

# The PhoneCenter Concept Grows

Offering residential telephone products in a retail store environment pleases customers and boosts System sales



"I think this new idea of yours is just great," the customer told a Southern Bell service rep a few weeks ago. "You know, moving again is such a hassle with so many decisions to make. Even down to picking out the right phones in the right colors. But this 'telephone store' of yours makes this part of it easy as pie."

The "telephone store" the customer was enthusing about was the Hallandale, Florida, PhoneCenter where she had just selected the telephones for her new apartment.

Established in 1970, the Hallandale installation was the first neighborhood store in the country where customers could shop for their residential service. For four years, the PhoneCenter has served as a closely watched model for a revolutionary marketing concept in the Bell System.

The basic ideas underlying PhoneCenters are (1) that customers might prefer shopping in a retail environment for the various residential telephone products and services made available by the local operating company and (2) that marketing our products in this way can have major sales and cost advantages to the Bell System.

To date, all the evidence indicates that the PhoneCenter is an idea whose time has come. Signifi-

cantly, that evidence is broadly based and representative of a wide range of geographic and operating environments. A total of 32 PhoneCenters are currently operating in Florida, Georgia, New York, Kentucky, Illinois, Wisconsin, Minnesota, Iowa and California. And because of results achieved in these locations, 34 more installations are currently under development, and 22 additional sites are under study.

Many indices are being watched in measuring the success of each PhoneCenter. One of the most closely watched is consumer reaction to this new and non-traditional method for marketing our services.

## Do it yourself

To date, our customers—much like the one in Hallandale—are almost uniformly pleased. For example, a recent attitude study, conducted at the Hallandale PhoneCenter, reports that "... ninety-five per cent of those customers interviewed... said they were 'very satisfied' with this method of obtaining telephone service."

Customers apparently enjoy going to a conveniently located PhoneCenter, wandering through the telephone displays, choosing from many models and colors, and then having their orders filled at once.

In most instances, the customer is then able to proceed to his or her home or apartment, plug the phone's jack into a pre-wired wall socket, and dial a "test call" back to the PhoneCenter to assure everything is working properly.

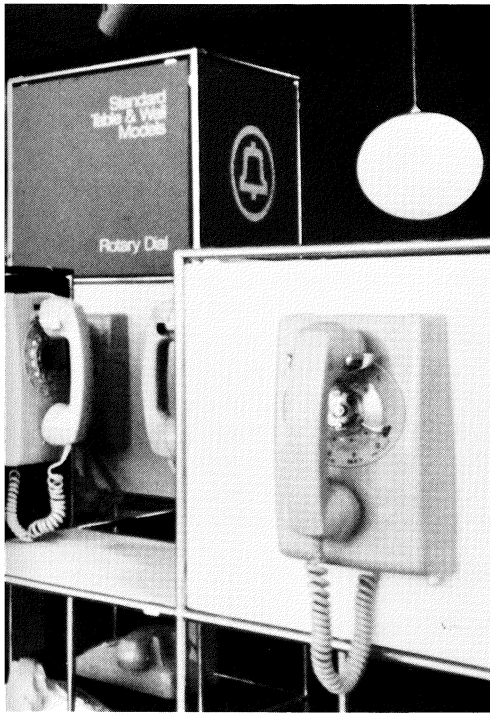
The entire process of furnishing service to a new customer often requires an hour or even less.

## Penny saved, dollar earned

The advantages to our customers are clear. They are able to initiate phone service quickly and easily, at their own leisure and convenience. They can shop in an accustomed retail environment, seeing and touching a wide variety of items from which they will ultimately make their choices. And, of course, they can eliminate the sometimes inconvenient wait for the installer to connect their telephones.

The advantages of PhoneCenters to the Bell System are no less clear. Foremost among these is the dramatic reduction in installation visits by plant personnel. The dollar savings here would, in time, far exceed the investment in telephone plant required for pre-jacking residences, assigning dedicated cable and maintaining PhoneCenters.

At a recent meeting of securities analysts, John deButts, AT&T



Chairman, pointed out that "It costs Bell about \$60 to install a phone. And we've been charging about \$5 or \$10 for installations.

"The discrepancy between our cost and our charges to the customer becomes highly significant when the number of installer visits is considered. Each year, some 27 per cent of American families change their places of residence. In some areas, that percentage exceeds 60 per cent."

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### **Payoff in retail display**

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If each of these places of residence could be wired once with jacks and served by a PhoneCenter, the tens of millions of families relocating each year would never need a visit by an installer to connect telephone service. The current cost/charge discrepancy cited by Mr. deButts of \$50 to \$55 could be saved in each instance.

Another — perhaps surprising — advantage of PhoneCenters is that they generate increased revenue from the sale of telephone units. In fact, PhoneCenters uniformly generate more sales in case after case. One example is seen in a Southern Bell sales report which evaluates a seven-month average of districts having PhoneCenters. In total, six districts were evaluated: five served

by PhoneCenters, and one in which telephone service was sold in the traditional manner.

The PhoneCenters showed substantially higher percentages of extension phone purchasers than did the entire district. A total of 73 per cent of customers visiting the PhoneCenters purchased extension telephones, whereas only 58 per cent bought extensions via the traditional sales approach.

Apparently, customers buy more, rather than less, products and services because they are stimulated by the retail shopping atmosphere, and by the appeal of a broad range of choices which they otherwise might never have known existed.

It has long been obvious how limited the possibilities are in selling new telephone product lines and service packages via voice-to-ear contact between a customer and a Bell Company business office employee. The retail display techniques of the PhoneCenter allow a touch-and-feel environment. A broad spectrum of telephone models and colors—some with working models such as TOUCH-TONE® sets which allow hands-on demonstrations—are virtually self-selling.

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### **Our variety is visible**

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Sales representatives are able to show—rather than try to describe in words—such features as the dial-in-handset and "recall" switch of Trimline® models in the off-switch-hook position. The convenience of locating a Trimline wall set under the cabinets of a small kitchen with limited wall space can be demonstrated, as can dozens of additional ideas and advantages that are possible in arranging residential service.

The PhoneCenter's effectiveness as a point-of-sale location can be heightened by signs and displays promoting toll calls and demonstrating—by use of DDD rates to selected cities—that long distance rates are relatively inexpensive.

Residence Package Plans, optional calling plans, Custom Calling Service, volume control handsets and many other items in our constantly increasing and changing product line can be "self-sold" in the manner of modern retail stores.

Mail order catalogues can also be utilized at PhoneCenters, and controlled promotion, via mailings of product brochures, bill inserts and other customer contact material can be employed to promote new products and services.

In addition, the development of new products may be encouraged by the availability of outlets to merchandise them properly.

The ultimate advantages of PhoneCenters, of course, would be realized if every residence in the United States were pre-wired, or re-wired, for telephone jacks.

This goal may not be as far distant as it might seem. Bell of Canada plans to have all of its customers' residences 100 per cent wired for jacks by 1984.

The U.S. presents a far larger task—one which is being approached with careful experimentation, research and testing.

The foundation for this research was established by personnel at Bell Telephone Laboratories early on in the PhoneCenters experiment. Charles Ermer of BTL's Station Studies Department at Holmdel devised this foundation, an economic study model used to expedite operating company decisions on the best locations and economic strategies for opening PhoneCenters.

Donna Oberer, a specialist in computer technology at Bell Laboratories, wrote the programs required to computerize the model and make it easier to utilize.

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### **The computer plans ahead**

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The economic study model, field-tested last year at Michigan Bell and Pacific Telephone Company, has become an extremely useful decision-making tool for PhoneCenter planners. It was released to the operating companies in November, 1973, as part of the "PhoneCenter Evaluation Guidelines."

The study model works in this fashion: the computer is fed such data as the number of homes in the area requiring phone jacks, the volume of customer calls for service, and 89 other cost-related inputs. On the basis of these data, forecasts are generated of year-by-year costs and potential savings that would re-





sult from opening a PhoneCenter in the area.

"That's the kind of dollars and cents information the operating companies need to select the most promising locations and plan ahead for fiscal requirements of PhoneCenters," Mr. Ermer points out.

Ms. Oberer, describing the efficiency of the computer programs, noted recently: "It can take as much as three days for someone to complete manually the calculations involved in one run through the model. The computer can do it in a matter of minutes. That will save an awful lot of time for the operating companies, because evaluation of a location usually requires several run-throughs, each with some variation of raw data."

The value of the computerized model was described recently by Bert Landess of AT&T's Marketing Department. Mr. Landess, who is also chairman of the Bell System's PhoneCenter Working Committee, said, "We're relying on the computerized model to guarantee that all PhoneCenters throughout the nation are established on the same firm economic footing. If they become as popular and successful as we expect, Bell Labs will deserve much credit."

The precise location of PhoneCenters is, of course, an extremely important consideration. Areas

with a high rate of turnover and/or population growth are the most desirable, since they are characterized by frequent residential telephone changes or additions.

Many PhoneCenters are established completely separate and apart from other telephone company offices. In addition to merchandising telephone product lines and services, these free-standing installations in many cases have "repairs counters," a bill-paying window, a counter supplying telephone directories, and other convenience-to-the-consumer features.

In some cases, it is feasible to add PhoneCenters to existing operating company offices simply by adding displays of our products and services. The advantages of this arrangement—particularly with regard to personnel and construction costs—are obvious. However, the location must meet several rigorous tests, including the availability of ample parking.

Another essential requirement in selecting an area to be served by a PhoneCenter was recently described by W. N. Todd, planning staff supervisor of Southern Bell.

"It must have adequate outside plant facilities to serve customers," Mr. Todd said. Specifically, he meant sufficient capacity of cable facilities to serve the area.

In developing the PhoneCenter

concept, Bell System planners have been careful to avoid being locked into rigid and inflexible requirements for locating the facilities. The PhoneCenters in Hallandale and Milwaukee offered certain advantages—to prominently include high incidences of pre-jacking—which will not be found in many areas which otherwise offer considerable potential for retail telephone establishments.

As the PhoneCenter Evaluation Guidelines Manual points out, however, "... it must be recognized that the conditions under which the Hallandale/Milwaukee trials were run were *not* intended to be models for all future PhoneCenters; rather they were trials of the *concept*.

"For example, it is not necessary that all or even a high percentage of residences in an area be jacked before opening the PhoneCenter. Rather, there will be places which have a large enough base to support opening a PhoneCenter with only a small percentage of residences being jacked. Thus, on the first visit to the PhoneCenter, the unjacked customer gets the PhoneCenter treatment of selecting his own phones, but gets the non-PhoneCenter treatment in arranging for his service connection. The premises would be converted to jacks on this trip."

Meanwhile, the trend to pre-jacking new residences—particularly in multiple family dwellings—is strong. In Brooklyn, New York, for example, more than 3,500 apartments in the giant new Starrett City housing complex are being pre-wired for jacks. Probably a PhoneCenter will be built to service this complex and the neighborhoods surrounding it.

Over time, the pre-wiring of new residential units like the ones in Starrett City, and the re-wiring of older ones, could lead to what PhoneCenter planners now regard as their ultimate objectives: 100 per cent jacked premises, 100 per cent customer participation, and 100 per cent same day service.

If and when this happens, shopping for service at "your friendly neighborhood telephone store" will be as natural as asking "Central" for a telephone number was 35 years ago. □