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Bundles & Video to be Focus of Consumer Services Marketing 2006

BY ELLIS D. HILL

Given the strategic importance and attention telcos are giving video offerings, it should be no surprise that many companies have begun or will begin bundling video services with their most popular services. This will be an area addressed at Research First's **Consumer Services Marketing 2006** seminar to be conducted in San Diego February 15-17, 2006.

Four telco speakers will make presentations on their respective video offerings and their new bundles. They are Kerry Morris, BellSouth Director of IPTV; Dave Thomas, SaskTel Marketing Manager - Consumer; Randy Brophy or Ann Bowen, TELUS Consumer Marketing; and Margaret Gardner, Verizon Executive Director - Bundling & DirecTV.

In addition, Russell Everhart, Sprint

National Sales Manager, will make a presentation on Customer Acquisition, Retention, Credit Collections, and Settlements. Imagine using a stored value communications solution to address the fundamental marketing and retention challenges facing carriers and resellers. This session will highlight solutions and concepts developed for both telecommunications marketers and various other industries segments to maximize ROI and consumer reach.

Roundtable discussions will be held at the end of each day where additional questions can be presented to the group as a whole. These have become very popular sessions as marketing professionals have an opportunity to learn from experts in their respective fields regarding past successes to emulate and

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Optimizing Compensation Plans

BY ANNA GIBSON

Here we are starting a new year with all its challenges: product and strategic changes, increasing objective pressures, turnover and training challenges, to name a few.

Most all companies in the ILEC community face similar challenges in varying degrees of priority. What is interesting are the creative solutions that many have developed. This is exactly why so much benefit is derived from the RFC forums, which bring the ILECs together to share best practices. One such forum was the **Fall Workshop** held in Orlando in October 2005. There were interactive discussions on many sales, process and technology related topics. In the area of sales, incentives and compensation plans always evoke lively discussions and sharing of ideas. Following are the highlights of that

discussion, which will no doubt continue to be a priority in 2006.

Compensation plans fall into two general categories: pay at risk, and add-on plans. Those that have pay at risk typically have a lower base wage rate with a fairly significant upside potential. The amount of base pay at risk is typically 20 to 30 percent. Some companies expressed concern that a pay at risk plan would be very difficult to negotiate with their union. While this can clearly be an issue, those companies with pay at risk in place believe that it has significantly improved sales results. The type of rep attracted to that sort of environment is typically one who has a strong sales aptitude. Many companies have struggled over the past

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Telcos Gaining Ground on Cable MSOs

BY STAN ROMERO

In spite of ongoing access line losses, North American telcos continue to rack up impressive broadband gains with their various DSL products. In the 3rd quarter of 2005, US telcos achieved over 9% DSL growth and North American telcos (including Canada) gained 8.5% while North American cable MSOs only managed a gain of less than 6%. Telcos also exceeded MSOs in total units gained.

So how are the telcos doing this in the face of access line losses and decreasing call volumes into their business offices? Several of them shared some of their successful tactics at the BMMA Fall Workshop last October in Orlando. We learned that many telcos are having success with retail channels, including Sprint both in Sprint retail stores and its indirect programs. Cincinnati Bell has its own retail stores, and SaskTel has seen good success in its retail stores and with dealer network programs. BellSouth has a network sales "greeter" in its Cingular Wireless stores to sell products like DSL to customers while they wait to see a wireless rep. Many telcos have multi-dwelling unit programs and work with developers in new subdivisions to wire-up the development with fiber or copper for video and other broadband services. They are working with other first-contact companies and even trying door-to-door sales to get to those customers who don't go to the telco for a landline.

Retention is another key to telcos achieving these impressive gains. Telcos are reporting enviable churn numbers that allow the vast majority of their sales to accrue to gain. The BMMA is performing a churn benchmarking project and will report on its results to participants and the attendees of the **BMMA 2006 Annual Meeting** (March 27-28 in San Diego). Telcos interested in participating in this benchmarking project should contact Stan Romero, VP - Broadband.

Also be sure to join us at RFC's **Broadband Services 2006 seminar** (March 29-31 in San Diego) to learn more about how the telcos are achieving their successes, and what they are doing to continue to improve retention and increase ARPU. For details visit www.researchfirst.com.

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| Broadband Service Provider | 2005 | | |
|----------------------------|-------------------|------------------|-------------|
| | 3Q In Service | 3Q Gain | 3Q % Gain |
| Major Telco DSL | | | |
| SBC / AT&T | 6,496,000 | 528,000 | 8.8% |
| Verizon | 4,531,000 | 389,000 | 9.4% |
| BellSouth | 2,678,000 | 205,000 | 8.3% |
| Qwest | 1,340,000 | 150,000 | 12.6% |
| Sprint | 638,000 | 48,000 | 8.1% |
| ALLTEL | 359,975 | 40,660 | 12.7% |
| Frontier | 290,208 | 23,008 | 8.6% |
| CenturyTel | 219,879 | 25,032 | 12.8% |
| Cincinnati Bell | 153,500 | 8,900 | 6.2% |
| Total US | 16,706,562 | 1,417,600 | 9.3% |
| Bell Canada | 2,134,000 | 106,000 | 5.2% |
| TELUS | 736,100 | 7,100 | 1.0% |
| Aliant | 195,978 | 18,434 | 10.4% |
| MTS | 120,546 | 6,287 | 5.5% |
| Total Canada | 3,186,624 | 137,821 | 4.5% |
| Total Telco | 19,893,186 | 1,555,421 | 8.5% |
| Major Cable | | | |
| Comcast | 8,142,000 | 437,000 | 5.7% |
| Time Warner | 4,780,000 | 264,000 | 5.8% |
| Cox* | 2,950,000 | 103,562 | 3.6% |
| Charter | 2,120,000 | 97,800 | 4.8% |
| Cablevision | 1,600,434 | 80,570 | 5.3% |
| Adelphia | 1,656,700 | 198,984 | 13.7% |
| Bright House* | 800,000 | 25,000 | 3.2% |
| Mediacom | 453,000 | 27,000 | 6.3% |
| Insight | 439,200 | 47,900 | 12.2% |
| Total US | 22,941,334 | 1,281,816 | 5.9% |
| Shaw | 1,168,063 | 39,804 | 3.5% |
| Rogers | 1,083,000 | 61,300 | 6.0% |
| Videotron | 588,000 | 40,000 | 7.3% |
| Cogeco | 277,648 | 2,775 | 1.0% |
| Total Canada | 3,116,711 | 143,879 | 4.8% |
| Total Cable | 26,058,045 | 1,425,695 | 5.8% |

Source: Company Reports, SEC filings, RFC data, etc.

* Estimate

Compensation

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few years in their attempts to migrate customer reps from a mentality of "service" to "sales." Implementation of a pay at risk plan will differentiate those employees who have the capability and willingness to sell from those who do not.

Some compensation plans provide an opportunity for sales reps to earn as much as 50% on top of their salary. This includes accelerators to incent the sale of strategic products. Performance is based on volumes and revenues. Most companies – pay risk and add-on – all have a means of tracking churn and subsequently deducting the churned product from the compensation payout. Churn affecting sales compensation varies from 60 to 90 days.

One service provider at our Fall Workshop shared the difficulty they have in balancing appropriate incentives to drive revenue with the total compensation package and its effect on cost per sale. Specifically, this company has a rep wage rate in excess of \$23 per hour. When incentive dollars are added, it makes the cost per sale quite high. Reduction of the richness of the incentive plan is not always the answer. If the incentive plan is weak, it may not provide the lift to revenue that is needed. As most companies are aware, it is very difficult to reduce a wage rate. Albeit

difficult, there are ways to address the cost structure of the channel. We discussed ways that other companies have dealt with a similar problem and how they are balancing wages and incentives.

To balance performance, most compensation plans have a quality component. This can be customer satisfaction, order quality, adherence to schedule, and handling time, to name a few.

One thing is clear: no one plan or strategy is perfect. However, throughout our round-table discussions everyone found at least one take-away that will help in their effort to ensure that their plan is cost effective and drives appropriate behavior.

One of the many concerns shared by all is the capability of their plan and associated tracking systems to manage the ever increasing complexities of new products, complicated bundles, product migrations, marketing/sales agreements with other companies, saves, upgrades, etc. This will be one of the many great topics at RFC's **Sales/Care Channels & Operations 2006** seminar to be held in San Diego at Loews Coronado Bay. I hope to see you there.

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Bundles & Video

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mistakes to avoid.

RFC will hold a welcome reception Tuesday evening from 6:00 to 8:00 with an open bar and hors d'oeuvres for attendees and their spouses/guests. This is a great opportunity to greet old friends and make new acquaintances. We typically have in excess of 60% repeat attendance at our seminars which is very high given job turnover, budget issues, etc. This high repeat attendance speaks to the value that telco marketing professionals have placed on our seminars.

This will be the 18th year this seminar has been held. Previous attendees have said this is the best venue to learn the best practices for the marketing of network services. The outstanding speakers combined with the networking opportunities make it so. Please come join us. See www.researchfirst.com for details.

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