Current Analysis

Win Small, Win Big:

Comparing Strategies in the Small Business Market

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Today’s Speakers

Current Analysis

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What is our definition of a small business?

- Company with fewer than 50 employees for voice, Internet and (optionally) video
- Ranging from a single person operation to multiple offices
- Shares the basic communication and data needs of an enterprise level business to connect with customers
- Often lacks IT support staff and tech know-how
- Price sensitive

According to the SBA, Small Businesses:

- Represent 99.7% of all employer firms
- Employ just over half of all private sector employees
- Pay 44% of total U.S. private payroll
- Have generated 64% of net new jobs over the past 15 years
- Hire 40% of high tech workers
- 52% home-based and 2% franchises

"While small firms create a majority of the net new jobs, their share of employment remains steady since some firms grow into large firms as they create new jobs."

Source: Small Business Administration, September 2009; www.sba.gov/advo

Comparing Telco Strategies

What's the Same?

- Small Business portfolio (1-9 employees) similar to consumer choices with POTS and DSL but more expensive than residential offers
- DIA and T-1 products similar
- Telephone and online sales similar
- Managed services bundles commonplace in mid-tier and up

What's Different?

- AT&T has more focus (400+ apps) than Verizon Wireless on mobile / FMC services; Qwest re-sells Verizon Wireless solutions, AT&T Hot Spots
- Verizon is aggressive with FiOS for business, AT&T U-verse not so much, Qwest FTTN (high-speed DSL) is MIA for SB
- Verizon is more willing to bring Verizon Business services "down-market"
- Qwest waits to be acquired by CenturyLink

Cable Companies Refocus on Small Business

- **Opportunity realized, MSOs more aggressive with winning small business customers**

- **2009 this opportunity began to pay off**
  - Comcast Business $828 million in revenue, 48% annual growth
  - TWCBC $915 million in commercial services revenue ,15% annual growth

Cable Companies Refocus on Small Business

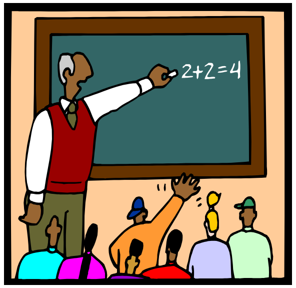
Small business benefits from residential upgrades

- Faster broadband speeds via DOCSIS 3.0 deployment
- VoIP expansion and HD programming

Price Competitiveness

- Role of bundle packages (Triple Play and Double Play, Low priced lead offers)
- Free add-on services (Microsoft Exchange Server and WiFi hotspots)

Focus on Industry Verticals

CLECs Fight On

- **Recent Merger Activity**

MegaPath + COVAD + speakeasy

- **Try to capitalize on perception smaller provider is better for customer support**

- **Struggle to compete with incumbents and MSOs for today's small business customer**

Telco vs. MSO vs. CLEC

Telcos	MSOs	CLECs
Contiguous footprints	Franchise islands	Building islands and /or buy ILEC loop
Ubiquitous coverage in service area	Network not available to all in area	Not ubiquitous nor available to all
Homogenous portfolios by company	Regional / niche adaptations possible	Regional / niche adaptations possible
Legacy voice dominates (POTS)	Consumer VoIP dominates	POTS and VoIP
DSL slower	Cable modem faster	Depends on media
Solid video portfolio	Solid video portfolio	No Video Portfolio
Up-market services available	Up-market services vary by MSO	Up-market services available
Often bundle with boxes	Seldom bundle with boxes	Sometime bundle with boxes
Serious about keeping market share	Serious about taking market share	Serious about taking market share

Final Thoughts

- Looking ahead at this market
- And the winner is…Telco, MSO or CLEC?
- The customer

Your questions and comments

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