

Small Business Could Be Big Business

Private cable operators have the skill sets to compete for the small-business market. Now they need a game plan.

By Bryan J. Rader ■ *Bandwidth Consulting LLC*

There's a new battle brewing between big cable and traditional phone companies, and it is just starting to heat up. And I'm not sure that many PCOs – private cable operators – have discovered their place in this battle, or how to begin their market entry.

It's the small- and medium-sized business market – SMBs, as some industry leaders like to call it. (I guess it can't be a new market without its own acronym!)

"It's a \$100 billion market," claims one expert. "The former Bells don't really own this customer, either," adds another.

Earlier this summer, Insight Research Corporation predicted that incumbent phone companies stand to lose up to 1.5 million small-business phone lines to cable competitors by the end of 2007, and as many as 10 million lines within five years.

Large Cable Companies Enter the SMB Market

How could this be happening? The large cable companies have figured out that this lucrative market is a logical extension of the residential networks that exist throughout their franchise area. They are able to leverage their local infrastructure, get outside the suburban neighborhoods, and focus on small businesses such as doctors' offices and insurance companies.

A principal analyst of BroadbandTrends.Com said that the MSOs are "wisely pitching to the 20-employee-and-under segment, which represents 70 percent of all businesses in the U.S."

Time Warner calls small business a \$12 to \$15 billion market opportunity for it, and is aggressively upgrading to go after this segment. In May, Cablevi-

sion Systems launched managed voice-over-metro Ethernet services across three states to capture this market. And Comcast recently said it wants 20 percent of this market within five years.

Well, so do we!

While the average PCO enjoys an ARPU of \$55 to \$75 per month, this market generates a level almost ten times as high. Comcast expects ARPU among small-business customers to be between \$400 and \$500 a month. And it reports that churn should be less than 2 percent a month.

This battleground is just taking shape, and our industry is not yet on the playing field.

PCOs are in a great position to leverage our strengths and be successful in attracting the SMB. We are local. We cater to our client. We are service-oriented and responsive. We can customize our product. And we are personable.

So how do we leverage this position into a successful entry into the commercial services arena?

PCOs Can Woo These Customers, Too

Well, many PCOs are already operating in this space – some by sheer accident. A number of operators already support leasing offices with VoIP and broadband connections. Other provide service to retailers on the first floor of a high-rise, or in the commercial district of a private community. Some are even targeting businesses that are next door to condos or apartments that they currently serve.

We have the skill set; we need a battle plan. How many PCOs are calling on small- and medium-sized businesses? This could be the fastest-growing part of our operation.

Cox Communications has focused

on the commercial space for five years, and has reported double-digit growth each year. I'm sure we will, too.

Think about your own office for a minute. What don't you like about your current service provider? Probably many of the same things that others have said: Their billing is confusing. They are non-responsive to technical support issues in our office. They are not cheap. They don't offer video. And they don't pay attention to us except around contract-signing time because we're too small.

Well, guess what? The PCO can fill all of those needs. We have "feet on the street" in our core markets to manage technical support. We can manage our SMBs like we manage our on-site property management clients. We can simplify billing. We can customize our offerings, and we can include video.

Sure, we may need to add to our skill set – commercial sales is different. We should think about web hosting, web design, and daytime call-center staff for business accounts.

But I think the PCO can throw its hat into the ring and be quite successful. There's a piece of the \$100 billion pie sitting out there in our markets available to us right now.

For the PCOs, the "small" business market could be a really "big" business! **BBP**

About the Author

Bryan J. Rader, former CEO of Media-Works before selling the company last year, has recently founded a new firm, Bandwidth Consulting LLC, where he is advising operators and providers in the MDU market segment. He also remains President of IMCC. Contact Bryan at bryanjrader@yahoo.com or by phone at 636-536-0011.