

AT&T U-verse TV



EXECUTIVE SUMMARY

COMPANY PROFILE

AT&T, headquartered in Dallas, TX, is one of the leading worldwide providers of IP-based communications services to businesses. They also have the largest international coverage of any U.S. wireless carrier, offering the most phones that work in the most countries; the largest Wi-Fi network in the United States; and the largest number of high speed Internet access subscribers in the United States.

COMPANY HISTORY

SBC Communications Inc. established itself as a global communications provider by acquiring Pacific Telesis Group (1997), Southern New England Telecommunications (1998) and Ameritech Corp. (1999). In 2005, SBC Communications Inc. acquired AT&T Corp., creating the new AT&T.

Challenge/Opportunity

Faced with broadband penetration maturity, increasing mobile substitution, and competition from cable on the small and medium businesses front, AT&T has an opportunity to increase its customer value proposition by offering an enhanced IPTV service, called U-verse TV, which leverages customers' next-generation IP network while allowing them to bundle it with their other services such as broadband access, home phone, and wireless services.

Services Offered

AT&T has introduced several enhancements for its U-verse TV customers at no extra cost. Many of the new features and content are enabled through strategic partnerships and alliances, including:

- **Total Home DVR**, which gives you the freedom to watch and manage recordings from a single DVR on any connected TV in the house.
- **U-verse TV Multiview**, a new app that lets you watch up to four channels at once on your TV screen.
- **Regular Additions to U-verse High Definition (HD) Channel Lineup**, which now offers access to about 110 HD channels, which is typically more than the local cable providers.
- **AT&T U-bar**, which gives you personalized, on-screen weather, sports, traffic, and stock information.
- **Media Share**, which lets you stream your personal photos and music files located on your home computers to any connected TV in the home.
- **Weather On Demand**, an app that gives you instant access to check the current weather conditions and detailed forecasts in any U.S. city.

- **Yahoo! Sports Fantasy Football**, an app to help you manage your fantasy teams from your U-verse TV screen through the AT&T U-bar.
- **College Basketball from Yahoo! Sports**, which gives basketball fans the ability to view tournament brackets, their personalized completed bracket, game summaries and box scores, and more through the AT&T U-bar during the basketball season.
- **Online Photos from Flickr**, an app that lets you view on your TV personal photos that you have uploaded to flickr.com.
- **TV Awards and New Shows**, a new app that helps you stay on top of this season's award shows and season premieres.
- **Remote Mobile Access**, which allows AT&T U-verse TV and Internet customers to use any compatible AT&T wireless phone or handset to search U-verse TV program listings, schedule program or series recordings, and manage or delete stored DVR content.
- **Faster Internet Surfing Speeds**, with the launch of Max (12 Mbps) and Max Plus (18 Mbps).

AT&T also expanded its U-verse offers with the introduction of AT&T U-verse Voice. U-verse Voice is a managed IP-based digital voice service that is delivered over the AT&T's fiber network.

Strategy

- Push adoption of triple-play or quad-play services through bundling services.
 - "U-verse is beginning to reshape our consumer revenue profile," says Richard G. Lindner, chief financial officer and senior executive vice president. AT&T is leveraging the successful U-verse offering to help push other services through bundling.
- Increase customer loyalty. U-verse customers are found to be very loyal. With such loyalty, AT&T is hoping to:
 - Drive up revenue per household. (AT&T posted its seventh consecutive quarter of year-over-year growth in consumer revenues per household, up 2.5 percent.)
 - Use U-verse to help retain wireless and wireline customers. (In the third quarter, AT&T had a 27.5 percent smaller decline in consumer connections than the third quarter a year ago. AT&T credits this smaller decline to the U-verse offering, but this could also be credited to a better economic outlook than a year ago.)

Success Factors/Metrics/Monetization

AT&T expects 2009 U-verse revenues to top US\$2 billion, with more growth ahead. The pricing strategy for U-verse offering is very much tied to other services.

- The goal is to increase U-verse TV subscribers by 240,000, bringing the total to 1.8 million, up more than 1 million over the past year. Across all eligible living units, U-verse TV penetration is just above 12 percent.
- According to a survey just published by the analyst firm Strategy Analytics, over 80 percent of Verizon FiOS and AT&T U-Verse television customers reported to be "very" or "extremely" satisfied with their provider. Cable customers, on the other hand, had the lowest satisfaction levels.
- More than three-quarters of U-verse customers were triple or quad play, combining TV, broadband, voice, and wireless.

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- A year ago, consumer wireline IP revenues made up 23.2 percent of consumer wireline total. In the third quarter, these products represented nearly a third of consumer wireline revenues.
 - Price packages vary by region.

Company Background

AT&T U-verse services are enabled by a 100 percent IP-based platform delivered over AT&T's fiber-rich network, which brings optical connections deeper into residential neighborhoods. This strategy allows AT&T to deploy advanced IP-based television and Internet services using only a fraction of the capital required by other providers.

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