STRATEGIC ANALYSIS OF TELUS IN THE CANADIAN CONFERENCING MARKET

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In the Faculty
Of
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Strategic Analysis of Telus in the Canadian Conferencing Market

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ABSTRACT

This paper will provide a strategic analysis of TELUS as a Conference Service Provider (CSP) in the Canadian Conferencing Industry. TELUS is a communications company, also known as a Telephone Company (or Telco). TELUS provides data, Internet and wireless services to connect Canadians to each other and the world. Conferencing services are included within TELUS' product and service offerings to the public.

The Conferencing services reviewed in this paper include: Audio-conferencing, Video Conferencing, and Web Conferencing (sometimes known as Data Collaboration). Audio and Video conferencing services are nearing maturity in their product life cycle. Web conferencing is poised for tremendous growth in the coming years.

Canadian Telephone Companies (Telcos) and/or independent CSPs from Canada or USA, which specialize in providing conferencing services, provide conferencing services in Canada. The Conferencing industry is a fiercely competitive one. The Conferencing industry is in a state of flux as CSPs integrate their service offerings. Independent conference services (audio, video or web) are integrated within companies to provide a one-stop-shop opportunity for customers.

This paper displays the results of a competitive forces analysis on the Canadian Conferencing industry, a Conferencing industry analysis, and a strategic fit and internal analysis of TELUS in the market place.
DEDICATION

In loving memory of my mother Dorothy Hazel (Maclean) Stephens who passed away mid term while I was completing the MBA program – in acknowledgement for her support, encouragement and complete and utter faith in my ability to complete the program.

With thanks to my father, Albert George Stephens, who supported me during the program, and who also supplied some background TELUS information to my study team on more than one occasion while we were completing the MBA program.

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INTRODUCTION

1.1 Overview

This paper displays the results of a competitive forces analysis on the Canadian Conferencing industry, a Conferencing industry analysis, and a strategic fit and internal analysis of TELUS in the marketplace. The objective of the paper is to provide key members of TELUS with needed information about Conferencing services both internal and external to TELUS to assist them in determining what steps to take next to improve TELUS’ competitive positioning and results in the Conferencing marketplace.

1.2 TELUS

TELUS is “one of Canada’s leading providers of data, Internet Protocol (IP), voice and wireless communications services.” TELUS aims to “provide and integrate a full range of communications products and services that connect Canadians to the world.”

TELUS’ quoted strategy is “to unleash the power of the Internet to deliver the best solutions to Canadians at home, in the workplace and on the move.” This strategy was developed by TELUS’ newly hired, charismatic young buccaneer style CEO, Darren Entwistle, who parachuted into the company in 2000. The new CEO quickly made plans to take TELUS into the new millennium with a new vision, a new culture, and a new style of doing business. Gone would be the image of a stodgy 100+ year old bureaucratic organization. TELUS’ image would be transformed into that of a full knowledge network style organization – ready to compete head on in the new economy with the best of the best.

1 www.telus.com
In concert with its new image, the company was reorganized into Customer Facing Units (CFUs). Each CFU has its own ‘President’ and sufficient Marketing and Operational staff, within its own direct control, to focus heavily on its own target segment of the marketplace. The primary CFUs include: Client Solutions – focussed on the large business market; Business Solutions – focussed on the Medium Business market; Consumer Solutions – focussed on the Consumer (home) and Small Office/Home Office (SOHO) markets; Global Trading and Partner Solutions (GTPS) – focussed on the wholesale and reseller markets; TELUS Mobility – focussed on the wireless market; TELUS Quebec – focussed on the French language and Eastern markets; and Enterprise Solutions – focussed on customer solutions that cross multiple CFUs. Additional business units exist to support all of the CFUs (e.g., Human Resources, Finance, Enterprise Marketing etc.).

The Company has removed its ‘product focus’ functional structure in favour of a ‘solutions based’ customer oriented CFU structure. Within each CFU, Marketing product and market managers develop product lines focussed on their target markets. Where product lines cross several CFU boundaries, a central Enterprise Solutions business unit coordinates the division of duties and revenues to prevent duplication of efforts, and to ensure integrated solutions are offered to targeted customers.

Different Marketing Product Managers operate within each CFU and focus on products that provide solutions to meet customer needs within their CFU. Across a few of the CFUs, several Marketing Product Managers support varying products and solutions that form what is externally termed the Conferencing Industry. These products include: Audio Conferencing; Video
Conferencing; Web/Data Conferencing; and Streaming. This paper will provide a strategic analysis of TELUS’ approach to meeting customer needs within the Conferencing Industry.

Conferencing Industry solutions within TELUS are treated as product lines. The Marketing Product Manager for Audio Conferencing is located within the Client Solutions CFU. The Marketing Product Manager for Video Conferencing is also located within Client Solutions, but in a different unit. The Marketing Product Manager for Web/Data and Streaming Conferencing is located within the Enterprise Solutions CFU. The Marketing Product Manager for Wireless audio conferencing is located in the Mobility CFU. The line operations group, Operator Services, that provides the customer service interface for audio and video conferencing customers, and some support to web conferencing customers, is located within the Consumer Solutions CFU. This spread of services across several CFUs is not common in the Conferencing Industry. TELUS integrates these services when requested by customers at a large business customer point of sale presentation. Otherwise, the services are, for the most part, run independently.

Before exploring the Conferencing marketplace, it is helpful to understand the services performed by TELUS as part of this marketplace.

1.3 Conferencing Solutions

Conferencing solutions consist of a host of products and services designed to allow multiple people to conduct meetings from a distance with the aid of one or more conferencing communication devices or services. Conferencing solutions include: Audio Conferencing (often called Teleconferencing), Video Conferencing, and Web Conferencing (also called Data Collaboration). These solutions may be provided in a stand-alone format for a customer, such as a one-time audio-conference call, or as a combined solution bundled with other communication
services (e.g., audio-conferencing bundled with long-distance services; audio or video conferencing combined with data collaboration). To best understand the relationships between these products, a brief description of each is in order.

**Audio-Conferencing (Teleconferencing)**

Audio-Conferencing is the best understood and most frequently used virtual meeting solution offered by TELUS and other Communication companies. Audio-conferencing allows multiple participants to join together in a virtual meeting. Customers use telephones, or cellular phones, to place their conference calls, making their participation in virtual meetings very easy. TELUS ‘bridges’ the customers together into their meetings using conference bridge equipment. A typical audio conferencing call, as shown in *Figure 1*, consists of participants from varying locations, using differing communication devices, joined together on a conference bridge. This versatility of allowable locations and communication access devices is the primary reason that Audio conferencing is the most widely used Conferencing solution.
Customers are charged a fee according to the number of participant ports (separate bridge lines, or telephone lines) used during the meeting, and location of each caller relative to the bridge’s geographical point of presence (POP); long distance charges apply to customers located beyond the free calling area of a local POP. The originating customer (chairperson) must pay ‘conference charges’ for the bridge (bridge charge) and for each participant on the call (port charges). In addition to the ‘conference charges’, at the option of the chairperson, either the chairperson or the participants pay any long distance charges required to connect each participant to the bridge.

The revenues for the long distance charges go to the payer’s long distance company, which could be TELUS or any one of the long distance providers in Canada or the United States. TELUS offers local service points of presence (POPs) in the major centres of Vancouver,
Calgary, Edmonton, and Toronto. POPs are currently planned for Ottawa and Montreal. POPs allow participants located in any of these major centres to avoid long distance charges for their ‘leg’ of the meeting. Alternatively, a Chairperson may opt to have participants call into the meeting using a toll-free (e.g., 800) number, allowing the participants to participate in the meeting without charge. When the Chairperson offers toll free access to meeting participants, the Chairperson pays a set price per port minute used on each toll free access line, in lieu of any long distance charges required.

There are two types of audio-conference calls: Operator Assisted and Conference On Demand (automated self-serve) calls. The assistance of a Teleconference Operator for the duration of the call is used for Operator Assisted calls. The operator is often asked to meet and greet callers. For example: when inviting reporters to a press release, an operator will record their names and then use the list of participants to assist the chairperson with a question and answer session during the call. The originating customer reserves these calls in advance with a Teleconference Operator. At the time of the call, and based on the reservation instructions previously provided, the operator will call the Chairperson of the call and either dial out the remaining participants, or wait while each participants dials into the call.

For Automated calls, the call originator will sign up for the service and receive his/her own permanent conference access number. TELUS calls this service “Conference on Demand” or COD. The access number is permanently set-aside for a specified number of participants (usually 10 ports per customer). The conference facilities are then available for use on demand by that Chairperson and his/her participants. When a Chairperson wishes to hold a conference call, she/he informs meeting participants of the time of the call
and the access number. Participants dial into the call at the appointed time. The access number never changes. No reservations are required. If assistance is required during the call, the chairperson can signal for an operator to join and assist in some aspect of the call (usually to increase the number of participants allowed on the call). Automated calls are priced less than operator assisted calls and are becoming increasingly popular.

For certain speciality calls, such as Investor Relations calls, high touch Professional operator assisted services can be requested. At these times, the Teleconference Operator provides professional assistance services coordinating the call activity of participants on the call, arranging for call audio recording services, greeting participants, facilitating question periods, and providing a roll call to the chairperson of attended parties. This professional level of assistance is most often requested for large calls – usually 20 – 500 participants or more. A higher price is charged for this type of call, than for a COD call, due to the additional manual assistance required to support the needs of participants on Professional service calls.

Price discrimination is used in a number of ways in audio conferencing to facilitate the needs and demands of customers and to maximize the profits for TELUS. Different customers have different price elasticises based on their sophistication in use and knowledge of the product, and these differences are used to minimize the discounts offered and to maximize profits.

The various pricing methods used include:

- Self-serve calls that are priced lower than operator-handled calls
- Time of day discounts that are targeted at participants who call outside the prime business hours of 7am to 6pm – note: off-peak pricing helps slightly to spread the drain on bridge capacity to a longer timeframe
- Volume discounts that are offered to customers placing multiple calls within a single month after they reach a ‘port minute’ threshold
- Individually customized discounted pricing that is provided exclusively to large customers who sign a minimum 1 year exclusivity contract and promise a minimum number of billable port minutes during the year.

Prices shown on the TELUS website, www.telus.com, for audio conference services, are the highest prices that a customer with no discounts could expect to pay for a conference call with TELUS.

**Video Conferencing**

Video Conference calls allow multiple participants from distant locations to join together in a meeting that provides both visual and audio communication. Meeting participants must go to specific Video Conference sites, referred to as ‘rooms’, and join others at those fixed sites to participate in their meeting. Multiple rooms from around the country, or around the world, are then bridged (joined) together to form a meeting. The rooms are often not owned by the same service provider. Service providers usually bridge rooms from their inventory of rooms together with rooms of vendors that serve other locations, to form the network required for a given multi-site meeting.
For participants at locations without Video Conference room facilities, audio-conference add-ons (an audio conference call is added onto the video bridge) are arranged to allow these participants to participate in the ‘audio’ portion of the meeting.

Video Conferences allow participants to see as well as hear each other, and to share documents, presentations, video clips or other visual aids during the meeting. A typical Video Conference set-up involves multiple rooms from each of several vendors. Figure 2 depicts rooms bridged together from TELUS, Adcom\(^2\) and Bell Canada to provide the needed infrastructure to bring meeting participants together from across the country. In addition to video connections, participants from overseas countries are usually added to the meeting through an audio add-on. Video Conference systems between various overseas countries are not usually sufficiently compatible to allow bridging between Video Conference rooms overseas. Therefore, overseas participants often join a Video Conference meeting using an audio only access technology. When a group of people wish to participate in a Video Conference call and there are insufficient rooms or facilities available, that group may use a tabletop speakerphone, such as a Polycom unit, as shown in Figure 2 to join the meeting.

\(^2\) www.adcom.ca
The originating customer, referred to as the Chairperson, is charged the full price of the video conference call. The Chairperson is charged a fixed reservation fee (e.g., $50) plus a per-room per-minute bridge charge. Some vendors charge additional charges for meeting services. These meeting services may include photocopying, beverage (e.g., tea/coffee), Fax, or Internet usage (for customers interfacing with the internet during the call). As the price of bridge use declines, more service providers are charging for meeting services than did so previously. TELUS currently does not charge for any meeting services in rooms contained within its own serving area.
TELUS owns very few Video Conference rooms for lease to the public. Most rooms in TELUS are for internal use only. TELUS has a number of other service providers in Canada through whom it bridges its Video Conference calls.

TELUS' preferred mode of operating in the Video Conference market is to sell actual video conference equipment to large companies for installation and use within that company's own premises. TELUS then installs and maintains, with a maintenance agreement, the equipment. This equipment arrangement allows customer companies to place the bridges within their largest buildings and minimize the number of meeting participants who must travel to attend a Video Conference meeting. When participants are located outside of these in-house rooms, the in-house rooms are bridged to rooms owned and operated by Video Conference service providers. Using a combination of internally and externally owned rooms reduces the costs of the calls, as the company only pays port charges for rooms used through outside service providers.

The Chairperson of a Video Conference call receives a single bill for the entire Video Conference meeting. The other interfacing service providers, bill the originating service provider for their legs of the call. These alternate service provider bills are combined with the charges of the originating service provider to form the total cost billed to the Chairperson of the call.

**Web Conferencing**

Web Conferencing, also referred to as Data Collaboration or Data Conferencing, is the newest form of conferencing offered by TELUS and the Conferencing Industry. Similar to
audio-conferencing, participants are usually at their desks when participating in a web conference meeting. However, the equipment used to participate in the meeting consists of both a telephone (or similar device) and an Internet connected computer. If the computer is equipped with a sound card and speakers, and the service provider through which they are connected is equipped with voice over Internet protocol (VoIP), the participants may be able to hear and be heard through the computer.

Web conferencing enables the existence of a real time interactive virtual meeting room for two or more people to simultaneously share the same space in the Internet, thereby allowing document sharing, application sharing and full collaboration opportunities. Services such as Microsoft’s Netmeeting\(^3\), PlaceWare\(^4\) or WebEx\(^5\) are the most common commercially available service providers of the infrastructure needed to enable people to perform real time interactive document sharing, PC sharing or e-learning. Multiple users can jointly surf the net, share and collaborate on documents, and view presentations. Technical support people can remotely access a client’s computer to provide support – even taking control of the distant PC (with the owner’s permission). Thousands of people can simultaneously view a presentation around the world and respond to survey questions through secret polling. Essentially, anything that can be done on a computer – can be shared between multiple people using separate computers located anywhere in the world.

\(^3\) [www.microsoft.com/windows/netmeeting](http://www.microsoft.com/windows/netmeeting)

\(^4\) [www.placeware.com](http://www.placeware.com)

\(^5\) [www.webex.com](http://www.webex.com)
TELUS uses Netmeeting\(^6\) internally to facilitate document sharing. Although VoIP is available for use with this product, voices are often difficult to understand on the speakers built into the most common standard issue computers within TELUS. To compensate for this inability to hear clearly through the computer, meeting participants mute (silence) the audio portion of the Netmeeting calls on their computer and supplement their collaboration efforts with a telephone or audio conference call.

Collaboration efforts on Netmeeting usually involve two, and not more than six, participants. Although more than 6 participants can join together using Netmeeting, transmission delays during a meeting are exaggerated with each additional participant, making the meeting experience increasingly less desirable. When used by only a few people, the service is often used for document sharing and collaboration purposes. Meeting participants located in different places join together and view and update a shared document. When the participants first connect with Netmeeting, a screen appears, as shown in Figure 3, allowing the participants to view the names of others connected to the meeting and to provide access to various tools during the meeting. The screen shown in Figure 3 is from Netmeeting's website\(^7\).

If participants have web cameras connected to their computers, and choose to turn them on, then participants can see each other in a picture style view as shown in Figure 3. If a web camera is not connected, as is the case for most computers within TELUS, then this area of the NetMeeting screen is blank. The bottom Icons on the window allow for, from

\(^6\) Netmeeting is the trademarked collaboration software provided by Microsoft.

\(^7\) [www.microsoft.com/windows/netmeeting](http://www.microsoft.com/windows/netmeeting)
left to right on Figure 3, document and desktop sharing and collaboration, real time chat, white board drawing, and file sharing.

*Figure 3: MICROSOFT’S NETMEETING WINDOW8*

Miscrosoft’s NetMeeting is included with the MS-Office suite of products and costs nothing to use for licensed MS-Office users. As such, it is the most popular Intranet collaboration tool in use within many companies, including TELUS. Once the number of participants exceeds six, and/or one of the participants is not on the corporate Intranet (due to firewall security concerns), then other products are often used to provide a similar service.

The two most common collaboration alternatives to Microsoft’s Netmeeting are from WebEx and PlaceWare. Conference service providers, such as TELUS, usually resell one

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8 www.microsoft.com/windows/netmeeting
of these web collaboration services as part of a bundle of services offered to business customers.

TELUS resells the services of WebEx as part of an Application Service Provider (ASP) resale arrangement. Customers wishing collaboration services, access the ASP on their assigned website, select document sharing and reserve, or instantly start, their collaboration effort. If the customer wishes to include an audio conference call as part of the collaboration effort, that option can be selected when reserving the call. This selection places an immediate reservation into TELUS' Teleconference reservation system and returns back to the website the conference call access details. When the web conference call is reserved, participant email addresses are entered into the reservation system. These participants then receive an email notification to participate in the call, along with a web link and password. At the appointed time, all participants access the Internet link, as outlined in the email, enter the password and their own identity and are then joined into the meeting.

Participants on a WebEx call share a window on their computer that looks like the one shown in Figure 4. The large window on the left displays any document or presentation being shared during the meeting. Alternatively, the ‘presenter’ can make the presentation full screen and it will completely fill the window. Names/identities of all meeting participants are shown in the top right medium sized window in Figure 4. Each participant is assigned a different colour (which they can change) that identifies him or her should they 'draw' or make annotations on any of the documents on the left screen, or on the whiteboard. Participants can actively ‘chat’ by typing messages in the bottom right hand corner of the screen, without disturbing the audio portion of the meeting. If arranged as
such, live video pictures of participants to the meeting can be displayed in place of participant names in the participant window. If participants have video devices connected to their computers, then those with compatible video systems can see each other in the video window in place of participant names.

Figure 4: WEBEX’S DATA COLLABORATION SERVICE WINDOW

The typical set-up for participants to a web-conference call, as shown in Figure 5, is similar to that of an audio conference call, except that the web conference call is comprised of an audio conference call plus a computer and Internet or Intranet connection. Figure 5 depicts participants connected to two pieces of technology at the same time. To facilitate comfort while on a lengthy call, customers usually use a headset or speaker with their

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9 Collaboration window example shown on WebEx’s web site at www.webex.com
telephone. Although not absolutely necessary, a high-speed Internet connection is typically used by participants to a Web Conference call. As with other type of conference services, multiple forms of conference calls may be simultaneously used by meeting participants. 

*Figure 5* pictures the common set up of a web and audio combined conference call. Video Conference meeting participants are increasingly using data collaboration tools to enhance their meeting experience – especially for distance learning. Participants to a mixed video and data collaboration meeting have the video portion displayed on a television monitor, and the collaboration portion displayed on a lap top, or other, computer.

*Figure 5: TYPICAL WEB CONFERENCE SET-UP*
Pricing for web conference calls is comprised of the cost of the audio conference connection, if one is used, plus the cost of the web conference connection. The cost of the Internet connection is independent of the usage charges for the web conferencing services.

Customers pay in one of two ways for a web conference connection: a usage fee charged per minute per participant, much like for audio conference calls; or a fixed monthly rate, for a minimum number of months, for unlimited usage for a maximum number of participants. If the maximum number of participants is exceeded, then a per-minute usage fee is applied to the excess number of minutes. TELUS has thus far chosen to use the fixed monthly rate form of charging as part of the ASP portfolio. At this time, TELUS’ ASP users have made very little use of this service. Given the newness of the service and lack of consumer sophistication with the service, low sales are not a surprise to TELUS’ sales personnel.

Market forces are challenging TELUS’ strategy in relation to Conferencing services, and it is useful to review it at this point in the paper.

1.4 Strategy

TELUS has historically used a ‘differentiated’, solution-based strategy for Conferencing services. Differentiators include: strong brand, equipment reliability, security of information, integrity, level of customer service and billing (enabling conference services to be included on existing telephone bills). These differentiators served TELUS well prior to the growth of competition in the Conferencing market, and the evolution of increased customer demand for self-serve as opposed to operator-assisted conference calls. TELUS is recognized as a reliable and trustworthy company. Large and medium businesses are not prepared to ‘risk’ their important
conference calls with new unknown entrants in the marketplace. Over time, however, Conferencing evolved from a service that always required operator assistance, to one with an option to be totally self-serve (Conference on Demand). New competitors began business in the flourishing USA marketplace and have built their reputations over time and now meet the expectations of the business clients in Canada. The combination of Brand recognition for new Canadian entrants, and automation, has resulted in downward market pressures on the pricing of COD services.

With the onset of automated, self-serve, audio conferencing, customers view the automated (COD) calling option as a homogeneous service in the market. The popularity of automated conferencing services has rapidly matured the audio conference market. Prices are being driven hard and fast closer to cost. TELUS’ differentiation strategy is no longer helpful in this market. TELUS, like each of its competitors, streamlines costs to maintain profits in the automated conference market place. Customized COD pricing arrangements are offered to large customers to attract or retain them in this highly competitive marketplace. Large COD customers are also likely to use Professional operator assisted conference services. And, since large customers generally prefer to give all of their conferencing business to a common provider, with a single bill, TELUS price cuts for large companies in the COD market in hopes of gaining that same large customer’s business for Professional conference calls.

TELUS is turning its attention to forms of conferencing from which customers derive differentiated value. These include: Professional operator assisted audio conference calls and web conferencing/data collaboration. In addition to these services, TELUS is actively searching the marketplace for new conference services it can use to replace the revenue stream lost to automated services.
TELUS Customers derive differentiated value from high professional style service during large specialty conference calls, such as Investor Relations calls. Customers look for a service provider with elite service levels to assist the customer in presenting a positive image to that customer’s investment community. TELUS bundles a variety of communication services such as long distance, switchboard, and conferencing services together and offers an incredible solution to the one-stop-shop need of customers.

For Video Conference services, TELUS uses a ‘brand’ differentiated strategy. The margins on Video Conference room services are relatively small compared to the margins on the equipment resale and support services. Therefore, TELUS relies on its long-standing reputation for service support of communication equipment as its key differentiator. Customers see the equipment purchase/lease market as differentiated and respond well to this strategy.

Web conference services are new to TELUS. The initial strategy has been to differentiate this service as part of a bundle with other ASP services. As part of a communication service package with an integrated one-stop solution for business customers, it is thought that this service will fair well. It is too early to determine if this strategy is effective.

1.5 Target Market

TELUS is targeting the large and medium business markets for all conferencing services. Consumers tend to view the price of conferencing services as too high. Consumers seem satisfied with the 3-way calling option available with regular telephone service, as an acceptably priced conference option. Multi-national companies, or those with several branch offices geographically dispersed are particularly interested in conference services.
Buyer behaviour has evolved over the last ten years in the conferencing marketplace. In past, when a businessperson wanted a conference call, he/she often dialled the ‘0’ operator and asked to be connected to a Conference operator. An estimated 10-15% of the calls to the conference operator originate as a pass through from the ‘0’ operator. Since the ‘0’ operator typically serves a fixed geographic area, this method of connecting to a conference operator does not suit new entrants into a geographic calling area, or an incumbent’s desire to have travellers continue to use the home based conference operator when out of the incumbent categorized geographical home area. Thus, toll-free access to Conference operators (from North America), Internet as well as email access, is available to customers no matter where they are located to place a reservation or participate on a conference call. As competition grew in Canada, competitors began knocking on doors of large businesses encouraging them to sign exclusive use one-year conferencing contracts in exchange for discounted pricing. This relationship building approach to sales has led to an increased sophistication of customer knowledge about conference services among the ‘communications managers’ in large and medium businesses – the people who often make the purchase/contract decisions. TELUS has modified its sales approach from one where customers had to find TELUS, to one where Sales representatives actively seek out large and medium business customers offering them discounted exclusive use contracts to sign up, or stay with, TELUS. In light of the increasing competition in the marketplace, this strategy has proven a wise one to keep customers loyal to TELUS and to attract new customers.

Large business clients demand lower prices from service providers in exchange for promised minimum call volumes to the service providers. Medium business clients are less demanding, but appreciate a better than standard price. Niche markets have emerged over time. A large business may wish bottom rate pricing for the homogenous basic conference on demand services, but is willing to pay top dollar to receive premium professional services for their Investor
Relations conference calls. Although large customers prefer to deal with a single conference provider and obtain a single bill for conferencing services, it is not uncommon for a large business to divide up its Conference services and award its COD calls to the lowest price provider, and its Professional service conference calls to an elite service provider. TELUS targets both of these markets.

An increasing use of video conferencing services is being felt in the distance learning and distance medical support markets. Also, with the onset of safety concerns in air travel following the September 11th USA terrorist attacks, multi-national companies are looking to install their own conference solutions in-house – providing convenience, increased productivity and security all at the same time.

1.6 Market Behaviour Evolution

The audio conference marketplace is facing two specific customer demands, with nothing in the middle. A demand for fully automated audio conference services, and a demand for high touch Professional operator assisted audio conference services. There is little demand for anything between these two extremes. The adoption of ATM/Bank Machines has demonstrated an increase in customer sophistication for automated self-serve tools. The audio conference marketplace in the U.S.A. has seen this trend toward self-service, and at present anticipates that 80% of audio conference calls in the USA will be self-serve by 2003. This trend has been slower to catch hold in Canada. However, with the entrance of several notable USA conference service providers into the Canadian marketplace, such as Global Crossing and ACT Conferencing, Canadian customers are quickly realizing the benefits of automated conference services. Within TELUS alone, the balance between Automated and Professional has shifted over the last few years from a 5% automated/95%professional balance to one that is now closer to 20%/80%. Within the next two
years the trend is expected to rebalance to 80% automated and 20% professional conference calls. Within the overall Canadian marketplace, the balance is estimated to be 50% automated / 50% professional with the shift continuing to increase toward automation. Increasing customer sophistication resulting from increased relationship selling directly to large and medium businesses will drive this change of balance.

Prices for automated conference calls are expected to continually drop to near breakeven levels. The price offered to TELUS' largest customers has decreased by almost 45% over the last two years. Customers are becoming increasingly price sensitive and playing competitors in the COD arena off one another to obtain the lowest prices for the services they receive. Large companies are either putting their basic conference services out to tender, or approaching their existing service provider with offers made by competitors to see if the offers will be matched.

Another visible trend in the conferencing marketplace is the convergence of conferencing services. Single service Conference Service Providers (CSPs) are adding other conferencing services to the portfolio they offer their customers. Video Conference providers are supplementing their services with audio and collaboration services. Audio conference providers are adding collaboration services to their suite of services.

Collaboration services are most often added using a reselling arrangement with a collaboration service provider like WebEx or PlaceWare. These collaboration experts offer other forms of conferencing services themselves (such as audio conferencing), but are willing to allow other conference providers to home brand their collaboration services in a wholesale arrangement. TELUS uses WebEx with a TELUS brand on the product when it is sold through TELUS.
Conference Service Providers (CSPs) are looking for other complementary services, like long distance, or wireless, to add to their portfolio of services. TELUS bundles conferencing services together with local, long distance, data, Internet and wireless services into a total solution bundle for large customers. Customers like having all of these services combined onto a single bill, with one service provider, and one point of contact to meet their needs.

In the USA, a number of mergers and alliances have occurred during recent years between small and medium sized CSPs. Over time, it is expected that the market will see, as happened with long distance carriers in the USA, a shakeout of smaller CSPs in favour of a few large, and potentially global, players in the marketplace.

Some industry insiders believe that, over time, all conference services will merge into web conferencing. In this model, all conference calls will be held over the Internet using a combination of VoIP and collaboration tools. Predictions of this change have been projected for the last 3 years, with an expectation that that change would have occurred by 2003. This will not likely be the case, as too many participants are joining meetings from wireless phones, or other non-computer connected devices, for conferencing services to be completely web based. However, over time, as wireless equipment providers offer full web-based connections from more types of devices, the original prediction of web conferencing ruling the marketplace may yet come true. Industry insiders expect this change to take upwards of five years to occur.

1.7 Market Share

Market share within Canada is not something that has been tracked by any independent group. In the USA, each competitor knows where it stands in relation to other providers. Within
Canada, the incumbent Telephone companies, Bell Canada and TELUS, held the bulk of the market share for conferencing until two years ago. Based on the Canadian market forecast shown in Table 1 in the next section, and taking TELUS' annual revenues for 2001, TELUS has an estimated 27% of the Canadian audio conference market.

Approximately two years ago, several aggressive competitors entered the Canadian marketplace and quickly offered cut-rate prices below those offered by the traditional telephone companies. These cut-rate prices allowed the aggressive competitors to secure significant market share from a few large customers. Margins on conference calls have always been relatively high, and are declining as prices fall. With lowered equipment costs and open competition with the USA for conferencing services, Canada provides a fertile ground within which to do business. TELUS continues to secure good margins on its audio conferencing products, with 14-20% margins for self-serve and 30-40% margins for professional served audio conference calls. Given these promising margins, it is not surprising that competitors are entering the marketplace. Once a company has purchased a conference bridge in the USA, with excess capacity, stepping into the Canadian marketplace is relatively easy. Although margins are falling, especially for self-serve calls, the Canadian market is still attractive to new entrants.

TELUS holds a very small part of the market in Video Conference services. TELUS has focussed on the equipment sales and service market for Video Conference, rather than the service provider market. Therefore, TELUS only has public Video Conference rooms in Alberta and must rely on relationships with other Video Conference providers for connections and service beyond its borders.
TELUS has only recently entered the web conferencing market place and has no market share to speak of as yet. With the growth of data and Internet access, and increasing sophistication of customers, the web conferencing market in Canada is expected to increase.

To further understand opportunities for TELUS within the Conference Service Provider arena, an Industry Analysis is warranted.

2 INDUSTRY ANALYSIS

2.1 Market Size

The Conferencing market is in the later development stage of its product life cycle, approaching maturity. As such, growth in the market place is currently double digit, and is forecasted to remain so until at least 2005. A July 2001 Audio conferencing Market Forecast\textsuperscript{10} forecasted annual growth rates in Conferencing revenues in Canada to range between 20 to 34\% between 2001 and 2005. Extracting the USA and Canadian portions of the Audio Conference Market Forecast (which in this report includes data collaboration) from this report and showing it in Table 1, one can see the potential growth opportunities for Audio Conferencing and Data collaboration. The size of the Canadian market as shown in Table 1 is approximately 9\% of the USA market. As this is the only reference to the size of any portion of the Canadian Conferencing market that could be found, this percentage will be used as an estimate of the Canadian market relative to the USA market throughout this report.

\textsuperscript{10} Sources: IDC, July 2001; CTIA Survey, June 2001; Yankee Group, July 2001

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Based on a highly comprehensive 2000 Frost & Sullivan U.S. Audio, Document, and Web Conferencing Industry analysis, and applying the aforementioned extrapolation that Canada’s market is approximately 9% of the size of the US market, the following market size by product segment is estimated for the Canadian Conferencing industry.

### Market Size by Product Segment

#### Audio Conferencing Market Size

**Table 2: Total Audio Conferencing Systems and Services Market: Revenues Forecasts** (Canada as extrapolated at 9% of US market)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues ($ Billion)</th>
<th>Revenue Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>0.163</td>
<td>16.0</td>
</tr>
<tr>
<td>2002</td>
<td>0.184</td>
<td>12.7</td>
</tr>
<tr>
<td>2003</td>
<td>0.206</td>
<td>12.3</td>
</tr>
<tr>
<td>2004</td>
<td>0.227</td>
<td>10.0</td>
</tr>
<tr>
<td>2005</td>
<td>0.248</td>
<td>9.1</td>
</tr>
<tr>
<td>2006</td>
<td>0.268</td>
<td>8.4</td>
</tr>
</tbody>
</table>

Actual revenue growth rates for 1997 to 1999 (the base year for this table) were 20%, 18% and 21.3% consecutively. Figures 6 and 7 show different growth rates partly due to a variation in the sub market segmentation, and partly due to the comprehensiveness of the data collection. For simplicity sake, the Frost & Sullivan data from the source used in Table 2 will be
used for the balance of this report on market size. Of the 2006 forecasted total audio conference systems and service market, the 'services' portion of the market is forecasted to be $0.195 Billion in revenues. Market saturation is estimated to be at 60% of potential users. Price sensitivity is high and increasing. Average number of call participants is stable at six participants per call. In 1999 there were over 36 competitors in the USA – in Canada there were at least two incumbent players (Bell Canada and TELUS) and several new entrants in the market place (estimated to be about six to ten as of 1999). Market concentration in Canada is similar to that in the USA with 81% of the market controlled by the top three Conference competitors. The percentage of audio conference calls in the USA classified as Unattended On-Demand (COD) versus Unattended Scheduled (reserved through an operator) calls ranged from 9.1% on-demand and 90.0% scheduled in 1999, to a forecasted 78.2% On-demand and 21.8% scheduled calls in 2006. As of 2002, this ratio is closer to 50:50 and rebalancing toward on-demand.

In 1999 the competitive USA market saw 41% of market share with AT&T, 29% with MCI WorldCom, 11% with Global Crossing, 9% with Sprint and 10% with others. Although Canada does not have market share analysis available for review, some Industry insiders estimate that Bell Canada (under the Conferencing banner Darome or Conferia) has the largest Canadian incumbent market share, followed by TELUS. Of the newer market entrants, Global Crossing is by far the largest player, followed by Accutel and then ACT. It is debatable if, before its bankruptcy, Global Crossing's aggressive moves in the market made it the largest player in Canada or not. However, it and Accutel are certainly names that come up quite often from the mouths of customers who left TELUS.

11 Note: All figures are rounded; the base year is 1999. Source: Frost & Sullivan
2.1.1.2 Document Conferencing/Web Conferencing

Table 3: Web Conferencing Services Market: Revenues Forecasts\textsuperscript{12} (Canada as extrapolated at 9\% of US market)

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenues ($ Million)</th>
<th>Revenue Growth Rate (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>7.84</td>
<td>95.2</td>
</tr>
<tr>
<td>2002</td>
<td>14.51</td>
<td>85.1</td>
</tr>
<tr>
<td>2003</td>
<td>21.94</td>
<td>51.2</td>
</tr>
<tr>
<td>2004</td>
<td>32.87</td>
<td>49.8</td>
</tr>
<tr>
<td>2005</td>
<td>47.89</td>
<td>45.7</td>
</tr>
<tr>
<td>2006</td>
<td>68.05</td>
<td>42.1</td>
</tr>
</tbody>
</table>

*Compound annual growth rate (1999-2006): 65.4\%*

Table 5 provides an optimistic forecast for web conferencing in Canada. Web conferencing just entered the Canadian marketplace in a noticeable way 1999, and customers are not very sophisticated about its use as yet. Therefore, they may not have adopted it at the rates forecasted. Current market penetration in the US is estimated to be less than 5\% of the potential web conference users, and is increasing. Price sensitivity is slightly higher than medium. There were over 12 active competitors in the USA in 1999. Market concentration indicates that 44\% of the base year market was controlled by top three competitors in the USA. Key players in the USA market in 1999 included MCI Worldcom, Sprint, Global Crossing and Placeware. Products offered by these companies were primarily Astound, Placeware and Web Ex. Web Ex and PlaceWare have become very strong players in Canada. One of the first companies to offer web conferencing was Global Crossing, using the WebEx product line. Incumbent Telco’s in Canada are just now introducing web conferencing to their clients.

\textsuperscript{12} Note: All figures are rounded; the base year is 1999. Source: Frost & Sullivan
Web Conferencing is a fairly new service offering in Canada. As customers learn to trust the security of the data transmissions and experience the benefits of instant document collaboration this service will grow rapidly in the market place.

2.1.1.3 Video Conferencing

Video Conferencing was not reported in the Frost & Sullivan report. Wainhouse Research estimated in a Dec. 2001 report\textsuperscript{13} that the group Video Conferencing market in the US would grow from $400M in 2001 to $1.2B in 2006, with a Compound Annual Growth Rate (CAGR) of 24.4%. Extrapolating 9% of this for a Canadian market estimate would indicate that the Canadian market potential in 2006 is $0.108B.

There are relatively fewer competitors in the Canadian Video Conference market than in the US. The population concentrations in Canada are not sufficiently high to support multiple competitors each owning and operating their own Video Conference room facilities. Key players in Canada include Adcom and Bell Canada.

2.2 Market summary

Conference calling was stimulated by the September 11\textsuperscript{th} terrorist events in the USA; therefore, a post September 11\textsuperscript{th} forecast summary by Wainhouse Research\textsuperscript{14} in 2001 provides a better view of the future of the market than previous forecasts. Wainhouse (page 14) predicts “an annual 5-year compound growth rate of 6.8% for attended [operator-assisted] audio minutes in

North America combined with an expected 5% annual decline in average selling price.” They further anticipate “the unattended [COD] audio market in North America to grow at 33% in revenues, despite a share decline in prices over the forecast period.” They also predict “web conferencing to become more feature rich over time as streaming audio and video are included as well as today’s PSTN audio implementations.” They expect “explosive growth as more enterprises become web-conferencing savvy.” And forecast “growth of (approximately) 43% and 48% in North America and worldwide respectively despite a 20% annual decline in average per minute revenues.” Wainhouse summarizes their forecast expecting “the worldwide market for CSP audio, video and web conferencing services to grow from $3.6 billion in 2001 to $9.8 billion in 2006, a five-year compound annual growth rate of 22% with web conferencing having the highest individual five-year growth rate – 47.4% and unattended audio conferencing having the second highest five-year growth rate – 32.5%.”

Conference Service Providers are recognizing a trend toward customer demand for converged conferencing services with a single service provider. As such, various conference service providers that once specialized in a single service (niche marketers) or product are now changing to include multiple service options in their portfolio.

There are several key players active in the Canadian Conferencing Industry. To best understand the industry, it is helpful to understand the competitive environment.

2.3 Competitive Environment

The most active competitors in the Canadian Conferencing Industry today include USA based Global Crossing, Accutel, ACT Conferencing, BCE and TELUS. BCE has a subsidiary called Darome, which acts as its Conferencing service provider. TELUS offers Conferencing services as part of the company’s total suite of products and services. Non-Telco’s that offer conferencing services tend to offer an integrated solution suite of services across the full range of conferencing services. Other key competitors in the Canadian market include: Premiere Conferencing, Group Telecom, AT&T, Sprint and Genesys. Niche players in the market include companies such as Delphi Solutions.

Full service competitors dominate the conferencing marketplace, offering a full range of conference options to meet customer needs. Customers are increasingly interested in doing business with a single ‘integrated’ conferencing service provider who can meet their full suite of conferencing needs. These service providers recognized the vertical silo product approach to selling various conference services previously prevalent in many Telco’s, and capitalized on the opportunity to offer fully integrated services as an option to attract the Telco’s customers to them. This tactic has proven successful, according to industry insiders, as some ‘contract’ work has been lost due to lack of obvious product integration and billing by a Telco compared to the conference company that won the contract.

Over the last five years, Global Crossing was one of the major competing entrants in the Canadian market place. It aggressively sought to increase its market share through price-cutting, integrated product offerings and aggressive sales techniques. Customers reported that Global Crossing sales associates would regularly target a large company’s conferencing business by speculative mailing each company employee a COD account card – a shotgun approach to the
market. This tactic served to introduce an often unknown and unappreciated service to a wide variety of people in the target company and facilitated ease of use. Until the declaration of bankruptcy of Global Crossing, this tactic was instrumental in Global Crossing winning market share.

Global Crossing overextended itself in some of its other business lines and was forced to file bankruptcy in 2001. Since the filing, Global Crossing’s aggressive conference business sales tactics have declined. Although Conferencing is one of Global Crossing’s more successful businesses, Global Crossing has publicly announced that it is looking for a buyer for that part of its business. The company is selling off all non-core businesses and focusing on its main businesses. As a result, some of Global Crossing’s customers have sought relationships with other Conference companies. However, Global Crossing continues to offer very low prices to its customers and many have stayed with them and await their fate with great patience (and inexpensive conference calls).

Accutel has increased its aggressiveness in the Canadian marketplace since the decline in prominence of Global Crossing. Accutel could replace Global Crossing as the number one competitor in Canada – to hear them talk (based on information learned from some of the customers they have sought to acquire) they are now the leading CSP in Canada - a position that Bell Canada and TELUS would strongly argue is not true. Industry insiders anxiously wait to hear who, if anyone, has purchased the Conferencing business from Global Crossing and how they plan to do business in Canada.
To understand the influences on the various competitors in the marketplace, it is helpful to perform a Porter’s Five Factor\textsuperscript{15} analysis on the industry.

2.4 Five Force Analysis

A chart of the influence on each of Porter’s Five Forces in the Conferencing Industry is pictured in Figure 6. To most effectively understand each of the influences on the five forces, each influence will be reviewed independently.

Figure 6: INDUSTRY FIVE FORCE ANALYSIS

(-) High profit margins
(-) Low to Moderate start-up costs in relation to margins available
(-) Little capital required to be a reseller
(-) Network effects slightly favour incumbents in audio
(+) Brand loyalty is moderate
(-) Low product differentiation in features and quality
(-) Uncertain long-term viability of product/service due to VoIP
(+ Limiting market size in Canada
(+ High Economies of scale in distribution (network), sales forces
(+ Relationship selling of wholesale and big business products/services
(from which most of the revenues are derived)

Barriers to entry

Bargaining power of suppliers

High

(+ Few suppliers
(+ High equipment switching costs
(+ Peak calling times require temporary large capacity; Capacity is augmented in large quantities
(+ Highly skilled programmers to build and enhance manufactured product to support service
(- The industry is a prime source of revenue for suppliers
(- Abundant labour supply for most service/call centre jobs
(- Single manufacturer cannot meet all needs - so multi-vendor strategy required by service providers
(- Service providers deploy multi-vendor strategy - products can interlink.

Rivalry among existing competitors

Intense

(+ Larger competitors are able to attain efficiencies of scale
(+ Products lack differentiation
(+ Exit barriers are moderate
(+ Service is perishable - if capacity unused, it is gone
(+ Slowing market growth

Threat of substitute products or services

Moderate

(+ VoIP and on-line free chat meeting rooms threaten to make some conferencing obsolete
(- Offered within the same industry - so substitutes can cannibalize a firm's own alternate product revenues, and service (e.g. call centres)
2.4.1 **Barriers to Entry**

Overall barriers to entry into the Conferencing market are low to moderate. When communication services were more heavily regulated in Canada, and the start-up costs for the purchase of conference equipment were high, barriers to entry were high and only incumbent telephone companies offered conferencing services in Canada. With the change in CRTC regulations to open communication services to competition, the primary barriers to entry fell; prices for equipment decreased and the market became a welcome venue to new entrants.

2.4.1.1 (-) *High profit margins*

Profit margins range from 14-40% for conferencing services. These margins attract new entrants into the marketplace. High profit margins leave room for new entrants to discount prices to gain market share, and to use the revenue from the sales to quickly pay off the purchase price of any equipment purchased to set up shop in Canada.

2.4.1.2 (-) *Low to Moderate start-up costs in relation to margins available*

For entrants originating from the same industry in another country, barriers to entry into the Canadian marketplace are non-existent. Conferencing services are fully competitive non-regulated communication services. As such, new entrants currently operating in other countries need only let potential Canadian customers know of their North American toll free access number (which could reside in the USA or Canada) and immediately begin business. The conference equipment needed for audio or web conferencing can be located anywhere in the world. Therefore, existing players in other markets may operate a conference service remotely in Canada, with only a telephone
number or Internet website needed to allow customers to access their conference services from almost anywhere in the world.

New entrants into the marketplace who are also new to the industry may find barriers low or moderate, depending upon their method of doing business in Canada. If the entrant plans to resell conferencing services, then it need only have a means of billing its customers and have access to a primary service provider's services as a customer itself. If the entrant plans to purchase a conference bridge for audio conference services, the purchase price can be anywhere from $300,000 to $1,000,000 depending upon the type of bridge and capacity chosen. With current margins on the service, if the new entrant can gain market share away from incumbents and other experienced players, then it should be able to have a payback on that new investment within one to two years. There is enough untapped market in Canada to attract new entrants.

2.4.1.3 (-) Little capital required to be a reseller

Resellers need little or no capital to enter the conferencing market place. They need a method of billing and they need to build a reputation with their customers for reliability and security - with these two things they could enter the market easily tomorrow. New entrants have given the perception of a reputation by indicating that they utilize the network of a well-known Telco. Although this apparent relationship with a known Telco could lead the entrant's customer to go directly to the incumbent, if the reseller were to offer the service bundled with a complementary service or invent a differentiator to distinguish itself from the primary service provider (incumbent), the secondary customer may not be tempted to explore the offering of the primary service provider over that of the new entrant.

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2.4.1.4 (-) Network effects slightly favour incumbents in audio conferencing, but less so in web conferencing

Customers need connection to local and long distance communication services for audio conferencing. In addition to local and/or long distance services, customers placing web conferences also need access to the Internet. The regulation of communication services in Canada requires none of these additional services to be from the same service provider as the one who provides conferencing services. However, when a single service provider is used, the customer often benefits from an increased bargaining power for conference or long distance rates, and from a single bill. Thus, new entrants may have a disadvantage when competing with a full service provider.

To use web conferencing services, all parties to the call must have access to the Internet and have access through any normal firewalls that may exist. Companies tend to have very restrictive firewalls that may prevent external collaboration participants from joining any web-based conference call. Internally, collaboration can be set up to be very secure within a company if set up on that company’s intranet. However, with even one participant using the world wide web, the firewall must allow the web conferencing software to access the corporate participants for collaboration to occur. To get through the firewall, companies usually speak directly with the web conferencing provider (e.g., WebEx) to determine the best access method. Thus, a network effect begins to occur, as this same access information is needed for all corporate participants to access through their firewalls.
Once set up, a corporate user is less likely to switch to a different service provider's web conferencing service. To date, few web service providers allow participants to be on either Windows or a Mac operating system, all other service providers serve only the Windows market. The complicated software needed to allow dual system access is a competitive advantage to come companies and poses a barrier to entry for new companies.

2.4.1.5 (-) Brand loyalty is moderate

As the experience level in conferencing services increased in the USA, the reputation of these companies grew. This reputation carried forward with the company when it entered the Canadian market and weakened Canadian brand loyalty.

Despite the weakened local brand loyalty, when contacted by a new entrant in the marketplace, customers will often delay a response to the new entrant while they give a courtesy call to their incumbent service provider to see if the incumbent will match or beat the new entrant’s service and price offer. If the incumbent is able and willing to match or beat the new entrant’s offer, the customer will stay with the incumbent – a source of known service and reliability. However, if the incumbent is not able to convince the customer he/she would be happier staying with the incumbent, the customer will switch to the new entrant.

The biggest barrier new entrants face is brand recognition – which is often translated by customers as ‘reputation for reliability’. Customers need reliable service and attribute reliability to companies with a strong well-known brand. Telco’s have
traditionally been known for reliability of networks and stability, and having a traditional Telco brand is an advantage for a Conference company.

2.4.1.6 (-) *Low product differentiation in features and quality*

Customers perceive the COD, video and web conferencing services as relatively homogeneous. As such, they see little to draw them to one supplier versus another. This makes it easier for a new entrant to step into the market place with COD, video or web conferencing services. However, customers perceive very big differences in professional service levels for operator assisted/professional audio conference calls. These ‘professional’ calls are commonly used for meetings where companies make major announcements to the investment community or the public. As such, companies will not risk negatively impacting their reputation with their own customers by holding a conference call with an unknown service provider without a strong reputation for high-end service in the professional services market. This trust in the reliability of existing CSPs, therefore, poses a large barrier to entry for new players into the professional services market.

2.4.1.7 (-) *Uncertain long-term viability of product/service due to VoIP*

With the uncertainty of how far VoIP will encroach into the voice services market, new entrants will not offer only ‘audio conferencing’ services any longer. Predictions that wireline voice services will eventually be replaced by wireless or web (VoIP) voice services, new entrants do not want to invest in equipment that may only be of use to them for another 3-5 years prior to it becoming obsolete. Past predictions indicated that VoIP would be much more pervasive by now in the industry, however convergence of services and the careful introduction of VoIP by incumbent Telco’s (so they do not cannibalize their
own cash cow wireline voice services) has slowed the insurgence of VoIP. VoIP will
definitely grow in popularity and when it catches on, will have a dramatic impact on any
wireline based voice services. As such, new entrants are hedging their bets when entering
the market by offering both web and wireline based conferencing services.

2.4.1.8 (+) Limited market size in Canada

The market in Canada is much smaller than in the USA. As such, new entrants
make profits much more quickly in the USA than Canada, and therefore tend to enter the
USA market prior to the Canadian market. Current conferencing services are marketed
primarily to businesses, and often to multi-national businesses that tend to be in much
higher numbers in the USA. As the price of the product lowers, however, the Consumer
market is beginning to look more attractive to new entrants – as a niche market. Due to the
larger customer base in the USA of people who can currently afford conferencing services
compared to that in Canada, Canada is not a likely target at this time for new entrants
targeting the Consumer market place.

2.4.1.9 (+) High Economies of scale in distribution (network), sales forces and service
(e.g., call centres)

Economies of scale can be achieved in Conference companies that offer multiple
services. Single service companies, or even companies that offer only Conference services
have less opportunity to maintain high customer occupancy levels (the amount of time a
service representative is occupied actively serving customers) than multi-service
companies that can fill in gaps between service calls with other work. Conference calls are
typically made on the full or half hour. At times a service representative/operator may
convinced a customer to move its call to the quarter hour, but this is not the norm. As such, gaps in busy time for the service representatives exist between calls. For multi-service companies, these gaps may be filled with other work (e.g., other call types), increasing their occupancy and lowering their cost of doing business. This in turn is a barrier to entry to new entrants who will have higher costs and less chance to occupy their staff between calls – especially for the professional service calls that are labour intensive.

2.4.1.10 (+) Relationship selling of wholesale and big business products/services (from which most of the revenues are derived)

Conferencing services are sold to customers through relationship selling. Selling to Telecommunications managers or executives in a company is the key entry point into that company for doing business. For years the Telco’s operated in a ‘since we have it, they will come’ basis – not building relationships with their customers. As such, when competition hit it was easy for new entrants to step in and show what they had to offer. On the other hand, the Telco’s often had a relationship with the big business for other products and services – and if they tied the Conferencing services in with other services, then the relationship helped grow the conferencing services. Unfortunately bundling conference with other services was rarely done until recently. Thus, the market was an inviting place for a new entrant’s sales force to forge new relationships and offer cut rate pricing to do so.

2.4.2 Bargaining Power of Customers

Customers have high bargaining power. There are a sufficient number of conference players in Canada, and new entrants from the USA entering Canada, that
service providers are competing for the customers’ business. This gives the customer the purchasing power to obtain low prices and value add features such as customized billing or reports to improve the productivity of their own businesses. The most commonly used services are seen as homogeneous, so customers will go to any provider that offers reliable and inexpensive options. High-end professional calls must be very professional and customers will move from one service provider to another until they find who represents them in the best light. Once found, however, customers are not likely to part company with a good service provider.

2.4.2.1 (+) Most revenue from few large and medium businesses

The market focuses on the needs of business clients. Although total revenues from medium businesses may exceed total revenues from large businesses, the amount of business from any one large customer far exceeds that of a medium business customer. Differences can be in the magnitude of 5 to 10 times as much more revenue is secured from any one large business than any medium business. Therefore, large businesses have the power to dictate terms to service providers – and given the number of Conference companies vying for their business, those terms are generally heeded. A single large company, as a customer, can make a new entrant instantly profitable – so new entrants focus heavily on large businesses. The price paid for COD services by large companies can be 30-60% less than that paid by a medium or small business – this demonstrates their purchasing power in the Conferencing market place.

2.4.2.2 (+) Products are mainly viewed as homogeneous/undifferentiated

There are a limited number of suppliers of Conferencing equipment. Most Conference Service providers use the same three or four main suppliers of teleconference
with which to serve their customers. Therefore, customers will not normally notice a significant difference in features or other potentially differentiated service options. Customers view the reliability of the main suppliers as identical, and therefore tend to choose a service provider based on price for their basic automated conference needs – this in turn gives the customer the advantage in pricing decisions for basic services.

2.4.2.3  (-) Few Conference companies perform Professional calls well

Professional conference calls are very labour intensive. As such, since labour intensive calls are more expensive to place than automated calls, and customers tend to look for higher quality from this type of call. When a customer needs manual assistance during a call, the conference representative/operator usually interacts in some way with the customer's meeting participants. As such, the customer wants the service of that operator to represent a positive image to those meeting participants.

Due to the cost of training of professional sounding staff, and the low occupancy rates of operators between calls, few conference service providers have chosen to enter the professional services market. Those that have, have either maintained staff they had prior to automation of conference calling, as is the case for most Telco's, or have gone very high end on pricing and focus on the niche Investor Relations calls of very large businesses.

With limited options for professional call service providers, and the importance of the professional participation of operators while assisting with conference meetings, the customers have little power to demand a low price for these services. On the other hand, the customers that use these services the most are often the largest customers – and meeting their exacting professional service needs reflects on a given service provider.
Thus, the few suppliers of the professional services that exist will customize their professionalism to the needs of their customers and charge a lot for doing so.

2.4.2.4 (+) Customers are price sensitive

Customers are very price sensitive and are willing to sign two year contracts with a given service provider to secure a lower price. Having noticed this, new entrants tend to offer the same low prices without contracts – making their service very attractive to customers. Customers make it well known that their business can be bought for a low price.

2.4.2.5 (+) Competition is building so customers have choice of service providers and are able to play one off against another

Customers exert enormous power by playing one service provider off against another in a bidding war for the customer’s business, driving the prices and margins ever lower in the market place.

2.4.2.6 (+) Low service provider switching costs to customers

Since no specialized equipment is required to place conference calls, switching costs are very low for customers. They can easily switch from one service provider to another, and often do so. Service providers offer special pricing to customers who promise exclusive use of that provider’s services for a period of time. This is an attempt to increase the customer’s switching costs. Customers still have the power, however, as it is the service provider that must pay for the exclusivity clause they desire.
2.4.2.7  (-) Customers prefer dealing with few suppliers on a single bill

Customers have indicated that they dislike having multiple bills for their various communication services. Most specialty Conference companies bill their customers using an invoice. This results in yet another invoice for the customer to pay for its various communication services. Telephone companies tend to bill conference calls as another call type on a standard telephone bill. This eases the accounting burden on the customer. Customers will often seek to have a company try to combine its billing for Conference services with other communication needs.

2.4.2.8  (-) Bundling of Communication Services

Large businesses prefer to minimize the number of suppliers they do business with for communications services. Therefore, when complementary services can be obtained from a common supplier of conferencing services, customers tend to favour going with a single supplier.

Since conferencing incumbents in Canada are the traditional telephone companies that also sell long distance, local, wireless, Internet, data and other services that are complementary to conferencing, these companies have an initial advantage when selling to customers with whom relationships are well established. Customers can generally negotiate with a multi-service vendor for ‘package’ deals on their communications services.

Customers will seek companies that can provide a suite of communications products and services. Since few conferencing companies offer a full suite of both conferencing and other communication services, customers may dictate the bundles that are most important to them to meet their overall communication needs.
Bundles tend to limit choices for customers and reduce overall switching behaviour due to increased switching costs to customers. Customers are not as likely to get the same overall price for their suite of required services by going to several different suppliers, as they are by going with a bundle from a single supplier.

2.4.3 Threat of Substitutes

2.4.3.1 (+) VoIP and on-line free chat meeting rooms threaten to make some conferencing obsolete

As technology evolves, current Conferencing technologies may become obsolete. Instead of placing conference calls using a wireline telephone, customers will avoid long distance charges by using VoIP voice access for their conference calling purposes. Free chat rooms on the Internet, and free web conferencing software, Netmeeting, that is packaged with the most popular business productivity software tools - MS Office Professional, both threaten to replace video conferencing and audio conferencing services as we know them today. Other substitutes include: face-to-face meetings, video or audio recordings and mail. These substitutes lack the combined speed, flexibility and convenience of Conferencing services. It is expensive and time consuming to bring meeting participants together face to face from dispersed geographic locations. Security concerns over travel and the expense of air travel make Conferencing a desirable alternative to face-to-face meetings for geographically dispersed individuals. Conferencing also allows participants to record their calls for playback at a later time to other people not able to attend the meeting.
In a November 2001 internal survey of users of meeting facilities within TELUS, as shown in Figure 7, most people preferred to hold meetings face to face where possible, then audio conference calls, followed by video and then web conferencing (Netmeeting). These results parallel the sale of these services to the public. Although web conferencing is beginning to take hold, it is a long way from full adoption by customers holding meetings.

Figure 7: SURVEY OF MEETING FORMAT PREFERENCES WITHIN TELUS
Service Option used by respondents involved in meetings with TELUS team members and vendors in different locations

2.4.3.2 (-) Offered within the same industry – so substitutes can cannibalize a firm’s own alternate product revenues.

Most of the substitutes for conferencing are actually alternative forms of conferencing. Other than for special purpose use, customers use one form or another, or sometimes two forms of conferencing in combination (e.g., audio and web combined). Thus, increased sales of any given form of conferencing could have the effect of
cannibalizing revenues from another form of conferencing. Therefore, conference service providers are most likely to put their greatest sales efforts on the service option with the highest margins – which currently is COD audio conferencing.

### 2.4.4 Bargaining Power of Suppliers

With few suppliers manufacturing conference equipment in the market place, suppliers have historically been able to charge what they want and offer limited features. With improvements in technology in recent years, other manufacturers have begun to build tabletop video and audio conferencing systems. Picture quality and speed of service is improving all the time, and these tabletop versions are expected to one day take over the market.

With the advent of competition from new technology, manufacturers of the larger conference bridge equipment are adding more features and improving the functionality of their bridges to keep their products viable in the evolving market. Current suppliers are still in control of much of the market, but have been forced to lower their prices to stay competitive with emerging technology products.

Web conferencing suppliers have created complex software that is difficult to duplicate. As such, these companies have chosen not to ‘sell’ their software, but rather to lease the use of their services to service providers, and directly to customers. Thus, they currently charge fairly significant prices and achieve good margins for the service they provide.
2.4.4.1 (+) Few suppliers

There are currently two major manufacturers of audio Conferencing equipment, Spectel/Multilink and Voyant. Although other manufacturers create and sell conference bridges, these two are by far the most prolific in the market. As such, they are able to command fairly good margins, albeit declining margins, as new entrants come into the market place.

2.4.4.2 (+) High equipment switching costs

Service providers who have purchased and installed a conference bridge pay a significant amount for that bridge ($300K to $1M). The operation of the various bridges from a service provider’s point of view is sufficiently different that retraining of staff is needed if a bridge from a different vendor is purchased. To add a ‘shelf’ to increase bridge capacity is much less expensive than buying an entire new bridge. Therefore, once a supplier has sold their base product to a service provider, they have an increased likelihood of that service provider purchasing more from the same supplier in future.

2.4.4.3 (+) Peak calling times require temporary large capacity; Capacity is augmented in large quantities

Since conference customers are mostly in the business market, they tend to call during business hours. As such, use of conference equipment is much higher during the day than in the evening or on weekends. To meet the condensed calling periods, service providers are forced to have much more capacity available to serve their customers than would occur if the calls were spread throughout the day. Suppliers sell the capacity in the form of ‘shelves’ that are combined together to create a bridge. Conference bridges have a limited shelf capacity, and once full, the service provider must purchase another
conference bridge, at considerably more cost than the cost of a shelf. Different suppliers have different maximum bridge capacity, and service providers take this into account when selecting which bridge to purchase. However, this bulk capacity affords the supplier a good source of revenues from its clientele.

2.4.4.4 (+) Highly skilled programmers to build and enhance manufactured product to support service

The skills needed to manufacture the conference bridge are fairly specialized. As such, service providers are not likely to manufacture the equipment or write the software themselves, and instead rely on the equipment manufacturer to build the needed core competencies to support the manufacture of the conference equipment.

2.4.4.5 (-) The industry is a prime source of revenue for suppliers

Conference equipment manufacturers tend to specialize in the production of conference equipment and software. When trying to grow, these companies span out to service providers in other countries. This makes the suppliers vulnerable to changes in technology or perhaps obsolescence in the future.

2.4.4.6 (-) Abundant labour supply for most service/call centre jobs

The supply of labour for conference services is easy to come by. The skill needed to perform the work is primarily customer service skills. As such, conference representative jobs do not command high salaries. In many of the Telco’s, conference representatives came from the ranks of telephone operators – and are considered fairly entry-level positions.
2.4.4.7 (*- Single manufacturer cannot meet all needs – so multi-vendor strategy required by service providers

Service providers tend to purchase more than one type of Conference Bridge and operate them simultaneously. This is primarily because a single vendor does not often have all of the features that the high-end customers demand. This lessens the hold any given supplier has over the service providers, as the service providers often compare one supplier to another and ask them each to provide the functionality the other is providing.

2.4.4.8 (*- Service Providers deploy multi-vendor strategy – products can interlink

Service Providers lessen the power that a given supplier has over them by employing a multi-vendor strategy. Service Providers will purchase more than one type of bridge. Often purchasing an easily expandable bridge to support their COD services, and a full functionality bridge to service their high-end professional customers. However, since both bridges have many of the capabilities of the other, service providers can inter-change use of the two bridge platforms to augment capacity as necessary. Since bridging different telephones together creates conference calls, capacity can be augmented by bridging the telephone number of a different bridge with that of the original – despite the originating manufacturer.

2.4.5  *Rivalry Among Existing Competitors

Rivalry is intense in the current conferencing industry. At one time the various Telco’s partnered together to augment their capacity by drawing on the excess capacity of another Telco. Since the break up of the Stentor Alliance in Canada a few years ago, partnering among Telco Conference groups has all but ceased. Some small conference service providers occasionally ally themselves with larger players to handle the occasional
500-port conference call, as their own bridges cannot smoothly handle a large extra call such as this. However this is not the norm.

New entrants into the Canadian marketplace from the USA, especially Global Crossing, have intensified the rivalry among competitors. These companies offer fully integrated conference options to customers – a one-stop shop. This is very appealing to customers who are used to dealing with multiple departments within a given Telephone company in order to meet their full suite of conferencing needs.

Telco’s first learned of the new competitive threat when loyal Telephone Company customers asked the Telco’s to outline their pricing and service options in a presentation to them, so the customer could choose to call exclusively through a single supplier. This came as a surprise to the Telco’s who operated on a ‘if we build it, they will come’ philosophy. The Telco’s had no ready-made presentations to offer their customers, nor any customized pricing options. They had to quickly scramble to put something together to prevent their largest and most lucrative customers from ceasing doing business with them in favour of the new market entrants.

Today, all players in the market aggressively send sales agents to potential clients. Each competitor offers to better the company’s current pricing arrangement with its current service provider. As competition increases, prices fall and margins lessen. Companies have no choice but to compete aggressively, or the USA transplants will swallow up the market.
As it stands today, the market is growing at a rate of 30% year over year revenues, however some of the Telco’s are only growing at a rate of 15-20% - a definite sign that the competition is effective at attracting away some of the Telco’s current customer base. The intense competition is driving prices down.

2.4.5.1 (+) Larger competitors are able to attain efficiencies of scale

Service providers with larger conference offerings are able to attain efficiencies of scale that smaller operators cannot achieve. This allows the larger providers to charge less for their services, and in turn gives them an advantage in the marketplace. The size of the competitor’s conferencing operation is one size benefit. The size of the competitor’s overall operation, especially if it is part of a larger company, can be a determinant of its ability to gain sufficient funding to get a large enough conference bridge to handle large volumes of customers. For smaller players in the marketplace, their bridge size limitations are more difficult to overcome, and they must utilize the services of a larger provider when they have large calls. The revenues the smaller provider obtains from the end customer must then offset the price of the calls bridged to the larger service provider – this lessens the smaller company’s margins and causes its prices to be higher than those of the larger competitor.

2.4.5.2 (+) Products lack differentiation

The basic products used and services sold by the various competitors in the marketplace are relatively homogeneous. Although the high-end conference calls can be differentiated, customers do not care as much about the special features of the basic COD conference services and this results in customers moving easily between the various service providers. In turn, the service providers intensify their sales efforts, offer customized
pricing to attract large clients and attempt to sign customers to exclusivity clauses to hold onto the customer. This activity has intensified the competition in the market.

2.4.5.3 (+) Exit barriers are moderate

Companies exiting the Conferencing Industry are not able to easily sell their conference bridges. New technology at cheaper prices lessens the value of used conference equipment. New market entrants want the latest and greatest conference technology available to given them maximum opportunity in the marketplace. To exit the market place, a conference company could easily refer its customers to other service providers. Customized billing arrangements and customer reports are relatively easy for large service providers to duplicate.

2.4.5.4 (+) Service is perishable – if capacity unused, it is gone

Conference bridges have a fixed amount of capacity, like with airlines, if a room or conference port goes unused, that lack of revenue can never be regained. Conference providers tend to over book conference bridges based on utilization statistics, much like the airlines, to minimize wasted capacity. However, the fact that most conference calls are placed during business hours, results in a lot of underutilized capacity during off peak hours. This results in businesses lowering off peak prices to entice customers to place calls during this time frame. Customers who have international or 24-hour businesses take advantage of the off peak times to place conference calls at lower rates.

2.4.5.5 (+) Slowing Growth

Although still at double-digit levels, growth of conferencing services is declining. This has resulted in a number of USA companies merging to gain larger market share. The
slowing growth intensifies the efforts of the existing players in the market place, as each player wishes to sew up the market as much as they can before it is saturated.

2.4.6 Market Attractiveness

Although declining, margins still provide the service provider with a promising income. With high customer and supplier bargaining power, moderate substitution threats, low to medium barriers to entry and intense rivalry, the Conferencing market is not one for the faint of heart. To be successful in this market a service provider must be sufficiently integrated and sized to take advantage of the benefits of the industry without being harmed too much by the changing landscape. Technology changes, an uncertain future and fairly large, up-front investments in assets required to be a key player in the industry, all combine to make this a cautious market to play in. With tremendous growth opportunities in some segments, the lure of profits is enchanting. The industry has a lot of promise for the careful player, and one who is positioned to change quickly as market forces influence the landscape of the industry.

2.5 Emerging Trends

Conference Service Providers are expected to offer fully integrated suites of conferencing services to their clientele including audio, video, web and even some video streaming conference options. Single service Service Providers will blend with or ally with full service providers such that the two of them can offer a seemingly integrated suite of products. Customers will show a preference for companies that offer a one-stop shop. Prices will continue to decline as the competition shakes itself out, and will eventually settle at a rate that makes it very attractive for a new customer to try conferencing. Conference companies will strive to drive costs down to maintain as much of the declining margins as possible. As technologies advance and more and
more customers have larger bandwidth capabilities, companies will move to the more IP intensive services that provide more sophisticated options for customers.

2.6 Key Issues Facing Firms in the Conference Industry

Key issues facing the industry include:

- A need for increased customer awareness of conferencing services and the benefits they provide to the end customers in terms of savings in travel costs and productivity
- Commoditization of the COD services – leaving lower profit margins
- Intensifying competitive rivalry driving prices down
- Ability to simplify the use of web based products for the comfort and adoption of more customers
- Uncertain future of VoIP technologies and their ultimate effect on the Conferencing industry.
- A need to bundle services and create a one-stop-shop for the conference customers

These issues are not new nor a surprise to players in the industry. To survive, each industry participant must find solutions to these issues.

3 INTERNAL ANALYSIS

With an understanding of the industry and the influences on players within that market complete, it is now time to turn to an analysis of TELUS within the Industry.
3.1 TELUS’ Conferencing Strategy

TELUS’ overall product strategy for most products is ‘differentiated’. Taking advantage of its position in the market as a full service provider that also offers complementary products, TELUS bundles its services and offers them as a package of services with an integrated bill. Prices are not necessarily discounted, although this does occur for large customers. The convenience of having all communication services provided by a single vendor, with a single point of contact, for major clients, and a single bill, is very attractive to large businesses.

TELUS finds its greatest success in the Video Conference market selling the conference bridges to customers, installing them and then retaining a maintenance license to support the customer in the ongoing maintenance of the equipment. This option is much less expensive for the customer and plays to one of TELUS’ core competencies – the installation and repair of communications equipment. In the Video Conference service market, TELUS differentiates itself by providing extraordinary room coordination service – having an assistant available to set up the video conference call, assist with resolving any technical difficulties, and provide beverage and concierge services. Commendations for customer service have led to repeat business in this market.

TELUS’ strategy in the audio conferencing market is also one of differentiation. For high end professional conference calls, assisted by an operator, TELUS differentiates itself with: high level customer service; customized service to meet the unique needs of any given customer at any time; and flexibility to find a solution to solve a unique conference set-up situation. Customers look for a reliable and secure network, with predictably high levels of service. They want special handling and customization options available in this type of call and are willing to pay to achieve this. In providing a differentiated service to the professional service callers, price is not an issue and is not necessarily discounted. TELUS charges for the level of service it is providing customers.
The market for high-end Professional conference calls is mostly limited to large and medium businesses and governments. These customers are also very heavy users of COD services. However COD users are not always users of operator-assisted Professional conference services. Although the Professional services market is limited in size, the customers using this market provide the bulk of the revenue for all conference services within TELUS. Thus, TELUS will go above and beyond the normal call of duty to meet the needs of these customers.

For the Conference On Demand (COD) audio conference service, sometimes referred to as ‘self-serve’, customers see little differences in service providers. Heavy conference users will go with the cheapest provider of COD services. To meet this emerging demand, TELUS has been forced to compete with companies employing a cost based strategy for these customers.

To stay competitive in the COD marketplace, a CSP must have sufficient capacity to allow for variability of customer calling patterns. Since COD calls are not ‘reserved’, an ‘overbooking’ strategy is deployed (similar to that used in the airlines) to manage bridge capacity constraints. CSPs must have at least a 700, or more, port capacity conference bridge to engage in this marketplace. The higher the overall capacity, the more flexible the service is for the CSP and easier it is to control costs. TELUS meets this minimum efficient capacity requirement on its COD conference bridge, and supplements it with additional capacity on other non-COD conference bridges that allow for reservation-based automated conferencing.

Automating as much of the process as possible to reduce costs, TELUS uses various forms of price discrimination to discount prices to attract and retain valuable customers. Unlike some of the competitors in the market, since TELUS’ professional service and COD service operators is
one in the same group of people, TELUS also offers operator assistance during a COD call should that become necessary. This helps to differentiate TELUS’ service somewhat from that of some of its competitors. Additional charges are not currently applied to intermittent service assistance requests, which is consistent with TELUS’ differentiated value added service strategy.

Web Conferencing is new to TELUS. It is currently offered as one component of an Application Service Provisioning package sold to large customers. The pricing of this service from TELUS is high in comparison to other conferencing services. Customers are charged in bulk for blocks of time for the service, whether they use it or not. TELUS has not provided direct customer training nor differentiated service in conjunction with web conferencing.

On-line training for the service is available from the software owner, WebEx, so customers can learn and understand how to best use and benefit from the service. Competitors view Collaboration services as value-added differentiators to standard COD services. However TELUS does not sell this service in conjunction with COD services, only as part of an ASP. Customers who have purchased the ASP option will use TELUS COD and other audio-conferencing services to support their audio component to their collaboration effort. TELUS has sold very little web conferencing services over the last 6-month period.

3.2 TELUS’ Target Markets

TELUS targets all of its conferencing services to the large and medium business markets. Consumer market customers find the cost of conferencing services too high for their tastes, and prefer to use 3-way calling options to join multiple people together on a call. Due to the benefits of conferencing services across vast geographic areas, national and multi-national companies are especially targeted for Conferencing services. Sub-segments of the market that use conferencing
services a lot, like financial institutions, governments and distance learning groups, are especially targeted – although all large businesses that have more than one location out of which they operate are potential customers of conference services.

Relationship selling is deployed to attract and retain customers in the conferencing market. Presentations are prepared and presented to key members of a target customer’s company to answer a company’s overall communication solution needs. TELUS responds to RFPs (requests for proposal) from companies putting their conference services out to tender. However, for the most part, Conferencing sales experts join together with other TELUS sales team members to prepare and provide a total communications solution to meet the needs of large business clients. When giving presentations to these customers about long distance, wireless, data and conferencing services, customers often demonstrate an interest in learning more about conference service opportunities. It is usually an area customers have not given too much thought to, but when they see how conferencing services can meet so many of their productivity and cost reduction needs, they show an increasing interest in the service offerings. When bundling services such as these, customers at times ask to have the services repackaged to meet their specific needs (i.e., they want only some of the package, not all of it). These requests are often granted for large customers.

As a full service communications provider, TELUS is able to achieve efficiencies of scale in the offering of its services to customers. However, costs savings here are somewhat offset by high labour costs in comparison to those paid by competitors. TELUS’ monopoly legacy with an associated high-end collective agreement makes TELUS’ labour costs higher than those of its competitors. To see how TELUS adds value to the conferencing services it provides, an overview of the Value Chain is warranted.
3.3 Value Chain Analysis

An industry value chain is shown in Figure 8. For conference services to occur, conference bridge equipment and software must be developed. Equipment and software manufacturers perform R&D. These companies listen to input from users of their products and attempt to incorporate their suggestions into future product releases.

Bridge manufacturers tend to specialize in the research, development and manufacture of the equipment. They sell this equipment to conference service or sales providers and typically do not operate conferencing companies on their own.

Software developers of web based software, on the other hand, sell the access to their software as well as compete in the service provisioning market place. TELUS purchases manufactured Video Conference bridges and sells them to customers with a TELUS maintenance contract. TELUS’ long history as a communications company has allowed it to build core competencies in the installation and maintenance of communications equipment.

TELUS operates in each of the shaded sections of the Industry value chain shown in Figure 8. TELUS sells Video Conference CPE to its customers and provides network installation and maintenance services for this sold equipment. As a Telecommunications Carrier, TELUS provides local and long distance complementary services needed to allow customers to connect to CSPs. TELUS is a CSP, providing a full range of Conferencing services to customers. TELUS performs its own billing, directly onto the customer’s telephone bill, or onto an independent bill if the customer is not already a TELUS long distance or local service customer. TELUS also provides its own limited form of management reports to customers using its consolidated billing records to provided customers with needed usage data.
TELUS' billing and management reports areas are not as robust as those of its competitors. At a recent conference on conference services, a keynote speaker commented that billing conference calls is one of the most difficult types of calls to bill. There are billing companies that specialize in unusual billing requirements and offer more robust billing options than TELUS currently provides. Most conference specialist service providers bill customers via invoices, whereas Telco's bill customers using the customers' telephone bill. Customers like having all of their communications services on a single bill, however also wish more detail billing information than TELUS currently provides.

In the area of management reports, TELUS has not done much to offer the same complexity of management reports to its customers than is offered by other conference providers. As such, TELUS has been at a disadvantage in some sales where the customer needed highly detailed management reports.

Figure 8: Conference Industry Value Chain

<table>
<thead>
<tr>
<th>Manufacture Bridge / R&amp;D</th>
<th>CPE sales</th>
<th>Communication Carrier (Telco)</th>
<th>CSP</th>
<th>Software</th>
<th>Network Maintenance</th>
<th>Billing</th>
<th>Mgmt Reports</th>
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As a communications company, technological changes in the conferencing industry have not been difficult. The major technological adoption TELUS had to make two years ago was the introduction of automated COD conference call options, and the recent introduction of web conferencing.
Although the technology introduction of COD and technical training of the staff to operate the equipment have been relatively easy, the cultural acceptance of the COD service has been difficult for the conference operators. The operators see the COD service as eliminating their jobs and therefore do not promote nor overtly offer COD as an option to customers. Customers believing TELUS does not offer COD services then go elsewhere – and TELUS not only does not get their COD conference business, but it loses that customer from its overall conferencing service portfolio. The operators find it difficult to accept that customers want the automation – and do not want the service that a live person can provide on a call. To overcome the acceptance of this service, TELUS has contracted a professional training expert to evaluate the way TELUS performs its conference services and offer training to help the operators to overcome their fears and realize the true need to promote COD services to attract or retain customers who want these services to TELUS.

Web Conferencing has been a difficult adoption within TELUS. Customers who use other conferencing services – especially audio conferencing services, are the ones that usually request this service option. However, the current Customer Facing Unit (CFU) structure in TELUS has placed web conferencing as a Data service and with a different marketing and support area from Audio and Video Conference services.

3.4 Core Competencies

TELUS has achieved core competencies over the years in Customer service, call centre management, resource scheduling, billing, operating efficiencies, network maintenance and communication engineering. Each of these provides benefits to TELUS in serving its conference customers. All but the engineering, network maintenance and billing are housed within the Operator Services area of TELUS. Billing is contained within the Administrative support services
area and Network and Engineering is located within the Technology and Operations area of TELUS. Strong processes between these three groups exist to maximize the benefits achieved from exercising these core competencies.

3.5 Competitive Advantages

TELUS’ key competitive advantages flow from its ability to control costs through the achievement of economies of scale. To maximize the occupancy/productivity of the operators, TELUS has the operators serve other short hold customers calls between the times they serve conference customers.

TELUS has the advantage of economies of scope. Offering multiple communication services from a single company and providing a single bill to customers of those services, customer choose to send most of their communications needs to TELUS for service.

Bundled rating opportunities provide customers with less expensive overall communications costs, and TELUS with a greater share of the customers’ communications spending. This too is a competitive advantage, as many Conference Service Providers (CSPs) have only conference services and none of the associated complementary services needed to facilitate the conference services (e.g., local and long distance service).

TELUS has a recognized brand in the market place – one that signals reliability, trust and security to customers – this too is a competitive advantage.
3.6 Culture

TELUS is currently in the midst of a major cultural evolution. The culture is moving away from the monopoly culture that saw employees with an expectation of life long employment, to one based on a high performance culture with shorter terms of employment. Retaining tacit knowledge built by long-term employees is both beneficial and detrimental to TELUS. This 'memory' assists TELUS in properly preparing for service and product introduction by avoiding known pitfalls, however it also prevents the nimble response to market changes that TELUS needs in these times of change. Moving from a highly structured, bureaucratic monopoly based culture, to one able to thrive in the new knowledge era, is not easy. Cost structures from the old monopoly days are high, whereas regulation to prevent unnecessary price increases exists to prevent direct compensation for these high costs. The CRTC is forcing evolving Telco’s to address their cost structures to the benefit of customers and new competitors. To fully understand the culture within TELUS, it helps to understand the Organizational Structure, Regulatory Framework, Compensation Policies, Labour Relations Climate, Training and Skills Enhancement Opportunities, and Performance Management Policies.

3.6.1 Organizational Structure

TELUS is organized into independent Business Units (BUs) based on the main target markets it serves. Each BU has complete responsibility for all product and service end-to-end production within its target market area. Components of a business that are not wholly contained within a given business unit are represented within the business unit through an assigned specialist. Specialists assigned to each business unit include: Finance, Human Resources, Administration Services (e.g., Real Estate services, mail services etc.), and Labour Relations.
The responsibility for Conferencing Services lies across several BU’s. The marketing product manager for Audio-Conferencing resides within the Client Solutions business unit – the unit designed to serve the large business markets. It resides within a sub-group responsible for ‘voice services’. The marketing product manager for Video-Conferencing resides within a different sub-group of the Client Solutions BU – the area responsible for ‘data services’. The marketing product manager for Web Conferencing resides within the ‘data and Internet services’ section of the Enterprise Marketing business unit. The operations group that serves the Audio and Video Conferencing products resides within the Consumer Solutions business unit (as it is part of the primarily Consumer based Operator Services department). Incentives lay within each BU to integrate their services amongst the various BUs. The various Conferencing product managers attempt to integrate their service offerings to large and medium businesses – however this arrangement is somewhat impeded by the independent need for revenue generation by each Product manager.

TELUS’ corporate strategy to “unleash the power of the Internet to deliver the best solutions to Canadians at home, in the workplace and on the move” focuses its efforts on the Data, Internet and Wireless services functions within TELUS. TELUS looks at ‘voice service’ areas of the company as the ‘cash cow’ to fund the growth of the focus services in the data, IP and wireless areas. As such, internal funding and support is more easily attained to support the growth of data, IP or wireless services than it is for voice services. This difference impedes the integration activities between voice (audio conferencing) and non-voice (Web Conferencing and Video Conferencing) services. Attempts are being made to overcome this difference, however the fruit of those efforts has yet to ripen. Funding for audio conferencing growth, and integration of all conference services are issues that TELUS is currently attempting to resolve.
Pricing for the various conferencing services is not hindered by regulatory restrictions within Canada.

3.6.2 Regulatory Framework

Conferencing services fall within the non-regulated areas of TELUS. This is in contrast to the situation in the USA. In the USA conference services are seen to be part of the Long Distance services provided by the Telco's. As such, USA Telco's face significant regulation of these services. In Canada, conference services are seen as independent of long distance services. As such, they are not regulated. Conferencing Service Providers in Canada, whether independent or as part of a Telco, are able to freely feel the impacts of markets forces for supply and demand of their conference services.

3.6.3 Compensation Policies

Conference companies usually have low salary and benefit compensation expenses – often paying support workers (e.g., their equivalent of 'operators') close to minimum wage. They are able to incent sales representatives to boost the contracted sales of conferencing services to their clients. TELUS, however, is saddled with wages and benefit structure of an ex-monopolist.

In relation to its competitors, including Bell Canada who outsourced its Conferencing services, TELUS' wage and benefit structure is very high – at costs two or three times those of its competitors. TELUS' wages and benefits were designed during an era of monopoly practices with regulated rates of return to allow companies to make money despite their cost structures. However, with de-regulation in many Communication service areas, TELUS is now saddled with this higher cost structure. Attempts continue to be made to change the compensation and benefits structure in
TELUS. However, negotiations in this area are very difficult with the strong union influence among TELUS employees.

Incentives are provided to Sales representatives who sell products and services to customers. However, incentives for ‘voice’ products since these are no longer the key focus of the TELUS strategy are now only minimally incented. As such, it is difficult to convince Sales Representatives of the value of selling Audio Conferencing services. Video Conference services are so limited in TELUS that many Sales personnel do not think to offer these services to customers. Web Conferencing services are so highly intertwined within the ASP, that sales personnel do not independently sell these services – they are sold only in partnership with ASP services to a very limited major corporate client base. To overcome the overlooked audio conferencing sales opportunities, Marketing and Operations for conference services within TELUS partnered to create a Customer Alliance Specialist position. The sole aim of this person’s responsibilities is to educate the TELUS sales force on the benefits to them and their customers from selling and using conferencing services. This position has been effective in its education efforts and has been one of the reasons for higher than expected annual growth of conference services.

3.6.4 Labour Relations Climate

TELUS has an interesting labour relations climate at present. Since the merger of the Alberta and BC based Telco’s a few years ago, TELUS has yet to be successful in bargaining for a new collective agreement to replace the ones previously in effect in the old Telco’s. Seeing the downward pressures on costs in the new competitive environment, employees have become very concerned for the preservation of their current wages and benefits and even their jobs. In July 2002, the company announced a major operational efficiency program designed to lower costs. This program will result in the loss of more than 6,000 of the approximately 25,000 jobs within
TELUS. Analysts foretold the need to take this type of cost cutting action and have penalized TELUS' stock price in past for not acting sooner to alleviate costs. The effect of these activities on employees has been to make them very protective of their work. Changing service options to conference customers to give them a choice of operator assisted or self serve conference calls has not been particularly popular with some of the staff. Employees have been very reluctant to promote COD services for fear that if customers opt for these services it will result in a loss of jobs for the operators. Unfortunately, when customers are not offered COD options, they believe TELUS does not offer COD, and will go to another competitor to get both their COD and operator assisted conference calls. Helping operators understand this reaction by customers, and that it is in the operators' best interests to keep the customer with TELUS, has been difficult.

As part of the company's efforts to reduce overall costs and additionally to provide an outlet for surplus employees, TELUS has offered all employees with ten or more years of service a highly lucrative Voluntary Departure or Early Retirement option to leave TELUS. A number of employees within the Conferencing operations unit within TELUS are eligible and have expressed interest in departing from TELUS. TELUS' challenge now is to replace needed employees in the Conferencing area with highly motivated customer relationship oriented employees who will provide the 'professional' service levels required by the Conferencing service. Given that 'surplus' employees will have first option on any vacated positions, the task of finding just the right combination of people to bring into the organization will be challenging.

3.6.5 Training and Skills Enhancement Opportunities

TELUS has always been a strong proponent and supporter of employee development – in fact TELUS will fully reimburse employees who take approved educational programs on their own time in areas that will help develop the employee to better serve TELUS.
To enhance the ‘professional’ skills of the conference operators, TELUS hired a consultant to develop a course to train employees to meet the professional skills expectations of major clients. Training is scheduled to begin in September 2002. Employees and managers gave input to the consultant during the needs analysis phase of the program development. The developer also performed a series of ‘mystery calls’ into the office, acting as a customer to determine current skill levels. A test has been developed to ensure the learning exchange has occurred, with appropriate post training follow-up to ensure maintenance of new behaviours.

TELUS has on-site trainers available in both conference offices to provide needed service support and training needs should a conference representative require assistance.

3.6.6 High Performance Culture Policies

TELUS began a culture shift to a high performance culture predicated on four value statements when CEO Darren Entwistle joined the firm a few years ago. These value statements support the cultural needs of the organization. They are: We believe in spirited teamwork; We have the courage to innovate; We embrace change and initiate opportunity; and We have a passion for growth. TELUS has woven the very fabric of these value statements into every aspect of employee performance. Every employee has Personal Performance Objectives (PPO), Personal Development Plan (PDP) and Personal Performance Evaluation (PPE). Although these evaluation tools existed in a consolidated format in the past, a renewed emphasis on living the objectives agreed to between employees and their managers has been employed. Measurable performance objectives have been set for all aspects of employee and management performance to monitor success and act as a trigger to take action to improve performance where needed. Measures of performance in conference include: Conference calls per board hour worked; Attendance; Customer Service survey
Some employees find the increased focus on results and performance more than they are willing to live with and have accepted the company’s voluntary departure offer to leave TELUS and seek employment elsewhere. Others have embraced the change and are actively working to improve the overall performance of the company.

3.6.7 Culture Summary

It is not easy to change the culture in TELUS, and some employees have chosen to leave the organization rather than make the change from a bureaucratic organization to one in the knowledge network. The company is currently in a state of flux as the new culture attempts to take hold. This is occurring at the same time that the overall communications industry is facing convergence of services. These are challenging times for TELUS and its employees. Skills enhancement, employee development and reduction in the overall corporate cost structure are integral to TELUS’ ability to be effective in the competitive and evolving market place.

To understand how successful TELUS is at meeting its goals in the new economy, a review of TELUS’ conference strategic fit is needed.

3.7 Strategic Fit Analysis

TELUS deploys a Differentiation strategy in the market place. High quality and adequate cost form the main framework for the strategy. To view TELUS’ position in the Generic Strategy continuum, a look at TELUS’ Conferencing group’s position on that continuum in Table 4 is in
order. The TELUS logo, \text{TELUS}, has been placed on each row of the diagram in Table 4 in accordance with the estimated position that TELUS’ Conferencing group currently appears to fall within the stated continuum.

Table 4: Conference Strategy Continuum

<table>
<thead>
<tr>
<th>Category</th>
<th>Strategy Continuum</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost Based</td>
</tr>
<tr>
<td></td>
<td>Differentiation</td>
</tr>
<tr>
<td></td>
<td>Low Cost / Adequate Quality</td>
</tr>
<tr>
<td></td>
<td>High Quality / Adequate Cost</td>
</tr>
<tr>
<td>Product Strategy</td>
<td>Rapid Follower</td>
</tr>
<tr>
<td></td>
<td>Innovative</td>
</tr>
<tr>
<td>R&amp;D Expenses</td>
<td>Low R&amp;D</td>
</tr>
<tr>
<td></td>
<td>High R&amp;D</td>
</tr>
<tr>
<td>Structure</td>
<td>Centralized</td>
</tr>
<tr>
<td></td>
<td>Decentralized</td>
</tr>
<tr>
<td>Decision Making</td>
<td>Less Autonomy</td>
</tr>
<tr>
<td></td>
<td>Autonomy</td>
</tr>
<tr>
<td>Service Provisioning</td>
<td>Economies of Scale</td>
</tr>
<tr>
<td></td>
<td>Economies of Scope / Flexible</td>
</tr>
<tr>
<td>Labour</td>
<td>Mass Production</td>
</tr>
<tr>
<td></td>
<td>Highly Skilled / Flexible</td>
</tr>
<tr>
<td>Marketing</td>
<td>Comparative / Push</td>
</tr>
<tr>
<td></td>
<td>High Cost / Pioneering / Pull</td>
</tr>
<tr>
<td>Risk Profile</td>
<td>Low-Risk</td>
</tr>
<tr>
<td></td>
<td>High-Risk</td>
</tr>
<tr>
<td>Capital Structure</td>
<td>Leveraged</td>
</tr>
<tr>
<td></td>
<td>Conservative</td>
</tr>
<tr>
<td>Cost Structure</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>High</td>
</tr>
<tr>
<td>Service Quality</td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>High</td>
</tr>
</tbody>
</table>

TELUS’ positioning in the strategy continuum for a differentiated product offering is weak. As a follower to market with new service options, low research and development spending and effort, low employee skill, a low cost comparative marketing approach, and a low risk profile, Conferencing within TELUS does not show a strong fit to its Differentiation strategy. Conference
structure, decision-making, flexible service provisioning, moderately high cost structure and high service levels are more consistent with TELUS’ differentiation strategy. The confusion between the market push towards commodity pricing for COD and the need for a highly differentiated ‘professional services’ service offering may have hindered TELUS’ ability to maintain its differentiation strategy. TELUS must come to grips with this divergence of needs and find a strategy that will appropriately serve these two convergent needs.

To remain differentiated, a company must have an innovative product strategy. TELUS tends to be a ‘follower’ in innovation of standard product options. However, when it comes to specific customized service or product customer needs, TELUS has been known to step up to the challenge and has found highly innovative solutions to meet unique customer needs. TELUS does this as the need presents itself, and to prevent loss of a customer, rather than proactively searching for innovative ways to serve a host of new customers.

Employee skills are moderate to low. Teleconference operators are entry-level positions within TELUS and require basic technical and increasingly sophisticated service skills. TELUS operators provide great service, but the sophistication skill level to pull out customer needs and offer the appropriate service needed by the customer have yet to be built.

Marketing tends to deploy a ‘push’ strategy for COD customers. For high end customers looking for unique services to meet their needs, TELUS has been know to be pioneering in its creativity to solve a customer problem. However, it is neither within TELUS’ strategy nor actions to seek out these pioneering opportunities, but rather to respond to them to prevent a valued customer from leaving TELUS in favour of the competition.
TELUS is very conservative with its capital expenditures. It has, on occasion, been forced to lessen a Sales push to certain large customers because it had kept close to capacity limitations rather than speculatively expand capacity and aggressively seek new customers to fill the capacity.

TELUS does not have the R&D capabilities to invent new product offerings. However, unique bundling and service arrangements are TELUS’ approach to innovativeness and differentiation. Overall, TELUS is positioned relatively poorly in the competitive market place due to its inability to invent (or partner with an R&D firm or Vendor) and focus on key product differentiators to meet customer needs. As market forces cause the price of COD down, TELUS needs to find new replacement services that meet the needs of customers. TELUS attempted to do this at one point with collaboration services, as a value-added offering to audio-conference customers. However, the organizational structure in TELUS caused the collaboration services to be under the control of a different business unit, and not seen as a viable addition to TELUS audio conferencing customers.

TELUS’ business unit structure deployed to create customer facing units has been detrimental to the integration of conference services within TELUS. Customers have advised TELUS sales representatives that the reason some conference contracts have been lost is due to TELUS’ obvious lack of conferencing product integration. The different focus within each silo on the products, and real and apparent lack of product integration has been obvious to customers. Customers want a one-stop shop for their conferencing service needs and find they are not able to achieve this within TELUS.

To see how well TELUS has done in the market place, a review of its financial performance is in order.
3.8 Financial Analysis

Monthly revenues are tracked by product within TELUS. However, operational expenses are not normally tracked on a product line basis. Periodic analysis is performed within TELUS every few years by Marketing Product Managers to determine the ongoing profitability of their product lines so that pricing decisions can be made. However, this analysis is not performed in a consistent and comparable manner each time it is done. Therefore, Video Conference and Web Conference Income Statements, or approximations of income statements are not possible.

Audio Conference Revenues and associated conference Operator Services operational expenses are tracked on a monthly basis. These revenues and expenses will be used to perform a partial financial analysis for Conferencing within TELUS. Table 5 shows actual TELUS audio conference revenues for the years 1999 to 2001, and an estimate (based on 6 months of actual revenues) for revenues for 2002. Revenues increased year over year 14% for 2000 and 18% for 2001. Revenues are estimated to increase by 22% in 2002.

Associated operator expenses also increased during the last few years. However, with the onset of COD self-serve conferencing, operator service costs have reduced and are continuing to fall in 2001 and 2002. As such, the partial EBITDA % change is increasing. In addition to the decline in costs due to the increase in self-serve conference calls, in 2001 TELUS embarked on a costs cutting effort to bring costs in line. Mid way in 2001 the two conference offices were combined into a single conference queue, allowing conference calls to flow to the first available conference operator in either conference office. In doing so, a greater economy of scale was achieved allowing for an increased in overall service productivity and operational efficiency. In 2002 further efforts to take advantage of shift schedules across the two offices and other
operational efficiencies are being undertaken to further reduce costs associated with supporting basic conference calls.

In addition to these cost cutting measures, service skill enhancement training is planned for late 2002 to increase the service levels provided the ‘professional services’ conference customers and further enhance this service from that provided by competitors.

*Note: Operator Services expenses include all office and staff group expenses to provide conference services for Internal (non revenue-generating Employee conference calls) and External (revenue-generating customer calls) conference calls.

Table 5: Audio Conference Revenues and Partial Associated Expenses

<table>
<thead>
<tr>
<th>YEAR</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002 Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>REVENUES</td>
<td>$8,814,305.00</td>
<td>$10,086,000.00</td>
<td>$11,924,581.00</td>
<td>$14,500,000.00</td>
</tr>
<tr>
<td>% change</td>
<td>14%</td>
<td>18%</td>
<td>22%</td>
<td></td>
</tr>
<tr>
<td>OS EXPENSES *</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% change</td>
<td>18%</td>
<td>-13%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OS EBITDA</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% change</td>
<td>12%</td>
<td>37%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Revenue increases of 18% and 22% for 2001 and 2002 in audio conferencing lag slightly behind previous industry predictions of revenues in this service, as shown previously in Table 1, of 20-24% for 2002 to 2004. Industry insiders believe that actual industry revenue increases in both Canada and the USA have been closer to 30-50%16 in recent years. If these latter estimates are correct, TELUS is lagging behind the Industry in its share of the growing audio conference market.

16 As reported at the 2002 Boston “Collaborate East” conference based on current CSP revenues.
When Global Crossing declared bankruptcy in early 2002, its market share began to decline in favour of well-established conference companies. TELUS has managed to pick up some of this business, but at the same time has lost a few customers to Global Crossing. The exact balance of wins and losses is not known.

TELUS’ wage structure is higher than most conference companies. Bell Canada has a separate company provide conference services at wages much closer to minimum wage. Other competitors are thought to pay similar to Bell Canada. TELUS, on the other hand, pays wages at ‘monopoly’ levels. With effective and innovative cost structuring, and allowing conference operators to serve other types of customers between taking conference calls, TELUS is attempting to overcome its competitive disadvantage in cost structure.

4 I ISSUES

A number of issues have been pointed out in earlier sections of this report. These, along with other notable issues facing TELUS include the following:

1. Automated/self-serve conference services are evolving to be the standard form of conferencing in the industry, which works against TELUS’ differentiation strategy and competencies.

As a homogeneous product in the market place, automated conferencing is best suited to a cost-based strategy, rather than a differentiated one. With TELUS’ high cost structure, TELUS is not able to adequately deploy a cost-based strategy.
As a full service provider, TELUS is best suited to providing a differentiated strategy for its products and services. To date, however, TELUS has been unable to find a key differentiator for automated conferencing that will enable it to persuade customers to view automated conferencing as anything other than a homogeneous service.

With an annual revenue growth rate of 18-22%, TELUS seriously lags behind the industry average of 30% growth, and of some market participants who are growing at rates of up to 50% annually. TELUS’ current performance in the market is causing it to miss key revenue growth opportunities in Conferencing.

2. TELUS’ culture and labour structure impedes TELUS’ ability to rein in costs.

As a previous monopoly, TELUS has a very high labour and cost structure in relation to new entrants in the marketplace. This impedes its ability to rein in costs in the face of downward market pressures on costs. TELUS is able to utilize some forms of economy of scale to combat its underlying cost structure, however this is not sufficient to overcome its cost disadvantage.

Conference Operators fear that self-serve options for customers will result in a need for fewer operators, and therefore a loss in their jobs. To combat this fear, operators are not proactively offering COD options to customers. Customers have told TELUS sales representatives the reason they left TELUS to go to a competitor to obtain self-serve options was because they were not made aware that COD was available from TELUS. In their desire to have a single conference service provider, these customers have also removed their operator-assisted calls from TELUS. The overall result is less work and
revenue for TELUS. With operators not offering COD services to customers, the customers either leave TELUS completely, or stay on with TELUS using the more labour-intensive operator-assisted conference services. This does not assist TELUS in reining in costs.

Conference representatives operate as ‘order takers’ rather than ‘solution providers’. Key sales opportunities are lost with this approach. Skills levels to change this behaviour need to be enhanced.

3. New services are not developed or implemented quickly enough

With services like automated conferencing maturing in the product life cycle, revenue replacement streams must be sought and implemented in a timely fashion. Without this, competitors with new services will take market share away from TELUS.

TELUS spends limited money on research about alternative services. Vendor shows are attended, however no partnerships with vendors exist to look for innovative new ways to meet customer needs as the market evolves. When new services are found, they are not implemented in a timely fashion to retain customers and attract new ones.

Uncertainty in the future of conference services in a converging and evolving marketplace requires companies to take quick action to implement new services. The Internet will change network cost structures and methods of access to customers. VoIP will eventually replace much of the voice services offered by many Telco’s. The timing of this change is
uncertain and poses difficulty for companies knowing when to expand each portion of their conference portfolios.

Convergence of media and communication services may change the way people hold interactive meetings. As time passes, meetings may be held on a regular basis on people’s own PC’s or in front of multi-media viewers. The impact of this change on conferencing services is as yet unpredicted.

To be successful at a differentiation strategy, a company must be a leader in innovation and execution in the marketplace. For conferencing services, TELUS is not a leader.

4. TELUS’ organization lacks the required decision autonomy / reward structure / skill levels to take the lead in providing new services.

To focus TELUS’ growth services to be in line with its strategy of being a key provider of data, Internet and wireless services, TELUS has limited funds available to what it sees as ‘voice services’. Since TELUS has classified the ‘audio conferencing’ portion of its Conference services as a voice, not data/internet/wireless service, funds for growth are not readily available to support audio conferencing. Since audio conferencing is still the largest revenue stream of all the conferencing services, TELUS is missing growth opportunities due to the inconsistent classification of its conferencing services. Video Conferencing and Web Conferencing are both seen as in line with TELUS’ strategy and are provided funding, however are not currently delivering the same growth and revenue stream to TELUS as audio conferencing.
5. TELUS’ customer facing units are poorly structured to match market needs. Employees do not have the right incentives to implement the CFUs strategy.

The conferencing market is converging and offering a one-stop shop for all conferencing needs by a single service provider. With product management and operational control of conferencing services in TELUS spread across multiple CFUs and sub-units of CFUs, TELUS is poorly structured to match market needs.

TELUS’ product management of conferencing services is missing key consolidation and cost saving opportunities by being spread among various groups. With the operations groups located within the Consumer Solutions business unit, and the key customers this group serves located in the Business and Client Solutions units, a conflict in growth strategy exists. The operations group is encouraged to control costs and not given access to funds to grow capacity and services, as revenues within the same business unit cannot offset these costs. TELUS does have a policy of working across multiple CFUs to attain synergies, however employee performance incentives are tied strongly to the employee’s originating CFU, somewhat counteracting this objective.

The lack of conference product integration in comparison to that of competitors puts TELUS at a disadvantage in the market place. TELUS has lost customers due to lack of product integration. Customers want a one-stop shop to meet all of their virtual meeting needs.

COD customers, located in the Client Solutions CFU, are not offered collaboration services, which are housed within the Enterprise CFU, as a service option – it is only
bundled as part of an overall ASP offering. Since collaboration conference options are only afforded ASP customers, TELUS is missing a market for the bulk of its conferencing customers – the ones who are most likely to find an advantage in using collaboration tools. As such, TELUS is losing potential service revenues.

Sales incentives are awarded primarily for services that are ‘on strategy’ (i.e., data, Internet and wireless). These incentives exist to sell Video Conferencing and the ASP services that include web conferencing. However, the incentives to sell voice products such as audio-conferencing are limited. It takes the actions of a full-time manager to continuously convince sales representatives of the value of selling audio conference services to promote the sale of audio conferencing services. The sales incentive structure is not set up in such a way as to reward total conference solution selling to customers. This contributes to the lag in overall sales growth in relation to the conference industry in North America.

Although these issues are notable, there are things TELUS can do to better position itself as a leading conference service provider.

5 RECOMMENDATIONS

With growth rates ranging from 15 – 45% for the various conference products and services, the CSP industry still has a lot to offer TELUS. Overall conferencing services are in line with TELUS’ national Data/IP/Wireless strategy. To realize the revenue opportunities within the conferencing industry, however, TELUS needs to overcome or compensate for the key issues listed in the previous section.
Although a company may be tempted to join all of its conferencing products and services together and place them into a separate company as an initial public offering (IPO), like Bell Canada did a number of years ago, doing so would limit its opportunities. Tremendous opportunities exist for a conferencing organization that is integrated within a communication company. The communication company has numerous complementary services that can be bundled together with conferencing services to provide added value to customers, and added value to the company. To take advantage of these opportunities, however, TELUS must first consolidate its conferencing services under a single CFU and a single sub-unit of that CFU.

Consolidating all conference services under a single CFU will encourage the product managers and operations groups of these services to work in close harmony to provide a truly integrated product offering to meet customers' integrated conferencing needs. Economies of scope and scale may be enhanced within an integrated group.

As a consolidated service offering TELUS could recognize that all conference services are in line with the Company's corporate Data/IP/Wireless strategy, and thereby allow the conference services needed access to growth funds. Access to growth funds will allow TELUS to take advantage of innovation and growth opportunities in the conference market place. Without access to funds for innovation, it would be difficult for TELUS to maintain a differentiated strategy.

With access to innovation funds, TELUS could actively pursue innovative new product and service offerings that combine various communication services within TELUS. To take maximum advantage of innovation opportunities, the CFU under which Conferencing service should fall is recommended to be the innovation arm of Enterprise Solutions. Under this CFU,
access to research, creative product and portfolio blending and rapid innovation needed to compete effectively in a converging and changing market place would be possible.

TELUS’ core competencies are so imbedded within its very fabric, that to change away from a ‘differentiation’ strategy would be difficult. Current labour wages are not conducive to a cost-based strategy. Competencies such as ‘excellence in customer service’ work well with a differentiation strategy. As an integrated conferencing operation, TELUS would have a greater opportunity to differentiate its services from those of its competitors. With COD prices being driven ever lower in the market place, and TELUS’ higher cost structure, TELUS’ survival with conferencing may be based on TELUS’ ability to bundle COD with other services to its large customers. This would provide recognized value add to the large customers for their communication needs and provide TELUS with a greater overall share of the customer’s total communication spending wallet.

To further foster sales growth, TELUS could provide a positive recognizable sales incentive to the sales force for selling and promoting conferencing services. As an integrated conferencing unit that is seen as being within ‘strategy’, sales incentives would be possible within TELUS’ current compensation framework. Promoting these incentives to the sales force is all that would be needed to bolster the sales push for conference services. An opportunity also exists to have the conferencing operator take on a dual role – one performing current operator services and the other as a sales representative. In the latter role, the operator could pro-actively make sales calls to customers who expressed an interest in one or more of the company’s conferencing products. To do so, however, would require training of the current staff, or supplementing the current staff with trained sales representatives.
TELUS has already developed and is ready to roll out a skills enhancement course to its front line conference operators to teach them the benefits of relationship selling. This course is designed to change the operator’s behaviour away from that of ‘order takers’ to that of ‘solution seekers’. It is hoped that this course will help TELUS overcome some of its cultural distaste of COD services. This appears to be a promising opportunity for TELUS.

Given the current restructuring going on in TELUS today, in concert with its aggressive operational excellence cost cutting initiatives, TELUS is positioned well to quickly implement the recommendations outlined above. In doing so, TELUS will add to its revenue stream and eliminate some cost of duplication of efforts from its expense stream.

Wonderful opportunities exist to enhance and grow TELUS’ conferencing services if the growth possibilities are recognized internally within TELUS, and action is taken immediately to overcome inhibiting issues.
BIBLIOGRAPHY


TELUS website: <http://www.telus.com>


