

Interview

Better by the Bundle

An Interview with John H. Atterbury, Group President,
Operations, SBC Communications Inc., San Antonio, Texas



John H. Atterbury

EDITORS' NOTE Ever since deregulation of the telecommunications industry, it has been a "tough business environment" for those companies competing, John Atterbury notes, but SBC Communications is doing a great deal to remain in the forefront. Among the aggressive initiatives the corporation's group president of operations outlines is bundling – that is, offering "any combination of services, such as long distance, DSL, wireless, and now video, that you can order along with a telephone line." Video, in particular, "is critical," he underscores, "in order to stay competitive" as cable companies begin providing voice-over-IP service. Subscribers "love" bundles, Atterbury concludes, especially when one considers that "almost 75 percent of our customers now have" them and that "we now have a bundle that's unmatched by anybody in the industry." In addition, the group president continues, "over the past two years, we've penetrated 30 cities outside our territory, where we've built very robust ATM and IP networks." Plus, "we've put in place solid agreements for last-mile connections with other carriers, to compete more effectively." SBC is also cutting costs through system consolidations. For instance, "we're taking all of our call centers," he explains, "and providing them with a common infrastructure." In fact, Atterbury reveals, "we'll

continue to reduce costs wherever we can without adversely affecting our services." Speaking of which, "after we make a sale, we back it up with excellent customer service, which we're currently upgrading" even more.

Upon graduating with honors and a business-administration degree from Texas A&M University, Atterbury began his career at Southwestern Bell Telephone. He has since held a number of executive positions with that company and its parent corporation, SBC Communications. In his current job, he is responsible for overseeing key SBC operations, which provide advanced networks capable of delivering reliable, full-feature voice, data, and – increasingly – video services. Atterbury is a member of the Texas A&M Development Council, Texas A&M International Program External Advisory Board, and the advisory committee to the Texas A&M Foundation.

COMPANY BRIEF A Fortune 50 company based in San Antonio, Texas, SBC Communications Inc. is one of the world's leading providers of data, voice, e-business, networking, and Internet services, serving 54 million access lines in 13 U.S. states. Internationally, it has telecommunications investments in 26 countries, and it owns 60 percent of Cingular Wireless, which serves more than 24 million subscribers in 38 states. Traded on the NYSE as SBC, and with some 168,000 employees, the company reported net income of \$8.5 billion on total revenues of \$40.8 billion in 2003.

SBC recently entered the long-distance market. How has that paid off?

We eagerly awaited approval to offer long-distance service in all of our states. It's now a huge part of our bundling strategy, and we've been very successful at this. We now have about 17 million customers. During the last four quarters, we added more than 9 million customers, so this is an enormous growth area for us. It's not only a new revenue source, but it also allows us to compete effectively with other companies that offer both local and

long-distance service, particularly in the Midwest, where we most recently gained market entry.

You mentioned "bundling." What are the specifics of this concept?

A bundle is any combination of services, such as long distance, DSL, wireless, and now video, that you can order along with a telephone line. Customers love it. They like the pricing advantage a bundle offers, and they appreciate that everything is taken care of in one sales contact and that we put all these services on one bill. Almost 75 percent of our customers now have bundles.

How does video fit into a bundle?

We believe our major competitors over the not-too-distant long term will be the cable companies, which are very involved in video, broadband, and – increasingly – telephony. So, in order to stay competitive, we feel that an effective bundle including video is critical. We recently formed a partnership with the DISH Network, the fastest-growing television provider in the nation, to offer the video feature. With DSL, wireless, long distance, and now with video, we believe we now have a bundle that's unmatched by anybody in the industry.

With such fierce competition in this industry, how do you differentiate SBC from its many competitors?

As I just described, we're the only company that offers this complete bundle. If you take that complete bundle and put a very aggressive price on it, that differentiates us. Plus, we've partnered with companies that have very good reputations in the marketplace, such as Cingular, Yahoo!, and DISH. And then, after we make a sale, we back it up with excellent customer service, which we're currently upgrading to make it easier for customers to pay bills, order services, and follow up on orders on-line.

Many companies are planning to bring fiber-optic cable into homes. Will SBC?

SBC, BellSouth, and Verizon formed a consortium last year to set industry standards for delivering fiber-optic networks to the home. Our plan is to bring fiber to

what we call “new builds” – new subdivisions and new apartment complexes – because we’ve managed to reduce the cost to where it’s about the same as installing copper in a new build. We have five trials occurring in various stages right now to test the equipment, our operating systems, and our ability to make everything work.

What types of business customers do you target?

Everyone from A to Z – small, medium-size, and large businesses – plus we have our enterprise, or global, market. Because of the size of our footprint, 200 or so of the top 500 companies are headquartered in our territory. That leaves more than half outside our territory, so what we’re doing now is pursuing those businesses. Over the past two years, we’ve penetrated 30 cities outside our territory, where we’ve built very robust ATM and IP networks. Additionally, we’ve put in place solid agreements for last-mile connections with other carriers, to compete more effectively.

Are you happy with SBC’s brand-name awareness nationwide?

We’re the number-one brand in telecommunications in our territory, and *Fortune* has recognized us as the most admired telecommunications company in the United States. Furthermore, as we bid on projects outside our footprint, we’re gaining a higher profile. That said, there’s always more that we can do to increase our national awareness.

When you approach new clients, do you normally pitch SBC’s suite of products and services to C-level executives?

Certainly, chief information officers [CIOs] are much more critical today than they’ve ever been. And with the combination of voice and data, many times a telecommunications manager also is the CIO. So, we make contacts with everyone involved in the decision-making process, all the way up to the chairman of the company. We make our case at all levels. We also host forums: focus groups to which we invite various levels of the telecommunications decision-making tree to give us feedback on products and services we need to work on, to listen to their challenges, and to find out what we need to do to earn more of their business. We also invite them to SBC Laboratories, our research-and-development division, where we demonstrate the emerging applications and technologies we’re testing.

How has SBC been affected by the continuing decline in access lines? And looking to the coming years, what are your expectations in that area?

We have lost a lot of access lines, for three primary reasons. One is competition from wireless and cable. The second is the slowing economy. And the third has been a loss to what I’d call unfair regulation. A creation of the Federal Communications

Commission called the Unbundled Network Element Platform, or UNE-P, imposed regulations that have forced us to sell capacity on our networks to competitive local-service providers at below-cost prices. So, while these service providers are a part of our network, they’re not paying their fair share for the assets they’re using. The good news on this front is that the circuit court in Washington, DC, has ruled three times now that the UNE-P rules are inappropriate and should be changed. We’re very comfortable with that decision, and that’s one reason why we’re aggressively pursuing

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business-to-business relationships with our wholesale customers to get beyond regulations and court battles.

One thing we’ve learned during this whole process is that our success is not a reflection of the number of access lines we have. For example, many customers who previously owned two lines have given up the second line to add DSL to the primary one. So, we may have lost a line, but we’ve increased our revenue. When you look at the big picture, we’re still growing. And, during the first quarter of this year, our decline in retail consumer access lines was the smallest in three years.

While growing your business is one way to increase profits, the other, obviously, is cutting costs. How much of a priority has cost reduction been for SBC?

One of the main things I do every day is look at our long- and short-term cost-reduction initiatives. Most of this has to do with mechanization, standardization, optimization, and the consolidation of our centers. SBC is actually made up of four or five companies combined as one, and there are still plenty of opportunities to move to single suites of systems, combine best practices, and improve technology to trim costs.

Will you highlight some of your consolidation strategies?

One is the call-center transformation project. We’re taking all of our call centers – the systems that either field phone calls or make outbound calls to customers –

and providing them with a common infrastructure. Whether it’s the residential or business aspects of our business, or credit and collections issues, we’re standardizing all of our centers that have a direct relationship with customers. In this way, we’ll be reducing our facilities by a third. At the same time we’re giving the service representatives in those centers better tools to do their jobs more efficiently. That enables us to lower costs by reducing the handling time per call; it also helps to stimulate sales.

Additionally, we now have a computerized call-back system, which informs customers when their service is ready. We often don’t need to drive a truck to a house to make a connection and finish an order; completion is just a matter of typing something into our system. Often, when customers don’t see anybody come to their property, they don’t realize that their service has been completed, even though they were told it would be. This application automatically contacts customers to let them know that the work has been finished or that it will be finished later that day or the next. As a matter of fact, this system sent out 2.5 million notices to customers during the last quarter alone. This project gives us a much better way to communicate with customers – and at a much lower cost.

Does this differ from the network-center project?

Yes. The network-center project is similar in that we’re standardizing our equipment and software, and optimizing our systems, but these centers monitor networks and dispatch technicians to homes or businesses. We have to remain competitive, so we’ll continue to reduce costs wherever we can without adversely affecting our services.

What do you think your industry will look like two or three years from now?

It will still be highly competitive but with fewer players, as I believe there will be more consolidation. I also believe voice-over-IP will grow, and that fiber and bandwidth will have a larger presence in the marketplace. Perhaps most importantly, I believe it will be a less regulated marketplace. The marketplace, rather than regulators or the courts, will decide the winners, and that should be a win-win situation for everyone.

What would those who work closely with you say about your managerial talents?

First, they’d say that I’m pretty intense. I have high expectations, but I’m fair and believe very much in teamwork. I also think most would say that I’m very involved in the business and that I listen before I make decisions. Still, I hold people accountable. Results speak for themselves, and in this tough business environment, we can’t afford to employ people who don’t do their best. ●