaming video, which is a type of web-cam software. The instructor is live but the trainees are viewing the training online. The instructor can interact with trainees and can do Q&A and role play. This allows an instructor to teach more than one class in multiple locations.

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The Connected Home: Market Research Report

By Steve Kemp, Alcatel-Lucent

Connected Home is a combination of connected devices and managed services that permits consumers to monitor and control their home environment, manage the consumption of energy, perform video surveillance for health and security monitoring, and manage and control entertainment services in the home. It is not a home security service, per se, nor is it a simple home networking that connects multiple devices.

In a market research study (conducted by Alcatel-Lucent in January 2008), consumers reacted very positively to descriptions of services that would provide these wide-ranging capabilities. The greatest value to the consumer was to be found in monitoring and control capabilities. For example, the consumer can access appliances and other connected devices to perform such tasks as locally or remotely controlling temperature or lighting. These capabilities can help provide significant cost savings in the operation of the consumer's home through reduced energy consumption.

Alcatel-Lucent first defined a collection of managed services and capabilities that we refer to as Connected Home and then we conducted primary market research to determine the readiness of the market, how the market is segmented, and its revenue potential.

The Connected Home Concept

For the purpose of this study the Connected Home was defined as "...a safe, secure enhanced way to connect electronic devices to a single user-friendly interface". With a Connected Home you would be able to do things like:

- Monitor and control your home systems (e.g., climate, lighting, video monitoring, etc.) using a PC, TV, or mobile phone.
- Enable your home systems to respond appropriately to sensors inside your home (e.g., you could be alerted if a water pipe breaks or all the lights could be switched on if your security alarm is triggered).
- Store TV programs, Internet video content, photos, and home videos in a single, central location that allows this content to be viewed from any TV, laptop,

or mobile phone connected to this service.

- Video calling on your TV, technical support services for your PC, and/or back-up storage for your digital content.

These services could also be used simultaneously. For example, pushing one button on your remote controller could start a movie, turn down the lights and activate your surround sound system.

Research Summary

The study determined that there is strong demand for Connected Home services and capabilities when there is a reliable, trusted service provider involved. Specifically, the demand is for hardware, installation and maintenance services, and a wide variety of network services. Another overriding consumer requirement is that these services must simply "work", without undue complexity.

In terms of addressable market, the research indicates that 13-20% of households that already have broadband and cellular telephony services will subscribe to Connected Home services by 2012, generating revenues of approximately \$9.3B in North America. And, Alcatel-Lucent expects this market to grow as more hardware and services are integrated into these applications.

Here are some of the key findings of the research:

- Market potential in the U. S. for Connected Home services is forecasted to reach \$7.9 Billion in 4.3M households by 2012. In Canada, the research indicates a \$1.4 Billion opportunity in 700,000 Canadian households in the same timeframe.
- Overall, 37% of our survey respondents "definitely will" or "probably will" purchase Connected Home services at a reasonable price.
- The ability to control home appliances, to have improved access to entertainment content and the ability to monitor the home and health of elderly loved ones has appeal and should be highlighted in marketing efforts.
- There is no strong preference for which company installs, provides, or maintains

the service. But, there is a preference for a company that "specializes" in these services. To be successful, the service provider should offer all elements of the Connected Home service concept.

- Compatibility of the service with existing devices, ease of upgrading, reliability, concerns about security, privacy and cost will also need to be addressed through marketing.
- There is a high degree of willingness to purchase these services by consumers for themselves and for others, such as elderly relatives.
- Initial basic service offerings should include hardware, installation services and ongoing delivery of monitoring and control service for lights, temperature, and security systems, as well as maintenance.

Connected Home is an opportunity for service providers to provide an end-to-end solution – that includes hardware, services, and support – for a broad-based new category of consumer applications.

Conclusions and Recommendations

The ability to control home appliances, to have improved access to entertainment content and the ability to monitor the home and health of elderly loved ones have the greatest appeal to consumers.

Initial marketing efforts should focus on these concerns, as well as the issues of compatibility with existing devices, ease of upgrading, reliability, security, privacy and cost.

Connected Home is an excellent revenue and consumer relationship opportunity for service providers that can offer all of the elements defined in the service concept.

*This guest article was written by **Steve Kemp, Director of Access Marketing at Alcatel-Lucent.***

Steve may be reached at +1 919 850 5433 or Steve.Kemp@alcatel-lucent.com.



Alcatel-Lucent

High Performing Service-to-Sales Programs

By Judi Hand, Direct Alliance

Today's economic environment challenges communications providers to reduce customer churn while maximizing the revenue potential of customer service interactions. This article outlines three best practices that, when executed well, produce high performing service-to-sales programs that maximize customer satisfaction while increasing monthly recurring revenue.

A recent successful example shows how a leading communications provider produced a close rate of 29% on outbound service calls to new small business customers. In this service-to-sales program, representatives welcome the customer, offer an account review and identify potential sales opportunities. Based on the service component of the call, the representatives then offer relevant products to match each small business customer's particular needs. This call is positioned as a service call, but it has resulted in an additional multi-million dollar revenue stream for this North American provider.

High performing service-to-sales programs embrace **three best practices**:

1. *Combine the right people, creating synergies through diverse qualities*
2. *Coach to the best outcome for every customer*
3. *Position the call correctly with the right customers*

1. Combine the right people. Knowing the challenge of succeeding in a service-to-sales role, organizations must look to integrate diverse qualities in their pool of representatives. In the success story mentioned above, the organization integrated members of an existing service group (who also showed sales potential) with members of a tenured sales team.

The results have been startling. Sales performance for the entire program more than doubled following the combining of the two skill sets. At the same time, customer satisfaction levels also increased. The peer environment that has developed is one part cooperative and one part competitive, demonstrating the synergy that results from

valuing exceptional qualities and encouraging team members to share their most successful approaches.

2. Coach to the best outcome for every customer. Having the "right" combination of people is only the first step on the example program's path to success. Teaching the two groups to leverage each other's strengths requires a dedicated management team, daily coaching, and a focus on 'doing the right thing' for each and every customer. With complete management support and peer-to-peer interaction, representatives of different strengths observe each other and incorporate the best approaches they learn.

Technology plays a key role in coaching to instill the best service and sales behaviors. This outbound calling team leverages a library of its best calls. This "Best Of" library includes recordings of the audio conversations and desktop screen actions that demonstrate ideal service-to-sales behaviors. A coach and a representative sit together to compare the sales representative's own call/screen recordings with the examples in the "Best Of" library. Representatives find this coaching approach very effective, making it easy to understand what steps need to be taken to rapidly adopt the ideal service-to-sales behaviors.

3. Position the call correctly with the right customers. The final piece to successfully build a service-to-sales strategy is to choose the highest propensity customers for the service-to-sales call. The service call is an ideal opportunity for improving customer satisfaction and uncovering sales opportunities. However, these critical service touches can be wasted if sales representatives misunderstand the mission of the call or if the customers do not find the cross-sell offers relevant.

Customers who stand to gain the most from the product and/or service upgrades are the best prospects for a service-to-sales call. Customer profiling analytics can identify the customers with the optimal

combination of need and opportunity. This customer segmentation analysis identifies and prioritizes customers for calling that will benefit from being right-sized before being cross-sold - allowing representatives to provide a win-win proposition for everyone.

Sales organizations that leverage these three best practices in their service-to-sales programs will see marked improvements in customer retention, customer service and sales creating an additional revenue stream despite today's challenging economic environment.

*This guest article was written by **Judi Hand, President and General Manager of Direct Alliance.** Direct Alliance is a leading sales outsourcer whose leadership team has over 135 years of combined experience in sales and marketing for communications companies. The depth and breadth of Direct Alliance's experience, combined with its strategic approach to client partnerships, deliver sales results rapidly and cost-efficiently. Visit Direct Alliance at www.directalliance.com.*

Judi may be reached at 480-902-5950 or jhand@directalliance.com.



Alternate Channels Share of Overall Sales

By ELLIS D. HILL

Alternate channels have grown in importance as inbound call center volumes have decreased in recent years. This was a topic of discussion at the October Alternate Channels conference conducted by Research First in Denver. The companies participating in this conference included AT&T, Embarq, Frontier, Qwest, SaskTel, TDS Telecom, Telus, and Verizon.

This importance is demonstrated in the chart to the right, which shows the percentage of total consumer sales represented by alternate channels. The disguised data comes from AT&T, Embarq, Frontier, Qwest, TDS Telecom, and Verizon.

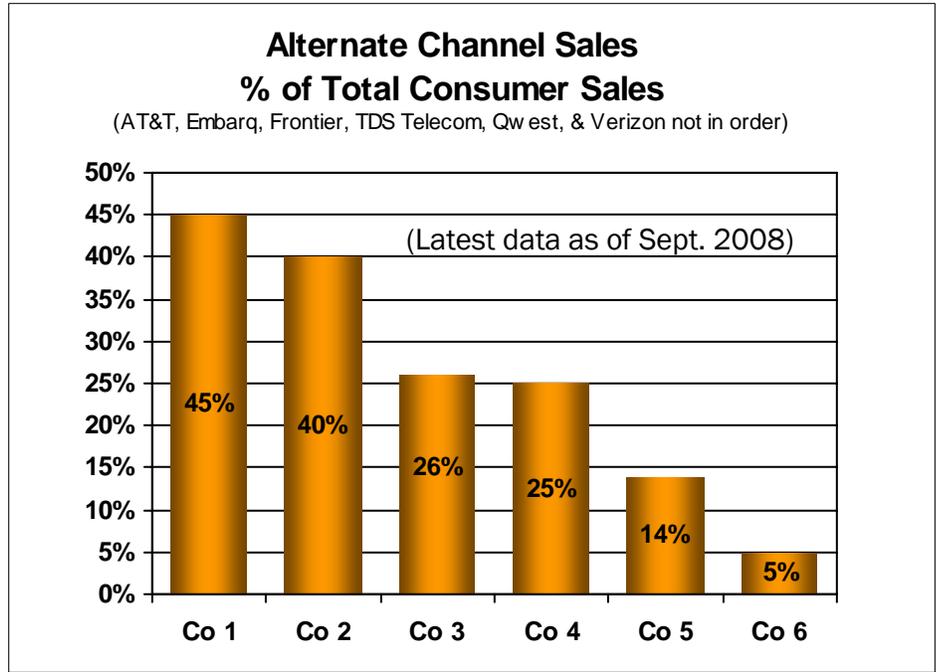
These alternate channels include e-commerce, door to door sales, employee referral programs, multi-dwelling unit (MDU) programs, retail, and outbound telemarketing (OBTM).

In company 1, the results were obtained just 5 years after starting a concerted alternate channel program. The success they enjoy is attributed to automation that resulted in improved service order flow through the installation and billing process. Of the estimated 45% alternate channel sales, approximately half come from their e-commerce operation and 25-30% from door to door sales.

In company 2 about 5% of total consumer sales come from the e-commerce channel. Their door to door sales force accounts for approximately 30% of their alternate channel's fiber sales.

In company 3 the lion's share of alternate channel sales comes from door to door sales with outbound telemarketing being the other significant channel. E-commerce is less than 5% of their total consumer sales. This company also uses their outdoor sales group for special retail events and parking lot events.

Company 4 has approximately 25% of their total consumer sales represented by alternate channels. About 30% of this 25% total alternate channel sales come from their door to door sales force. E-commerce



represents about 20% of alternate channels (5% of their total consumer sales).

Companies 5 and 6 use e-commerce as their primary alternate channel. Company 5 also uses OBTM with agents and targeted door to door in key markets. Company 6 does not employ a door to door consumer sales force but rather utilizes a tech referral program in which between 50% and 60% participate in a given month. This channel is responsible for about 2% of their total consumer sales. The customer satisfaction reported for this channel is higher than that for other channels.

E-commerce is clearly the channel of the future given the buying habits of younger buyers. While service providers wish to expand their e-commerce initiatives and offerings, several are hindered in this effort. The primary problem plaguing some service providers lies with their legacy billing and provisioning systems that do not facilitate the order flow in this environment. In addition some early e-commerce portals were not optimally designed. For example, one company did not have a shopping cart that allowed continued shopping after a selection was made. The shopper was

required to return to the original screen. The correction of this feature increased sales via e-commerce 30% virtually overnight.

Alternate channels will become a more important part of Research First's work initiatives in 2009. We plan to capture data for key performance indicator benchmarking, conduct in person events, organize conference calls and webinars, and commission and conduct joint market research projects.

Please contact us if these ideas appeal to you. We welcome input on topics and venues.

Ellis Hill, RFC President, founded RFC in 1987 after 12 years at BellSouth.

Office: 205-995-8866

Mobile: 205-837-8866

ellis@researchfirst.com

BMMA Update

By STAN ROMERO

More and more telcos and broadband vendors are learning of the benefits of being members of the **Broadband Multimedia Marketing Association (BMMA)**. Just since our 2008 Annual Meeting in Tucson last April, five more telcos and three more vendor companies have joined. Welcome to Cincinnati Bell, GVTC, Hawaiian Telecom, North State Communications and SureWest Communications as well as Actiontec, F-Secure and Hostopia! We are proud to have each of you as part of this great industry organization.

We had our best **Fall Workshop** yet this past September in Ottawa, Ontario. We expanded the agenda to three days this year and had over 30 members attend. We covered a lot of ground but a couple of highlights included the tour and discussions of Alcatel-Lucent's Connected Home Lab and the great roundtables around broadband usage and traffic issues. Alcatel-Lucent was a great host for this event and the tour of their Connected Home Lab fit very well into the interests of many attendees in not only home networking but new architectures and features to support IPTV and other broadband products as well. Bell Canada has been positioning their

broadband services based on capacity rather than primarily on speed for some time and shared some of their key learnings about how to avoid pitfalls with this type of positioning. A number of other companies also shared what they have learned in this area and we all learned a lot from the discussions.

Our **monthly Hot Topic conference calls** have also been drawing great interest, and our December 16th call topics of "DOCSIS 3" and "Telco Technology Update" promise to keep the trend going. Our January call on "What's Hot for 2009?" will be the continuation of a very popular subject where we have key industry officers and SMEs speak to what broadband service providers should focus on in 2009 in a roundtable format. The various views on this topic are always interesting and provide us with a number of ideas for future discussions.

If your company is not yet a BMMA member, we would love to have you join so you can participate in the industry discussions and learnings. Just go to www.bmma.us and send in your application so that you don't

miss another call or key insight that will surely help you meet your objectives and be more successful.

Our 2009 **BMMA Annual Meeting** will be April 27-28, 2009 in Clearwater Beach, FL directly preceding the Research First **Broadband Services 2009 seminar**. Go to www.researchfirst.com to register for both events. Your peers will be there to share their best practices and key learnings and you don't want to miss either event.

For more information on the BMMA visit www.bmma.us or contact me directly.

Stan Romero, RFC VP Broadband
BMMA Executive Director
205-403-0690
stan@researchfirst.com



BMMA 2008 Membership and Growing ...



3Q'08 Major Provider Broadband In Service

| Broadband Service Provider | 2008 | | |
|----------------------------|-------------------|----------------|-------------|
| | 3Q In Service | 3Q Gain | 3Q % Gain |
| Major Telco DSL | | | |
| AT&T | 14,841,000 | 148,000 | 1.0% |
| Verizon | 8,459,000 | 129,000 | 1.5% |
| Qwest | 2,793,000 | 61,000 | 2.2% |
| Embarq | 1,388,000 | 24,000 | 1.8% |
| Windstream | 962,700 | 28,400 | 3.0% |
| Frontier | 571,946 | 12,601 | 2.3% |
| CenturyTel | 628,000 | 21,000 | 3.5% |
| FairPoint | 294,134 | (278) | -0.1% |
| Cincinnati Bell | 231,100 | 1,900 | 0.8% |
| TDS Telecom | 171,000 | 6,900 | 4.2% |
| Total US | 30,339,880 | 432,523 | 1.4% |
| Major Cable | | | |
| Bell Canada | 2,046,000 | 33,000 | 1.6% |
| TELUS | 1,077,400 | 13,300 | 1.2% |
| Bell Aliant | 748,056 | 21,615 | 3.0% |
| SaskTel * | 175,336 | 2,819 | 1.6% |
| MTS Allstream | 174,580 | 1,785 | 1.0% |
| Total Canada | 4,221,372 | 72,519 | 1.7% |
| Total Telco | 34,561,252 | 505,042 | 1.5% |
| Major Cable | | | |
| Comcast | 14,738,000 | 381,000 | 2.7% |
| Time Warner | 8,634,000 | 222,000 | 2.6% |
| Cox * | 4,017,038 | 75,623 | 1.9% |
| Charter | 2,858,200 | 70,900 | 2.5% |
| Cablevision | 2,427,000 | 32,000 | 1.3% |
| Bright House * | 1,226,462 | 28,745 | 2.4% |
| Mediacom | 726,000 | 24,000 | 3.4% |
| Insight | 445,100 | 20,500 | 4.8% |
| Total US | 35,071,800 | 854,768 | 2.5% |
| Shaw | 1,565,962 | 24,785 | 1.6% |
| Rogers | 1,563,000 | 29,000 | 1.9% |
| Videotron | 1,031,000 | 42,000 | 4.2% |
| Cogeco | 473,467 | 8,799 | 1.9% |
| Total Canada | 4,633,429 | 104,584 | 2.3% |
| Total Cable | 39,705,229 | 959,352 | 2.5% |

Sources: The companies, Cable DataCom News and Research First Consulting Inc. research.

* Estimated

Training

(Continued from page 1)

As in the delivery methodology, all of these same companies utilize a form of "nesting." In most cases, nesting time (on job) is interspersed with classroom time. The length of nesting varies from a low of one week to a high of eight weeks. There does not appear to be a direct correlation between length of nesting and achievement of 100% competency. This seems to be counter intuitive.

The strongest correlation of factors that influence speed to competency appears to be simplicity of training and processes. Those companies that are still encumbered with complicated legacy systems have longer training, longer nesting periods and a longer time to reach 100% of expectations.

Most companies adjust targets for a period of time after release from training. Half of the companies that I've spoken to expect trainees to be at 100% at 90 days post training. One company gives the trainees 6 months to reach 100% competency.

Anna Gibson, RFC Vice President
480 283-0495
anna@researchfirst.com

Broadband

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also offer 10Mbps, 12 Mbps or higher speed services.

Cable has made great inroads into the telephone business and has out-gained the telcos in broadband customers this year through intense advertising and an effective copying of telco bundle strategies. Cable telephony services are also making great headway. In the past two years, North American telcos have lost over 17 million retail access lines while the cable companies have gained nearly 10 million telephone lines. Of course, telcos have more than made up for this loss in terms of wireless subscriber growth. AT&T and Verizon alone account for growth of over 30 million wireless subscribers in this same two year period. Now the cable companies are developing ways to offer wireless services as well through resale arrangements, etc.

Telcos are starting to get more aggressive in their marketing of broadband services and bundles. Verizon recently

announced a \$79.99 triple play package and SureWest just rolled out a \$67 triple play package. I believe we will see many other telco initiatives in the coming months that will be designed to have significant stimulative effects on telco broadband sales.

Stan Romero, RFC VP Broadband
BMMA Executive Director
205-403-0690
stan@researchfirst.com



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RFC specializes in research and consulting of consumer and business network services and new telecommunications technologies. Our suite of services includes:

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Ellis D. Hill, President
Research First Consulting, Inc.
O: 205-995-8866
M: 205-837-8866
ellis@researchfirst.com
www.researchfirst.com