

TWC battling for small business

Smaller businesses gain as AT&T, Verizon, Time Warner compete to provide services

BY JEFF BOUNDS / STAFF WRITER

Time Warner Cable is ramping up its pursuit of small and midsize business customers for voice and data services in the Dallas-Fort Worth market, and it says AT&T Inc. and Verizon Communications are fighting back with price cuts.

The increasing competition for small and midsize customers will result not only in lower prices, but also better service and more advanced products that once were the exclusive realm of big companies, according to Roopashree Honnachari, senior industry analyst at San Antonio-based Frost & Sullivan.

At any given time, most business customers that use voice and data services are locked into a service contract of some sort, according to Honnachari. The cost of breaking the contract depends on when the customer wants to do that, but the pacts are set up so that the longer the customer waits, the less it costs to end the agreement, Honnachari said.

Time Warner's commercial services arm, which serves corporate clients of all sizes, has grown its staff between 60 percent and 70 percent statewide in the past year and a half, and now has about 600 people around the state, according to Michael Petty, regional vice president, Texas region.

Petty, who is based in the company's Coppell offices, declined to reveal Time Warner Cable's commercial services head count in the D-FW region, but did say the Texas unit he oversees has its biggest

employee base, and biggest opportunity, in North Texas.

"We've doubled our sales staff," he said. "We're adding in back-office (staffers), as well."

The push comes after Time Warner Cable officials said they have fixed what they conceded was a sub-par Dallas-area system that they inherited in 2006, when Time Warner swapped some properties with Comcast Corp. Time Warner Cable serves Dallas and Collin counties and parts of Denton and Tarrant counties.

"We've poured millions of dollars into this (local) network," Petty said. "We're continuing to build out the capabilities of our network."

Calling the commercial market a "switcher's game," Time Warner Chief Operating Officer Landel Hobbs told analysts during an earnings conference call in August that there is "just not enough new business formation at present to drive sufficient growth."

"Competition in the (small and midsize business) market is intensifying as the (phone companies) become aware that cable companies are serious about gaining market share," Hobbs said.

In the largest Time Warner Cable markets, such as New York, Los Angeles



DAVID PELLEGRINI

GETTING WHAT HE NEEDS: Small-business CEO **Joey Seeber** says his **Level 2 Review** company got what it needed more quickly from Time Warner than other providers.

and Dallas, the big phone companies are offering discounts of 15 percent to 40 percent in exchange for multiyear contracts with small-business customers, he said.

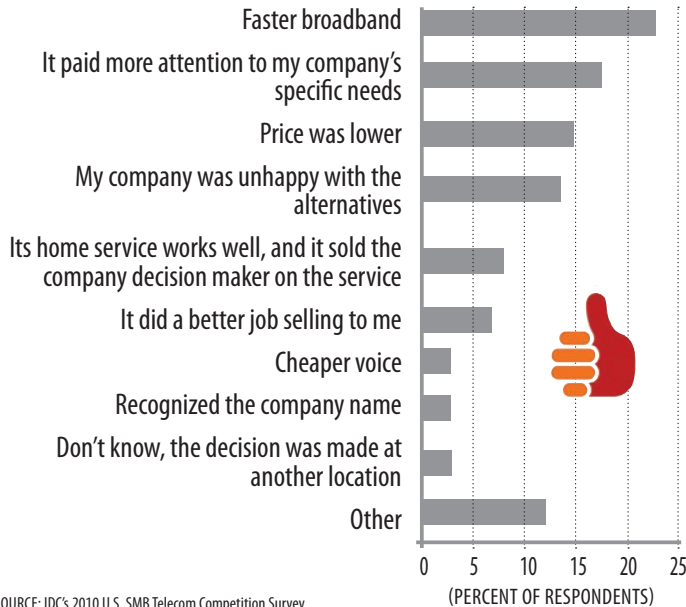
"There haven't been price cuts in à la carte services" that Verizon offers, said Trudy Heatherly, group manager for small business marketing in that company's Texas region. But "the customer does get significant price savings (with Verizon) in exchange for bundling up."

Heatherly said Verizon first targeted Time Warner's business voice and data customers after TWC took over its current North Texas operations in the swap of properties with Comcast. "The customer

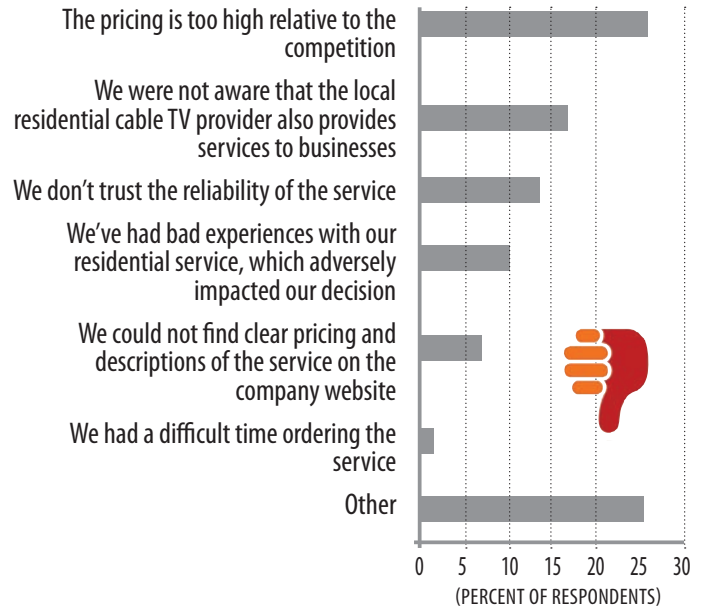
CABLE: Limited growth in customer base prompts fierce competition

DOs & DON'Ts

Top reasons SMBs use cable for commercial services



Top reasons SMBs don't use cable for commercial services



SOURCE: IDC's 2010 U.S. SMB Telecom Competition Survey



HEATHERLY: Verizon hasn't seen any significant market share loss in the Dallas-Fort Worth area.

service they were providing was pretty poor," Heatherly said. "It gave us an opportunity to sway customers to come over to Verizon."

Although Time Warner Cable is now "more competitive here" on price, Verizon hasn't seen any significant market share loss in the D-FW area, Heatherly said. "They don't have the strong value proposition that we bring to the table."

None of the three companies nor any of several analysts responded to requests for North Texas market share data.

Ebrahim Keshavarz, vice president of small-business product management at AT&T, said AT&T provides good value.

"We have been offering bundles to customers that have attractive price points," he said.

Cable companies have made significant inroads in the small and midsize business segment, according to Matt Davis, a telecom analyst at the Massachusetts-based market research firm IDC.

In response, "both AT&T and Verizon have put small and midsize businesses higher on their priority lists," he said.

The battle has come down to a prospect-by-prospect level. Take the case of **Level 2 Review**, a Tyler-based company that does legal reviews of documents during pre-trial exchanges of information.

Level 2's president and CEO, **Joey Seeber**, said the company had a large client with a project that needed immediate attention. That meant **Level 2** had to open a Richardson office — in one week.

Though the company quickly signed a lease and found furnishings, the biggest challenge was getting a hefty fiber-optic connection, Seeber said. He says he called AT&T. "The best they could do, after talking to their corporate people in Atlanta, was 30 days," he said. "That was not acceptable."

So he called Time Warner Cable. "They had the fiber into our space in a matter of days," he said.

Seeber says he is pleased with TWC's service. "We wouldn't have been able to do the project if they hadn't been willing to jump through hoops to help us."

"AT&T is striving to reduce order cycle times," a company spokesman said in a statement issued to the Dallas Business Journal. "AT&T helps small businesses spend less time on paperwork and more time on being successful with their customers."