



YOU ARE HERE: LAT Home → Collections → Consumers

Advertisement

TELECOMMUNICATIONS SPECIAL

Can I Put You on Hold? Profits Are Calling

'Feature' Services Are Big Business for the Phone Companies, So Don't Expect a Letup

February 03, 1997 | KAREN KAPLAN | SPECIAL TO THE TIMES

Email

Share

G+1 0

Tweet

Recommend 0



Necessity may be the mother of invention, but only the profit motive seems capable of explaining the staggering proliferation of telephone services such as call waiting, call return and caller ID.

At 50 cents a pop or a few dollars a month--seemingly spare change to a multibillion-dollar phone company--these "calling features" have grown to account for roughly 20% of the Baby Bells' telephone operating profit.

Together, the services generated \$4 billion in revenue last year, in the residential market alone, for the seven regional Bell operating companies. Analysts estimate that figure could rise to \$6 billion by 2000, with 75% of that pure profit.

That has led phone companies to introduce no less than 50 calling features, ranging from the useful to the outright ridiculous. Consider:

- * Select call forwarding, which allows customers to choose which calls will follow them to another phone.
- * Priority ringing (also called VIP alert and identa-ring), which assigns a distinctive ring to calls from pre-selected numbers.
- * Anonymous call rejection (also known as "block the blocker"), which allows caller ID customers to reject incoming calls from people who refuse to reveal their phone numbers.
- * Call mover, which allows a customer who disconnects his or her phone number upon moving to record a message announcing the new number.

For customers who feel overwhelmed by choices, there is little relief in sight. BellSouth, for example, recently hired a vice president for marketing whose entire job is to think up new calling features and bundle them into attractive packages.

"I think what you'll see is a proliferation of more and more of these," said William N. Deatherage, a telecommunications analyst with Bear, Stearns & Co. in New York. Deatherage expects the next onslaught to come in the form of voice-activated dialing services, so that a spoken command such as "Call Mom" can render the tedious process of dialing the number obsolete.

Fueling this boom is anticipation of the competitive local phone service promised by the Telecommunications Reform Act of 1996. As long-distance companies like AT&T, MCI and Sprint enter local markets and the Baby Bells invade one another's territories, phone companies will look to offset falling revenue in core businesses with the comparatively easy money that calling features bring.

FROM THE ARCHIVES

Making a Net Call to Firms

October 7, 2004

Kids' New Calling Plan: The Party Line Returns

November 15, 1999

Call Waiting? PC Will Deliver Message

October 4, 1999

MORE STORIES ABOUT

Consumers

Profits

Telephone Industry

Caller Id

In California, Pacific Bell has responded to severe competition--and loss of customers--in the toll call market by stepping up its marketing and promotion of enhanced services. A celebrity spokesman touts services such as call return and caller ID in broadcast and print advertisements. The campaign has met with some success: Subscriptions for calling features have been growing at an annual rate of 10%, according to the company.

Revenue from calling features is especially important in the many parts of the country where phone companies charge below cost to provide a basic phone line and depend on selling a handful of high-margin features to push those accounts into the black.

*

The software that makes these calling features work is installed at the switches that route calls over the network. The software costs less than \$15,000 per switch, and each switch serves about 10,000 customers. After the software is in place, the marginal cost of providing calling features to customers is close to zero, and the profit margins are correspondingly high.

"There are some expenses associated with service orders, record keeping and billing, but if you're charging \$2.50 or \$3 per feature per month, they're pretty profitable," said John Goldman, media relations manager for BellSouth Telecommunications in Birmingham, Ala.

But money is not the only reason why phone companies are offering dozens of the services, including seven different kinds of call forwarding. The companies feel they must offer an array of features in order to win new customers and keep the ones they already have.

"It's clearly very valuable in a competitive environment," said Pat Evers, marketing and communications manager for US West's voice products and services in Phoenix. "If you have these features loaded on a basic line, it makes that line much more difficult for competitors to replicate."

But analysts say they will certainly try.

Indeed, as newcomers prepare to enter the local phone business, they are likely to target customers who buy the most features, because they generate the most revenue.

"If AT&T had a crystal ball and they could figure out everybody who bought caller ID and call waiting, they'd go after every one of those customers with their guns a-blazing," said Brian Adamik, vice president of consumer communications at Yankee Group, a market research firm in Boston.

*

From the Web

Sponsored Links by Taboola

Simple Investing Tips For Uncertain Times

Capital Group

Quicken Loans Urges Homeowners To Switch To A 15-Year Fixed

Fort Worth: This Meal Service is Cheaper Than Your Local Store

Home Chef

3 Real Women Conquer Tricky Spring Trends

Barneys New York

See How Brightwood College Can Help Your career

Brightwood College

Single in Fort Worth? See Who's on Match

Match.com

I Tried Leesa's Mattress, Here's What Happened...

Cup of Jo for Leesa

Earn Your Penn State Degree from nearly Anywhere in the World

Penn State Online

MORE:

Seizure Led to FloJo's Death

His 104 scores make his case

Restaurant review: South Beverly Grill

Brutal Murder by Teen-Age Girls Adds to Britons' Shock

Comaneci Confirms Suicide Attempt, Magazine Says