

Atandt u-verse marketing plan assignment

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| MBA 649: Marketing Management | | AT&T U-verse | | Marketing Plan | | | |
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fiber-optic technology and computer networking to offer advanced digital TV,
high speed internet, and digital home phone service. AT&T is the leader in
IPTV technology.

The benefits of this technology are delivered to customers in the form of cost savings, advanced features, and faster and more reliable service. AT&T reached its two-millionth customer at the end of 2009, and the goal is to reach four million customers by the end of 2011. In order to achieve this goal, AT&T must ensure availability of services. U-verse service is currently available to only approximately half of its DSL customers, who are the initial target market for U-verse service. There is also promising potential of switching customers from competitors. The advanced technology AT&T uses for its U-verse services is unique and affordable, key differentiators in the telecommunications and cable industry.

Government and legal regulations must be overcome in order to secure service in each community. By coordinating closely with local as well as federal regulatory bodies, AT&T can quickly resolve any outstanding issues and more quickly reach its goal of 30 million living units, as well as its goal to reach U-verse revenues of 55% of wireline services. Being the leader in this technology, AT&T has the advantage of technological know-how. They have also opted to use existing fiber, reducing expansion costs. With minimal startup costs and quick break-even points, cost-savings can be passed on to customers, making it a more attractive alternative to consumers.

By focusing on employees, AT&T has created a culture in which employees are more satisfied with their jobs, translating into more innovative solutions and better customer service, both of which are key elements of AT&T's success. SITUATIONAL ANALYSIS Internal Environment Review of Marketing Goals and Objectives AT has setup a number of different marketing goals and objectives for their U-verse product. These goals are dependent upon each other and are intensely related to availability. With a very large existing fiber network, they intend on expanding current access to 30 million living units by the end of 2011. By making this crucial expansion, revenues and customer base are expected to increase substantially.

Since AT has predicted that IP based technology is the wave of the future they are marketing very extensively to increase the amount customers using IP-based products. AT is using the U-verse as the gateway to implement this strategic movement in the industry. They have set a goal of 4, 000, 000 total U-verse connections and to have these U-verse connections make up of the majority of their wireline revenues, with 55% of the total. These goals are <https://assignbuster.com/att-u-verse-marketing-plan-assignment/>

extremely achievable because the infrastructure is already in place, and AT already has the capacity to start the transformation, but it all comes down to their ability to make the services available to the potential markets.

By expanding the current market offering to meet the demands of more consumers, AT will be pursuing their mission of providing a negotiable and alternative choice to cable television while enhancing the technological capabilities of the entire platform. This change to IP-based solutions is not following a trend but creating a trend in how video is being delivered to the marketplace. Providing an additional choice of where to get television service is a concrete method in predicting the direction of consumer behavior. Review of Marketing Strategy and Performance AT is faced with minimal competition and has been able to adopt a marketing strategy to strongly communicate their presence and offerings to the targeted markets.

They have able to identify their core values with consumers through the existing value delivery system. Current pricing is a direct result of the competition having inflated rates and AT's ability to expand with little additional overhead. This has been a strong marketing channel from which they have created a lot of consumer interest. By combining this strategy with their ability to bundle and deliver three services into one, they have not only met the demands of the competition but the consumer needs as well. This product is superior to that of the competitors because of the potential technological advances they can introduce in the future.

AT&T is flooding the available markets with astounding incentives that the consumer cannot ignore. They can do this because of the minimal startup

expenses and quick breakeven points. The distribution channels that are outlined in the marketing strategy are functioning very well. The marketing goals are on track for achievement and the progress of the U-verse is not lagging from any elements that compose the strategy and positioning of the product. AT&T has been able to successfully deliver a message of superiority to that of its competitors. The U-verse, since induction, has surpassed the 2 million connection mark and has converted 34.7% of its wireline revenue to the IP based solution.

By gaining 1 million new U-verse customers in 2009, demand for the product is obviously improving as access is expanded. AT&T's U-verse deployment now reaches approximately 23?? million living units. Companywide penetration of eligible living units now approaches 13?? percent, and across areas marketed to for 24 months or more, overall penetration exceeds 20?? percent. This penetration drove revenue growth by 31.8% in the current yearly analysis. During the initial two years of market expansions, there is no profitability, but it is anticipated to surface in year three of the marketing plan. After break even has been surpassed, profit margins will be extremely strong.

By AT introducing this advancement in video delivery it has captured market share that is resulting in its competitors declining performance. The industry is not necessarily declining, but transforming the technological platforms and capabilities from which it operates. With AT's visionary product enhancement and market strategies they are creating a distinguishable brand preference over their competitors. Current and Anticipated Organizational Resources AT&T earned \$123.018 billion in revenue in 2009 with a net income of \$12.
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535 billion. They have a total of \$268. 752 billion in assets as of 2009 and 294, 600 employees. AT&T has been named by Diversity, Inc. as one of its 2009 Top Companies for Diversity.

They are currently working on returning 5, 000 outsourced jobs back to the AT&T payroll at call centers in Florida, North Carolina, Kentucky, Indiana, Texas and Nevada. AT&T has a long-standing relationship with their unions, Communications Workers of America (CWA) and the International Brotherhood of Electrical Workers. In 2008, AT&T invested \$244 million in employee training and development programs and an additional \$25 million in tuition reimbursement. With AT&T moving from traditional phone and long distance service to innovative technology such as U-verse, these resources are likely to grow in the future. In order to meet the future needs of its customers, AT&T needs to expand its U-verse infrastructure from fiber-to-the-node to fiber-to-the-home.

They will be able to provide double the bandwidth connection from 24Mbps to 50Mbps, enabling them to offer next generation services to its customers. Current and Anticipated Cultural and Structural Issues AT&T provides a high level of customer orientation to its business and government customers. They are using this strategy to build relationships with consumers as well in order to promote U-verse. AT&T is gaining subscribers at a very high rate, because they are able to expand their coverage quicker. In the next two years, expect many markets that were previously monopolized or dominated by Comcast, Cox, or Time Warner to see both Verizon and AT&T enter the market.

This will completely change the face of television, high-speed internet, and telephone pricing. Customer service has become a priority for AT&T to satisfy and retain existing customers, as well as attracting new ones. AT&T has created a younger image with the sale of the iPhone while also tailoring the needs of corporate and government customers. They have embraced orange as the primary color in its palette while blue will remain the color of the company's logo and function as a secondary color complementing the orange color. This has put AT in a position to successfully market both AT mobility (wireless) and U-verse services. Randall Stevenson, Jr. became CEO of AT back in 2007.

Since then, he has invested more into his staff creating a positive culture in the organization. AT employees enjoy jobs with industry-leading pay and benefits. For example, in the core contract, which is by far the largest of our 50 union contracts, AT network technicians make approximately 42 percent more and call center representatives make approximately 64 percent more in wages and benefits compared to their counterparts in similar companies across the telecommunications and cable industry. Customer Environment Current and Potential Customers Current customers are spread out among 120 markets, mainly in large cities throughout the U. S.

As of December, 2009, AT reached its two millionth U-verse video customer and ended the year with approximately 2, 065, 000 customers. In addition, the year-end number of living units passed 22. 8 million, with nearly 72% of those units receiving marketing services. For a complete listing of current markets and when they were rolled out, see Appendix A. Potential customers include customers voluntarily or involuntarily switching from competitors, as <https://assignbuster.com/att-u-verse-marketing-plan-assignment/>

well as customers who are new to the market. The potential market is limited based on availability of U-verse service, which requires specific hardware and software to be installed pending approval of building permits.

Purchasing Decisions Purchasing decisions involve the purchaser, who is ultimately responsible for making the purchase; the users, who may include spouses, children or other dependents, roommates, and the purchaser; purchase influences, who may include any of the users as well as other sources such as other family and friends, colleagues and acquaintances, and advertisements; and the bearer of financial responsibility. The decision to purchase is based on customer needs and desires. Customers are likely to shop around for alternatives, and will ultimately decide based on several factors, including price, quality (speed), reliability, and dependability.

In addition, customers may purchase because they are loyal to AT. AT U-verse is purchased per household or per business as part of an integrated solution, which offers bundled services including TV, landline phone, wireless phone, and Internet. Customers pay a monthly fee for the service and features they wish to include in their package. Standard professional installation is included, as well as a 30-day money back guarantee.

Purchasing Behavior Where U-verse is Purchased The AT U-verse services are offered through a zero level channel. Unlike other AT services the U-verse has no intermediaries and is available through internet selling, door to door sales, and phone orders.

This particular selling strategy allows AT to focus on a speedy market delivery and has allowed them to have a very hands-on approach to their

overall market positioning. They have developed a very significant e-commerce to assist with delivering their value proposition to the consumer. AT anticipates that by providing a very robust online ordering platform that more consumers will flock to this purchasing method, which in return, will reduce operating expenses over the long run and will assist by increasing their profitability margins. When U-verse is Purchased By identifying buying patterns among the potential and available markets, AT has recognized that certain environmental forces directly influence when purchasing occurs.

Many potential customers have contracts in the market and will make buying decisions after they expire. New residents of a targeted market also provide a solid source of purchasing activity. Purchasing patterns of the U-verse are not typically tied to seasonal demand but are more influenced by comparative analysis of its competitors. Since they are uniquely defined with competition at a minimal, buying occurs due to the superior product offered. Many new customers are a direct result of competitors not able to meet their needs, which drives them to pursue other opportunities like U-verse.

Promotional persuasion also accounts for stimulating buying.

U-verse offers a strong incentive through value pricing to ensure that customer are motivated to buy now, not simply because of the high quality of product, but also the pricing schematics involved. By having these promotional venues integrated with their e-marketing they do not limit purchasing by hours of operation and are capable of providing a distribution channel that is open around the clock. Why U-verse is Purchased The U-verse has many benefits that appeal to customers and is the basis of their advantage over the market competitors. Through the U-verse faster internet <https://assignbuster.com/att-u-verse-marketing-plan-assignment/>

speeds are available and are equipped with the capabilities of overcoming the sluggishness associated with broadband peak times.

Another reason this product is high on the selection list is because it can provide internet service, telephone service, and television service at a very reasonable price through specific bundle incentives. The services originate from the same technological base allowing for integrated functionality across the entire platform. The product alone meets and exceeds the demands of the consumer and trumps the quality of its competition, but what really puts it over the top, is the reliability of the services, the advanced features, and the excellence in customer service that manages it. Brand loyalty can go either way for the U-verse. It can influence potential customers to buy because of the u-verse being a part of AT and customers could be loyal to their existing provider.

The value AT was able to create with this product is a strong force that attracts new customers across three different market segments of the telecommunication industry. The U-verse actually eliminates the current commoditization in the market by providing advancements in technology that will be hard and expensive to replicate. So the U-verse has significant time before the market becomes diluted again and will be able to sustain a competitive advantage. Why U-verse is NOT Purchased Although the U-verse is a very attractive and value added product, potential customers may have a resistance to change and may be challenged by certain technological advances that the product has adopted. Another barrier to consumer purchasing is their current satisfaction level.

The hardest customers to persuade are the ones that are bound by loyalty to a competing company, but if any product could do so the U-verse is it. There is so much potential for customer conversion because competition is at a minimal and the actual offerings are extremely competitive based on price, reliability, and functionality. The U-verse is well equipped with superior market offerings, but is faced with specific customer boundaries that still prevent total market domination.

U-verse Benefits The benefits provided by AT's U-verse include:

- ? Total Home DVR
- ? Quadruple play integration
- ? Extensive HD channel lineup
- ? Great value
- ? More personalization
- Excellent customer service
- ? Single, combined mailbox for U-verse Voice and AT&T wireless messages
- ? Online portal to manage call preferences
- ? Online voice mailbox
- ? Ability to view call logs online
- ? Ability to view recent incoming calls on the TV screen
- ? Ability to initiate a call from the TV or PC using Click to Call

External Environment Competition AT&T U-verse competitors are Verizon, Comcast, Time Warner, Cox, Charter, and CableVision. Verizon FiOS high-speed Internet has 3.1 million customers and 2.5 million customers with FiOS television service. FiOS passes 18 million homes in 16 states. Competitors' statistics are listed below:

Number of Customers by Category (in millions)	Company	TV	High-Speed Internet	Voice
Verizon	2.5	3.1	NA	
CableVision	5.7	2.2	1.5	
Charter	14.6	2.6	0.8	
Comcast	38.	12.9	4	
Cox	8.9	3.6	1.5	
Time Warner	21.2	7.4	2.6	

AT and Verizon have great opportunities for growth with the next-generation infrastructure, especially Verizon with its fiber-optic network to the customer's premises. Verizon's flexible network is

capable of running concurrent VoIP and Internet services without degradation.

If AT decides to grow its network, they only have to continue fiber from the node to the premises averaging 3, 000 to 5, 000 feet per home. Cable companies are losing out to AT and Verizon and it shows in their quarterly losses. The strengths of AT is that they provide god customer service, proactive technical support, more high definition channels and a robust Microsoft platform running their video servers. Their weakness is the current limitation of fiber to the node at 24Mbps, which most of the bandwidth is provided to video. Verizon has a strong architecture that meets bandwidth needs for the near future, they build out fiber to the home, and Verizon is leading the industry in service ratings. Their weakness is the lack of coverage, not even at 50% of its own territory.

All of these competitors are marketing their service as the “ Triply Play” which is a bundled service of television, Internet and telephone service. The following is a breakdown of the providers and the number of states where they operate: | Company | Number of States | | AT | 19 | | Verizon | 16 | | Comcast | 39 and D. C. | Time Warner | 28 | | Cox | 17 | | Charter | 29 | | CableVision | 4 | Economic Growth and Stability Cable television costs have increased throughout the country. In 1996, the price for standard cable was \$23. 1 in Wheaton, Illinois. In 2006, the price increased to \$46. 99. Economic conditions are tight for consumers to splurge their money into high cost cable television. U-verse offers its customers to bundle television, phone, and Internet into one cost-effective package. The telecommunications industry is one of the most lucrative industries despite the current economy <https://assignbuster.com/att-u-verse-marketing-plan-assignment/>

in the U. S. Telecommunication companies have AT U-verse will reached around one million fewer homes than expected. Texas leads the total U-verse spend at \$2. 5 billion. AT spent \$1 billion in California, but they have 8. 6 million phone lines compared to Texas at 4. 3 million.

The remaining investments include Illinois (\$750 million), Michigan (\$630 million), Ohio (\$500 million), Connecticut (\$336 million), Missouri (\$335 million), Indiana (\$250 million), Kansas (\$247 million), and Nevada (\$100 million). AT’s state-by-state announced U-verse spent \$6. 64 billion. This covers ten states. Three states ??? Arkansas, Oklahoma, and Wisconsin ??? are left out because legislators have yet to pass statewide video franchising bills. It is estimated that AT&T will spend \$200 million in Arkansas and \$250 million each on Oklahoma and Wisconsin bring total spending across AT&T’s legacy states to \$7. 34 billion. | AT State | Franchising Legislation | U-verse Investment (mil. ?? | | Alabama |?? |\$300* | | Arkansas |?? |\$200* | | California | X |\$1, 000 | | Connecticut | X |\$336 | | Florida | X |\$750 | | Georgia | X |\$500 | Illinois | X |\$750 | | Indiana | X |\$250 | | Kansas | X |\$247 | | Kentucky |?? |\$200* | | Louisiana |?? |\$300* | | Michigan | X |\$620 | | Mississippi |?? |\$200 | | Missouri | X |\$335 | | Nevada | X |\$100 | | N. Carolina | X |\$350 | | Ohio | X |\$500 | | Oklahoma | X |\$250* | | S.

Carolina | X |\$250 | | Tennessee |?? |\$250 | | Texas | X |\$2, 500 | | Wisconsin |?? |\$250 | In the BellSouth states, AT will spend \$750 million in Florida, \$500 million in Georgia, \$350 million in North Carolina, and \$250 million in South Carolina to build out and deliver U-verse service. State franchise bills were passed in Florida, North Carolina, and South Carolina.

These announcements are usually accompanied by a “ jobs creation” figure serving as a political thank you to state legislators for passing franchising bills. These four states will add another \$1. 85 billion in U-verse spending. Five other BellSouth states are estimated at \$300 million each for Louisiana and Alabama, \$250 million in Tennessee, and \$200 million each in Kentucky and Mississippi to total \$1. 25 billion putting the total BellSouth U-verse spend at \$3. 1 billion, bring the overall company total to \$10. 44 billion (\$4 billion more than original estimates). | U-verse Footprint | U-verse Investment (in mil. | | AT markets, announced spending |\$ 6, 640 | | AT markets, estimated spending |\$700 | | BellSouth markets, announced spending???? |\$ 1, 185 | | BellSouth markets, estimated spending |\$ 1, 250 | | Total |\$10, 440 |

The U-verse strategy is based on AT passing 18 million homes of its 32 million home base in its original territory. AT pegged its costs per home at \$350. Multiply 18 million homes by \$350 for a total of \$6. 3 billion, aligned to its \$6. 4 million projection. The number of homes passed by AT in BellSouth’s territory is estimated at 15 million. AT&T is looking at the same ratio for a U-verse build in the nine-state BellSouth territory adding 9 million more homes to the equation. Multiply 9 million homes by the new \$330 cost per home for BellSouth U-verse and it comes in just under \$3 billion. AT&T is looking at a combined \$10 billion-plus investment for U-verse across the entire AT&T territory. That cost only includes getting U-verse to the home.

There is a \$650 -\$700 per subscriber acquisition cost that includes set-top boxes and residential gateways. Suppose AT&T reaches 5 million subscribers across 27 million U-verse homes passed (18% penetration across AT&T and <https://assignbuster.com/att-u-verse-marketing-plan-assignment/>

BellSouth) that equals another \$3.5 billion in costs. Overall, U-verse could cost AT&T \$15 billion or more. Political Trends A telecommunications rewrite would have given AT&T and Verizon “national franchises” status avoiding some of the legal battles. The Senate Committee on Commerce, Consumer’s Choice, and Broadband Deployment Act of 2006 would have made the principle of network neutrality a matter of law. Unfortunately, this died when the 109th Congress adjourned for the final time.

An 11-11 vote caused the amendment to fail, but the entire committee passed the legislation by a 15-7 margin. The telecom bill moved up for consideration by the full Senate. Senator Ron Wyden (D-OR) announced he placed a “hold” on the legislation due to its lack of effective policy on net neutrality. Commerce Committee Chairman Ted Stevens (R-AK) lacked the 60 votes to stop Senator Wyden leaving the bill dead in the water. Legal and Regulatory Issues AT refuses to concede that U-verse is a “cable system” with regulations implied under US law. Neither Congress, the FCC nor the courts have decided one way or another. Lawsuits were filed and the FCC was petitioned. This issue leaves local communities caught between the telecomm giants.

If they allow AT to build out a television service without requiring them to abide by the same terms existing cable providers have to follow, they risk a lawsuit from Comcast for not providing the “level playing field” required by some state laws, such as Illinois. If local communities require AT to sign such agreement, AT will sue alleging that the cities are illegitimately blocking a legal network upgrade. In Illinois, the cities refused to allow AT to upgrade its network without signing a video franchise and agreeing to a “build out”

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schedule that would cover the entire community. Six months later in Illinois, AT filed lawsuits against the cities of Wheaton, Wood Dale, Roselle, Geneva, North Aurora, Itasca, and Carpentersville.

These lawsuits are pending in federal court and no fiber deployments have been completed in any of them. This type of legal battle could affect U-verse deployment across the remaining of the United States. In Geneva, Illinois, they had three concerns: 1. The fiber boxes needed for U-verse were large, at five-feet in height (52B box) 2. Nearly 30 boxes are need to provide Geneva U-verse service 3. Where will these big boxes be placed? In the case of Geneva, AT U-verse would not have been available in the entire city. For instance, service might have been available for the East side but not available on the West side. Therefore, Geneva wanted AT to take out a franchise requiring a full build-out (deployment) within three years.

Geneva's position was that the current cable provider, Comcast, was legally obligated to meet certain build-out requirements and wanted AT&T to abide by the same rules. The state if Illinois have a law called the " Level Playing Field statue" that requires a city to treat all of its franchises equally. AT&T retorted that U-verse is a new service and not a cable service. U-verse is a data service that is not regulated under the federal Cable Act. AT&T planned to upgrade its network in Geneva because cities cannot halt network upgrades; however, they can conduct zoning oversight. Geneva did not like the fact that the boxes were so large and they could not have a build-out of the boxes so they passes a moratorium regulating the placement of utility boxes in city rights of way.

AT&T took the city of Geneva to federal court in Chicago charging them with “ an unlawful attempt to stop AT&T Illinois deployment in the public rights-of-way of facilities that will be used to provide telecommunications services. ” Now the city was put in an impossible position with no chance of avoiding a lawsuit. AT&T sued them, but on the other hand, if they did not put a moratorium on the boxes then Comcast would have sued for violation of their franchise agreement. Moreover, the state’s attorney general would sue for violating the Illinois Level Playing Field statute. In the case of Wheaton, Illinois, AT installed the 52B boxes onto private property after signing agreements with the property owners. They would need 45 boxes to provide U-verse service to Wheaton. This allowed AT to bypass the city of Wheaton.

Once Wheaton discovered these boxes were not a part of AT’s network upgrade, they passed its own moratorium banning utility boxes above a certain size from being installed in the public rights-of-way for six months. AT&T sued as a result. [pic] Technological Advances U-verse used to use smaller digital video recorders (DVRs) in its first-generation U-verse set-top boxes. Now, the newer set-top boxes can record up to 65 hours of high definition content and 233 hours of standard definition content. That is an increase from 37 hours of high definition content and 133 hours of standard definition content. U-verse can record up to four television shows at one time on a single DVR. This has always been possible with U-verse. Now, each home can now share a single DVR to view recorded shows.

With technological advances in the storage capacity of each DVR, this shared DVR is a newer feature with sufficient disk space for the entire family. U-verse also allows up to two high definitions streams in one home. This used <https://assignbuster.com/att-u-verse-marketing-plan-assignment/>

to be one high definition stream. AT&T must have realized that the cost of high definition televisions have come down substantially enabling each household to have multiple high definition televisions. Competitors do not compare with the feature-rich U-verse service. Initially, customers rejected U-verse to a variety of reasons including incompatibility with alarms systems and fax machines and intermittent video packet loss causing a freeze or pixilated image on the customer's television set.

AT has addressed these issues with proactive customer support dispatching technicians to the customer's home when a problem occurs. This is usually done before either the customer may notice or the customer is not aware of the issue. AT&T technicians run clean CAT5 cabling to each customer's home to prevent these glitches from occurring in the future. Many alarm systems and fax machines are now compatible with U-verse. Therefore, customers are embracing U-verse today than the past. The technological advances enable AT to distribute U-verse to more homes and offer more promotions such as free installation when ordering the triply pack (TV, phone and Internet). The only future technology is actually the expansion of fiber to the home.

Currently, AT deploys fiber to the neighborhood then uses existing copper to the home. This is called a fiber-copper hybrid approach. This limits the speed of connecting customers to U-verse at around 24Mbit per second download speed. Fiber to the home allows twice the download speed at 50Mbit per second with Verizon FiOS. Sociocultural Trends The change in demographics affect the U-verse distribution is a positive, profitable way. The number of televisions per households is 2. 1. More than half of the homes in the U. S. <https://assignbuster.com/att-u-verse-marketing-plan-assignment/>

have three or more televisions. The added value of saving money through bundled U-verse service across three televisions per home is a win-win for both AT and the customer.

In fact, AT advertise recording of up to four shows at a time per household DVR. They are advertising and marketing customers with multiple TVs. There is one television advertisement AT has with a U-verse customer pausing his television show in the bedroom and continued to watch the show in his large walk-in closet. This ad in a sense is funny, but it does attract customers with a lifestyle of televisions in their closet. More features will come to U-verse similar to recording four shows at once. This feature did not come with an additional cost to U-verse new and existing customers, nor did it require new hardware to support this feature. The pricing for additional set-top boxes is \$7 per additional box.

An ethical issue arose in Michigan where Bright House Networks alleged that AT sales representatives (including third-party sales agents) tried to scare customers by claiming that Bright House will be unable to offer local television stations after the digital television (DTV) transition; that Bright House would need to rewire homes at a cost of \$300 to \$400 per home; and Bright House customers will need to switch to U-verse to get local stations. U-verse attributed the circulars to two rogue employees of an outside vendor that violated AT's code of business conduct. AT&T stated the vendor no longer employed them and that it was re-instructing its vendors on proper ad materials. SWOT Analysis Strengths | | Less Expensive Upgrade Path | | AT&T has chosen to upgrade its infrastructure using existing cable connections to deliver service to homes and businesses. Whereas competitors | | are using <https://assignbuster.com/att-u-verse-marketing-plan-assignment/>

fiber directly to customers' homes, AT is making upgrades to the network node or neighborhood. This decision will lead to lower || costs for customers. || || Better Personalization || IP allows more two-way interactivity and more personalization with customers. The ' apps' boom that started with wireless services is expanding| | into other areas, and AT is leading the way with U-verse TV service.

AT is listening to its customers, making apps that enhance the | | viewing experience and are easy to use. Apps are a differentiator in the marketplace. When customers are comparison shopping, they will look | | not only at quality and price, but features as well. AT finds that customer retention and satisfaction are higher when customers use | | applications. | | | Strategic Partnerships | | AT has aligned itself with regional and national partners such as single-family builders, developers, real estate investment trusts, | | apartment ownership and management groups, and home owners' associations.

These partnerships will help capture a larger portion of the market | | share. | | | Strong Developer-Support Program | | AT&T provides developers the opportunity to learn how to build applications for AT&T's wireless service. AT's exclusivity with Apple's | | iPhone affords leverage in the area of application knowledge, development, and implementation. U-verse's TV apps can piggyback off of the | | technological know-how and experience AT&T has with its wireless apps, which have been very successful. | | | Broad Portfolio of Complementary Products and Services | | AT&T's portfolio consists of wireless communications, local exchange services, long-distance services, data/broadband and Internet services, | | video services, <https://assignbuster.com/att-u-verse-marketing-plan-assignment/>

telecommunications equipment, managed networking, wholesale services and directory advertising and publishing. Revenues from | | traditional voice services have been declining as customers switch to wireless, cable, and other internet-based providers. Fortunately, the | | wireless segment has been able to make up for most of the loss experienced by the decline in the wireline segment. | Weaknesses | | Service Available in Select Locations Only | | | Low Subscriber Growth and High Churn Rate | | | Poor Reputation for Coverage and Service | | AT's poor reputation for wireless coverage could lead customers to negatively perceive the brand as being unreliable. | | | Limited Liquidity | | Company obligations and liabilities from old business unit spin offs; company more leveraged than competitors within the industry | Opportunities | | Advanced IP services | | AT&T is the only major service provider in the nation offering a 100 percent Internet Protocol-based television (IPTV) service, making AT&T | | U-verse one of the most dynamic and application-rich services available today, with advanced capabilities that customers don't get from other | | providers. | | | Mergers and Acquisitions | | Strategic mergers and acquisitions can provide AT with a dominant market position and can help reduce the image of having poor market | | coverage. | | Threats | | Local Government Approvals | | The rate of expansion will be slowed if all required local building permits cannot be obtained in a timely fashion. | | | Value-Chain Deficiency | | Deployment plans could be delayed if required equipment and software is not received from vendors on schedule. | | | Government Regulations | | Deployment plans could be delayed due to current and threatened litigation involving municipalities and AT's right-of-ways to activate | | U-verse products and services. A lawsuit has been filed in California alleging that the manner in which AT&T provides PEG

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programming (public, educational, and governmental) over its U-verse TV service conflicts with a federal law.

Since AT&T has significant deployments of its U-verse services in California, a court ruling that AT&T must provide PEG programming significantly different than the way it does today or in ways that are not supported by AT&T's existing network architecture, it could have material adverse effects on the cost, timing, and extent of deployment plans.

Global Economic Slowdown | The economic condition can negatively affect customer and supplier bases. Over the past couple of years, AT has seen a lower demand from residential customers as well as business customers. In addition, suppliers continue to experience increased financial and operating costs. | Should the economy not recover in a reasonable timeframe, AT may have difficulty purchasing equipment in a timely manner and maintaining and replacing warranted equipment from suppliers.

Technological Advances | Competition is increasing as a result of technological advances. | Competition | Regulation of comparable alternatives has lowered costs for substitutes. | **MARKETING STRATEGY**

Marketing Goals and Objectives Marketing Goals and Objectives | Department | Completion | Responsible | Date | Marketing Goal A: | AT will focus on making the U-verse fiber network more accessible | Expansion & Development | End of 2011 | Objective A1: | Expand access to 30 million living units | Marketing Goal B: | AT expects to increase the amount of their wireline segment that is comprised of the U-verse | Sales & Collections | End of 2011 | Objective B1: Raise the percentage of revenue generated by U-verse to 55% | Marketing Goal C: |

Increase the number of consumer U-verse connections. | | | | | | | Objective
C1: | Marketing & Sales | End of 2011 | | 4, 000, 000 Users | | |

Basic needs for television, Internet, and phone service are simple packages including local programming and basic cable/satellite programming for television service. A 1.5Mbps download broadband Internet connection is a basic package for two computers to share a broadband connection. Many customers will opt for high tier packages such as the 24 Mbps U-verse Internet package. Although 2 is the average number of computers per household, many homes have 3-5 computers, blue-ray DVD players and game consoles (X-Box live) requiring a high-speed Internet connection to view additional movie content and play games against friend and other via the Internet. Additional buying habits include iPods, iPads, Netbooks and smartphones (Blackberries) requiring WIFI connections to take full advantage of the product.

U-verse can easily provide the Internet to a household with 2 desktop computers, 1 laptop computer, 1 netbook, 1 iPad, 1 X-Box 360, 1 iPhone, 1 Blackberry, and 1 iPod Touch. New categories such as the netbook and iPad create additional devices using the Internet in a household. Therefore, Internet service providers (U-verse) must be able to meet consumer demands. Consumers will dispose slower Internet connections in order to meet the needs of their household. Broadband Internet connections below 3Mbps are considered slow; five years ago, it was fast! Internet users are consuming more data from the Internet through video downloads/streaming, music downloads, software download. In fact, most Internet Service

Providers (ISPs) capped consumer download capacity to 5 GB per month.

Target Market

The primary target markets for U-verse are the 13 states that AT provides service to customers and 9 BellSouth states. AT plans to sell U-verse to consumers in the U. S. AT states are located in the East, Midwest, and West. BellSouth states are all southern states. Consumers value bundled service and cost savings for television, Internet and phone service starting at \$99 per month. With the average number of computers per U. S. household at two, consumers jump at the opportunity for higher bandwidth Internet connections. Product Strategy The U-verse product strategy is supported by the AT brand. The major features include bundled television, Internet, and VoIP telephone service.

U-verse positioning strategy is done through offering 21st century services such as fiber-optic broadband and voice over Internet protocol (VoIP). In markets where U-verse is not available, AT supplements their bundled product with digital subscriber line (DSL), DirecTV, and plain-old-telephone service (POTS). This strategy still delivers value to customers to save money using bundled services. Pricing Strategy U-verse overall pricing strategy is configured to convince customers to switch from their current providers to U-verse. Moreover, U-verse does not require customers to lock into a one or two year contract. This is done through double and triple bundles.

The break-even point for AT U-verse is \$100/month. By the end of 2010, U-verse is expected to bring \$1 billion in revenue to AT. The U-verse double pack includes television and Internet service starting at \$89 per month. This

service includes the U-Family television package with a digital video recorder (DVR) offering up to 70 channels and a 3Mbps Internet speed. A higher tier is available for the double pack customer offering the u_200 television package offering 230 channels at \$102 per month. AT adds value offering a \$300 reward card for ordering this package. The triple pack includes television, Internet and telephone service starting at \$124 per month.

This includes the U-Family television package with a DVR including 70 channels, a 3Mbps Internet speed, and unlimited telephone service including long distance calls to the U. S. and Canada. Since the triple pack is a popular package offering the most value to different customer markets, AT offers two additional tiers of the triple pack: the U300 and U450. The U 300 triple pack starts at \$157 per month and includes everything in the base package plus 300 channels including a movie package with \$400 back and a 6Mbps Internet speed. The U450 includes the U 300 plus 90 more channels, HBO, Cinemax??, and a 12Mbps Internet speed. Distribution/Supply Chain Strategy U-verse is distributed to consumers using fiber-to-the-node. The node is a utility box located within one mile from the consumer's residence.

AT&T installers must leave a customer's home to visit the node to match the copper pair to that of the customer's home for every installation. U-verse is offered directly through three main channels: over the telephone, att. com, and AT&T retail stores. Customer service representatives at call centers offer the U-verse product to customers calling in regarding unrelated issues and they receive calls specifically from customers who are ready to purchase U-verse but need more information before placing their order. Customers may order U-verse on att. com and receive more incentives for ordering online.

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Customers schedule their own installation dates and select their U-verse packages online.

Lastly, U-verse is sold at AT&T retail stores throughout the U. S. These stores have U-verse services installed and running at their stores to demonstrate features to customers at the point of sale. This may offer the most hands-on value to customers seeing these bundled services in action before they decide to purchase them. AT&T uses various intermediaries to sell U-verse to customers. They go door to door throughout communities to sign up as many customers as possible. These channels provide AT&T opportunities to reach customers at their locations. Integrated Marketing Communication (Promotion Strategy) In the past, AT&T did not spend a lot of money on advertising.

With U-verse AT&T integrated marketing communication strategy includes both consumer and channel promotions. With consumer promotions AT&T, capitalize their advertisement opportunities as new features become available. For instance, when the whole-home DVR feature became available AT&T advertised this feature immediately and continued on future advertisements. There are three personal selling strategies that exist for consumer promotions: door-to-door sales, direct marketing via outgoing calls to customers through AT&T employees/intermediaries and through incoming calls to AT&T regarding unrelated issues to U-verse such as DSL troubleshooting.

Consumer sales promotions often include free installation valued at \$150 and up, and reduced monthly prices. Trade advertisements include frequent

emails to AT&T customers and flash content on AT&T's homepage at www.att.com. Trade promotion strategies include higher reward cards, currently up to \$400 back compared to \$200 in consumer promotions. Marketing Implementation AT had to confidently build the necessary infrastructure in order to successfully implement the new concept of the U-verse. The implementation process is controlled through a number of heightened functions guided by a separate entity while still using their well established brand of AT.

The new business process, because of the advanced technological components of the U-verse, will require a more inclined and capable sales and installation force, which is supported by a technical ready solutions department. Although the technical side of the U-verse is extremely important, a large amount of resources are needed for proper market communications. All media outlets are a targeted source to initiate the innovation diffusion process that will be pursued in order to convey the U-verse's value proposition. Since the U-verse is trying to penetrate a market that is dominated by cable providers, a positive word of mouth is a channel in which AT&T believes will create an abundance of value.

A localized approach in delivering value to the consumer is the main communication channel from which market share will be pursued. By localizing events and reaching out to the targeted communities, a more immediate response to the product and an elevated awareness of brand knowledge can be created. The main objective is to get the end user to try the service while building brand equity. Living room setups in existing AT&T stores and high traffic areas will be built to deliver and receive messages

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from target buyers. Along with, U-verse mobile trailers on a local level will enhance the overall effectiveness of this approach. The internal marketing of the U-verse is crucial for the success of the product.

All of the employees must have a background that is tied to technology in order to create and sustain a high level of customer value through relationship marketing. The main goal is to provide all employees the necessary tools to serve customers well through an interactive marketing model. U-verse is building a relationship that is focused specifically on incorporating the technical quality and the functional quality as an equal extension of customer service. This will increase the internal communications by means of technical knowledge and know-how and will ultimately generate an efficient foundation to enhance value internally and externally.

With technology having a very dynamic composition and the U-verse being susceptible to sporadic changes, extreme flexibility was embedded within the work environment so that adjustments can be made to policy and product, if the consumer has a high demand for it. AT&T has a number of different marketing metrics built into their strategy to monitor any environmental threats or positive value contributors to the product. Tactical Marketing Activities | Specific Tactical Activities | Person/Department | | Responsible | | Product Activities | Financial, Sales, Marketing | | 1. TV & Internet & Voice | | | 2.

TV & Internet | | | 3. TV | | | Pricing Activities | Financial Department | | 1. Bundle Pricing | | | 2. Reward Cards | | | 3.

Existing Customer Discounts | | | Distribution/Supply Chain Activities | Sales Department | | 1. Online / Website | | | 2. Door ??? to ??? door | | | 3. In-store and phone orders | | | IMC (Promotion) Activities | Marketing Department | | 1.

Online / Website | | | 2. TV Advertisement | | | 3. Direct mailers to potential and available markets | | FINANCIAL PROJECTIONS Revenue Forecast Revenue Forecast Model Using Existing Fiber Infrastructure [pic] The existing AT&T fiber infrastructure is approximately 850, 000 miles long. By not having to absorb any initial expansion expenses the sales forecast for the U-verse is very attractive.

The U-verse is generating close to 10, 000 new customers a week with the access radius that is currently offered and expects about 2 billion dollars in annual revenue. By offering the product on a local level, services are extended to new available markets on a supply and demand basis. By opening up access to a new market segment on the existing fiber network an additional 2, 000 customers per week for the first year, 4, 000 for the second and 6, 000 for the third year is anticipated. Since a much larger targeted area can be made available on the existing infrastructure a more immediate profit margin can be produced when compared to laying new foundation.

Each U-verse video connection is responsible for an estimated revenue stream of \$1, 050 per year or \$87. 5 on a monthly basis. Revenue Forecast Model with New Fiber Infrastructure [pic] The revenues of entering a new market with adding a new fiber to the existing network is substantially lower than targeting areas that already have the infrastructure for it. The reason

for a smaller revenue stream is due to a smaller area of access because of expansion barriers that limit the amount of fiber AT&T can extend. These major environmental threats include the laws of supply and demand, federal regulation, monetary complications, and inefficient levels of risk.

By opening up access to a new market segment with installing additional fiber, 1000 customers per week for the first year, 2000 for the second and 3000 for the third year is anticipated. Expense Forecast Expense Forecast Model Using Existing Fiber Infrastructure [pic] The expenses have been calculated at \$1050 for each U-verse connection that is activated. The setup expense for each home is approximately \$350 and the equipment necessary to operate the U-verse is about \$700. Expense Forecast Model with New Fiber Infrastructure [pic] By expanding the fiber infrastructure, a capital investment of approximately \$40, 000 per mile will be incurred on top of the setup and equipment expense of \$1050 per connection. Since the targeted market is smaller, fewer customers will mean less expense. Break-Even Analysis BREAKEVEN [pic]

The breakeven point, when using the existing infrastructure, happens in the 28th month of operation. By using the existing fiber a larger market can be targeted which will result in higher revenues, expenses, and profit margins after the break even point. Each connection will breakeven after 12 months of service have been paid for. So in month 13 of each connection's lifecycle it starts to produce a profit. So if a new customer cancels before they have paid 12 months, a loss will be generated. [pic] By having to expand the fiber network to reach out to consumer demand, smaller areas of interest are targeted so large capital investments will not turn into large losses.

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Expanding on the basis of supply and demand helps to bend the cost curve in order to enlarge segments of availability and to keep liability risks on a manageable level. The breakeven point for expansion projects occur in month 31, with substantially lower revenue and expense levels when compared to offering access on the existing network. IMPLEMENTATION CONTROLS Formal Controls Input controls that must be in place before AT begins marketing are the capital expenditures of sufficient fiber-to-the-node utility box throughout communities for U-verse. U-verse initially invested \$6 billion in their infrastructure to deploy U-verse. They immediately invested another \$500 million in equipment and video servers to deliver consistent service to the customer.

AT employees work hard to sell U-verse to as many customers as possible. This includes offering U-verse to traditional AT customers during non-related customer service inquiries. They also have the authorization to modify orders to include POTS phone in place of VoIP service in order to make the sale. If a prospect is committed in a contract with Dish Network, the AT sales representative offers to pay the cancelation fee for Dish network! Employees are given more resources and tools to effectively deliver the U-verse product to customers. U-verse surpassed 2 million users and is generating close to \$2 billion dollars in revenue. Seventy-five percent of U-verse customers are triple-play subscribers.

U-verse currently penetrates 12% of all AT markets, 20% of markets open for 24 months. Their 6Mbps Internet package feels faster than Comcast's 8 Mbps package because AT&T network engineers rate their metrics during peak times. When U-verse Internet is faster there is less activity on the television

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due to customers watching more recorded programs and the same stream using less bandwidth. VDSL and CODEC improvements will address bandwidth issues and in the near future allow a third high definition (HD) stream into the household, currently at 2 HD streams. Although AT&T does not require a contract for U-verse, they are offering a 12-month commitment with an additional promotion of \$