

From The Trenches:

Marketing Converged Services

Lessons from a man who was selling convergence in the UK before it was legal here

By Adam Haas ■ *Sparling*

The first convergence of residential telecommunications services began in the UK during the late 1980's when North American communications companies rushed there to try their hand at building hybrid networks. At that time, the UK was the only country in the world to allow cable TV companies to offer both cable TV channels and full dial tone telephone service (called "telephony" back then).

The march toward telecommunications convergence in the U.S. continues in earnest today, more than 15 years since the UK experience. PCOs, MSOs and LECs duke it out on the technology front, promoting their version of the "triple play" (voice, video and data), and more. There is one common challenge that each of these types of operators must confront in this highly competitive environment: How to market, position and brand residential telecommunications service offerings.

The following story explores a number of different approaches to meeting these challenges – challenges this author has tackled, gaining hard-earned personal experience.

We'll first look at Jones Cable's approach to marketing voice and video in the UK in 1992. Then we'll look at a Portland, Oregon start-up called First-Link that delivered voice and video to apartment and condominium communities. And we'll also look at two other startups: GST Home, a CLEC that provided voice, video and security to apartment communities; and ReFlex Communications, a Portland provider

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that offered a hybrid wireless/wire-line high speed Internet service to apartment communities and condominiums.

Each of these companies had to position itself in a highly competitive and often confused consumer environment. As general manager for these startup operations, it was my overall responsibility to make sure these positioning, marketing, programs generated results.

The Big Challenge in England

In the late 1980s, Prime Minister Margaret Thatcher deregulated the telephone business in the UK and allowed cable companies to offer telephone service alongside cable TV. No other country had taken the bold step of encouraging competition in the dial tone market. Thus began the steady march toward convergence.

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Construction of its hybrid fiber/coax/copper network in South Hertfordshire was still under way when I joined the company in 1991 as general manager.

The system was designed to deliver dial tone and cable TV to a franchise area just north of London. There were many challenges to installing a Nortel DMS 100 telephone exchange and activating a first-generation hybrid network. Not only was the technology untried in this application, but the entire network also had to be installed underground, under aging sidewalks.

We knew that the engineering would be a challenge. What we hadn't expected was the British resistance to trying something new. The real challenge was convincing the average Brit that he needed a whopping 21 channels of cable TV service. There were many UK market factors working against the success of Jones and other North American companies. In the end, much of the challenge boiled down to cultural differences.

First, the average Brit was used to

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watching just four off-air channels on her “telly.” We had to convince the market that families needed these extra channels. For the British, the American notion of “new and improved” was a foreign one. The Brits like tradition and continuity. In fact, upon hearing of all the wonderful things the cable would bring to one particular South Hertfordshire resident, I was told to “take my f---ng cables back to America!”

Second, the British already paid for their beloved BBC programming through a mandatory license that was required to operate a television set (and yes, the government had vans roaming neighborhoods to detect residents using unlicensed TVs). The attitude was “Why should I pay for cable TV when I already pay for my TV license?”

The sales avenues were limited to reach the residential consumer. Tele-marketing was cost-prohibitive and direct mail of limited impact. Direct selling was the best option, but the average Brit truly felt that his home was his castle — door-to-door selling was a big “no-no” in England.

The Three P’s

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Prior to competition, all telephone calls carried by British Telecom were charged at per minute rates, including local calls. This meant that the British were reluctant to spend a lot of time on

the phone. Jones introduced the novel concept (to the British) of free calling periods for all local phone calls. The product caught on like wildfire and eventually forced British Telecom to offer similar calling plans. Call waiting and voicemail were also new to the market and became popular products.

To position the product, Jones highlighted the one-stop advantage of Jones for both phone and cable TV services. This became the precursor to today’s voice/data/video triple play. We also stressed the advantage of all services being delivered by a fiber optic network, as well as the convenience of a single bill for residential service. In addition to the free calling period, we guaranteed a 15% telephone service discount compared to British Telecom.

The company chose a warm look for its marketing material that stressed the concept of combined services, Figure 1.

The tag line was “The Complete Communications Connection.” To soften up the market, the company mailed a free videocassette (today it would be a DVD) to each home prior to sending a door-to-door salesperson.

The UK market offered the first opportunity for a telecommunications company to offer package discounts for customers that subscribed to both phone and cable TV service. This launched the concept of the “Sticky Customer,” where packaging of many products reduces customer disconnects or churn. Jones took advantage of this packaging by discounting the monthly phone line rental for cable TV subscribers.

Much has advanced in the UK since those early days of Jones. The current owner of the South Hertfordshire system, NTL, now offers phone, digital cable TV, high speed Internet, and video on demand.

Coming Home

I returned to the U.S. in 1993 fired up about the power of convergence. I consulted for a friend who ran an operator services company in Portland, Oregon. He was looking to move away from his original business into a related but more promising telecommunications market. I recommended that he become an early adopter of the convergence model and that he offer phone



Figure 1. One of the first brochures ever, for marketing converged services. Telephone and cable price lists and the “Complete Communications Connection” brochure for Jones in the UK, showing a combined phone and cable network and a photo of videocassette sent to customers; today we’d use a DVD of course.

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In 1993, dial tone was still regulated and CLECs (competitive local exchange carriers) were not yet authorized. This meant that the only way to offer dial tone was to install a PBX (private switchboard) in each apartment community and sell DID (Direct Inward Dialed) numbers as single phone lines. This was the approach adopted by FirstLink. Additionally, the company bought bulk cable TV service from TCI Cable and packaged it with phone service. We landed our first contract for service with Portland's largest apartment community, Portland Center Apartments. The 525-unit property became our testbed and beta site.

The technical approach to this shared tenant service was straightforward, compared to the marketing. Branding and positioning of this new service was more difficult. We needed to develop a name and identity for the new company that communicated a message about who we were and what we offered.

Rather than use an expensive consultant to think of a name, we used a simple brainstorming technique to come up with a range of words (in varying combinations) that conveyed who we were. Once we had a list of candidate names, we then did a trademark search to determine which names were already

in use by another company in the same or similar industry. The name we chose was FirstLink. It conveyed the idea of being connected to telecommunications services and also that our company was ahead of the others in terms of our approach and offerings.

We then hired a graphic artist to develop a range of logo options around the FirstLink name. In addition to the logo, the artist created a range of standard colors for our corporate identity

that tied all of our marketing material together. We knew that to build brand awareness, it's critical to have common graphic themes that are repeated consistently in all customer communications.

The next big challenge was to convince the residents of Portland Center Apartments to give FirstLink a try. We decided to hire an outside firm to help us conduct focus groups. We figured we could create a much more responsive service offering if we really understood what our potential customers wanted. We also felt that conducting the focus groups would create a buzz and positive word of mouth about the arrival of FirstLink within the community.

The focus group idea was successful. We conducted three different focus groups and were amazed at the excellent ideas that participants gave us. Residents were surprisingly forthright in sharing their ideas and feedback, which helped shape our pricing, packaging and service offerings.

We also sent surveys to residents to seek further opinions on their existing cable TV and telephone providers, and to ask what services would convince them to try FirstLink.

To help get the attention of the resi-



Figure 2. *The FirstLink box and candy bar. Note logo.*

dents, we launched an awareness campaign that started with a promotional drop at each apartment door. We custom designed a leave-behind box with the following tag line on the cover, “Two of your favorite monthly bills are about to get crunched”. Each box contained a Nestle Crunch Bar with the following call to action, “And you’re invited to do the crunching” (Figure 2).

The campaign proved to be successful once we worked out the delivery kinks. At first, we couldn’t figure out why a number of boxes were never received by residents. Then we realized that kids were swiping the boxes for the Crunch Bar before residents came home; better timing of the deliveries solved that problem.

We also decided to leverage the contacts that the leasing agents had with existing and new residents. We gave them financial incentives to sell our service when residents first moved in. The leasing agents helped us convert existing residents to our phone and cable TV service. The leasing agents also participated in a series of open houses where we showcased the service. Revenue sharing with the owner meant that the owner was happy to have the leasing staff promote our products.

From Shared Tenant to True Dial Tone

Shortly after the launch of First-Link in 1994, I was approached by a CLEC called GST Telecom to replicate a similar residential telecommunication service across a seven-state region. The package included cable TV, home alarm, Internet and telephone dial tone delivered through a Nortel access node.

Once again, I had an empty canvas on which to paint a brand new range of products. GST’s primary audience was the business customer. The company had traditionally used its graphic style to communicate the high tech nature of fiber and digital communications. This “high tech, low touch” approach might have set the correct tone for the business audience, but it didn’t work for the residential apartment communities that we were targeting. Instead of

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Figure 3. Graphics for the GST Home service – Triple Play and fiber in 1995.

the cold look of fiber cable strands and patterns of ones and zeros, I opted for a much warmer feel.

We called the division GST Home. I commissioned a series of watercolors depicting generic communities. We used these graphics on all marketing materials and communications (Figure 3). We also used the graphic on the long distance calling cards that were supplied to customers. We positioned the strength of the product on choice and created the following tag line: “For Choices like Never Before.”

We also used custom drawn icons of a phone, computer and TV and the tag line “The Single Source,” to communi-

cate the convenience of buying many services through one provider (this approach is common nowadays, but was cutting edge in 1995).

Again, we relied heavily on leasing agents to sell our products. We gave them marketing folders containing signup forms, rate sheets, feature lists and so forth. To reinforce our product approach, we put the same watercolor on the folders.

Giveaways to both the leasing agents and residents also helped to differentiate us as a local service provider. We created magnetized note pads for refrigerators and chocolate bars with the slogan, “Home Sweet Home,” an idea con-

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Figure 4. Examples of GST chocolate bar and note pad promotional giveaways.

ceived by my then 10-year-old daughter, Leah. The watercolor was displayed on all of the giveaways (Figure 4).

Speed Matters

In the summer of 1999, I was approached by a Seattle startup called ReFlex Communications. The company offered high speed Internet to apartment communities and condominiums there. They hired me to launch their Portland market. By the time I arrived at ReFlex, the company had already developed a sophisticated and eye-catching graphic look.

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So, one way to get out in front of the consumer was to stress the speed of ReFlex service. The company created the slogan, "Speed Does Matter" and put it on much of its marketing material (Figure 5).

The bandwidth was delivered to the apartment community through a microwave link to the phone room. We placed a DSLAM in the phone room

and used TUT modems over existing phone cabling to deliver the high-speed service to each tenant unit. At the time, cable modem service was just getting under way, and timely installs of DSL service by the phone company were rare. ReFlex had a big advantage to leverage. Because the DSLAM was installed in the phone room, we could hook up a new customer less than an hour after taking the order.

Selling an Unknown Need

It's difficult to sell a cutting edge product that people have never before needed or experienced. This was the challenge ReFlex faced six years ago when selling high speed Internet.

We figured the way to overcome this was to give people an opportunity for a test drive.

So, whenever we brought a new apartment community on-line, we would throw a free pizza party after work and give residents a tour of the Internet. Through a video projector, we would take them to sites that were rich in flash media content. We would show them Atom Films, one of the first sites to stream free films on the Internet.

We'd go to Web sites connected to video cameras around the world and have residents control the cameras remotely. We would show them 3D-like video games they could play over the Web.

The pizza party was also an ideal way to quickly grow our customer base. During the party, our sales staff would sign up new customers. Our installation technicians also attended the parties and as soon as new customers signed up, the installers would go to the apartment units to initiate and complete the installation process. A dozen or more customers could be hooked up in one night.

And the Moral of the Story Is...

Jones, FirstLink, GST Home and ReFlex were great training grounds for marketing converged services. I'd like to claim that there is one simple solution to selling new converged telecommunications services. But that's not the case.

There isn't one single approach to success; it's not a matter of creating one campaign or promotion to drive customer growth. Instead, it's a combination of many factors working together to create your brand image and customer loyalty.

The basics of your business have to be solid: A reliable product, good value for dollar, excellent customer care.

But in this competitive environment, you must also find ways to raise the visibility of your service above the rest of the noise in the market.

To do that, you need to be creative, take marketing risks, push the envelope and know your target community.

There are many marketing tools to accomplish this, so jump in and make a splash! **BBP**



Figure 5. "Speed Does Matter" bumper sticker from ReFlex campaign; few had broadband services in 1999.

About the Author

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