

Not Your Ma's Bell: AT&T evolves beyond phones

May 19 2015, by Anick Jesdanun



In this Tuesday, Oct. 21, 2014 file photo, AT&T's "Mobilizing Your World" slogan appears on a digital display outside an AT&T store, in New York's Times Square. AT&T adopted the slogan in 2014 to reflect a desire to be part of your entire life, not just on phones. (AP Photo/Richard Drew, File)

The company whose name has long been synonymous with telephones is looking for new ways to reach out and touch someone.

AT&T, which had a popular "Reach Out and Touch Someone" slogan in the 1980s, now wants to be on your TV, car and even trashcan.

AT&T Inc. is spending \$48.5 billion to buy satellite TV provider DirecTV as it looks for new ways to package access—wireless and wired—with traditional and online video.

It's also revamping its stores to showcase other services, including the ability to unlock your home's front doors through an app to let in contractors. It's equipping cars with data connections for diagnostic, roadside assistance and entertainment systems. It's even putting data sensors into inanimate objects such as parking meters and water pipes to build smarter cities.

And last year, the [company](#) adopted "Mobilizing Your World" as its slogan to reflect a desire to be part of your entire life, not just on phones.

"We don't view ourselves as a phone company anymore," said Ralph de la Vega, the company's longtime mobile chief who took on greater responsibilities beyond phones after a company reorganization.

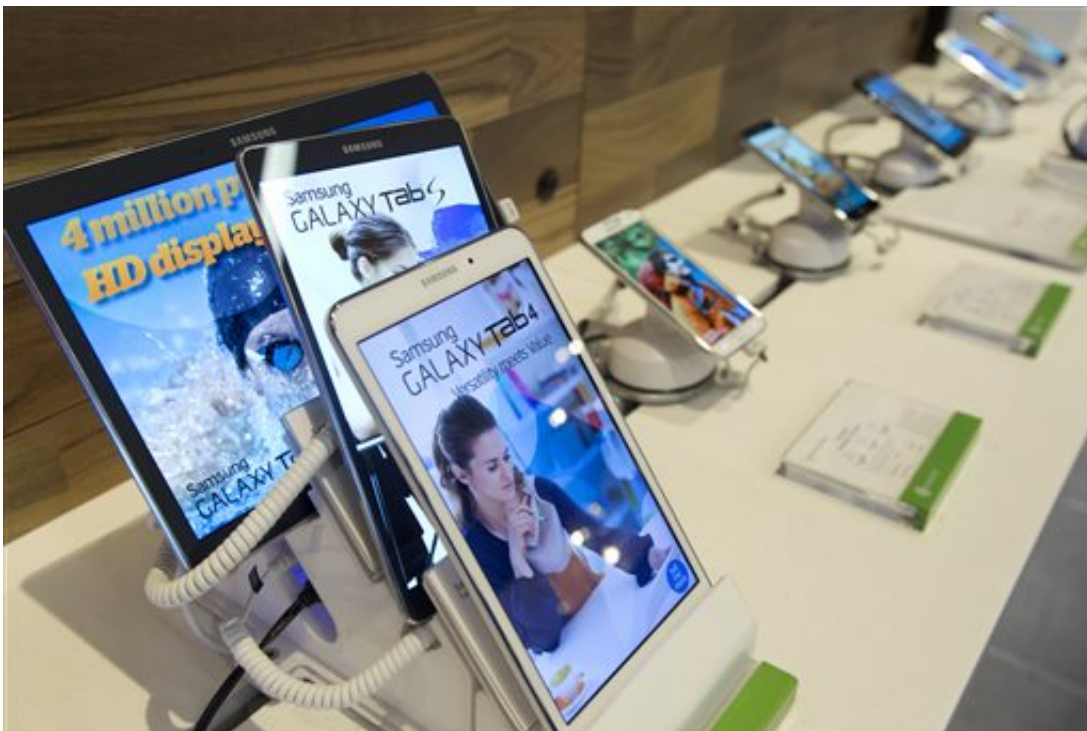
Driving the transformation is a slowdown in the U.S. phone business, given that most Americans already have cellphones. And although people have been using their cellphones more heavily, especially to watch video, that hasn't translated into a corresponding increase in revenue, largely because of price competition.

All phone companies have been looking beyond phones for growth, but none of them has been as aggressive as AT&T, the second-largest U.S. wireless carrier. No. 1 carrier Verizon announced a \$4.4 billion bid last week to buy AOL for its advertising and video services, but AT&T's DirecTV bid is 11 times that amount. The deal, which AT&T hopes to complete within weeks, would make AT&T the leading traditional TV

provider in the U.S., surpassing Comcast, and push AT&T farther into Latin America, where DirecTV is strong.

"As the U.S. industry has gotten more competitive, they've made some steps to diversify," said Jon Atkin, an analyst with RBC Capital Markets. "Verizon has a little bit less product diversity, and certainly less geographic diversity—if you want to call it, greater focus."

AT&T's transition has been years in the making as wireless supplanted landline phones. But the move beyond phones—wireless or otherwise—is accelerating with the impending DirecTV purchase and a growth in car models with connectivity built in.



In this May 6, 2016 photo, Samsung Galaxy tablets are displayed at an AT&T company store in New York. AT&T, whose slogan "Reach Out and Touch Someone" became popular in the 1980s, now wants to be on your TV, car and even trashcan. (AP Photo/Mark Lennihan)

Of course, the phone isn't going away. AT&T typically gets more monthly revenue for smartphone service (up to \$40) than a tablet, wristwatch or car connection (\$10 each).

These emerging businesses represent ways to get that same phone customer to pay more:

— With DirecTV, AT&T will be able to package video in new ways. AT&T already provides traditional TV services to 6 million households in 21 states through fixed-wire lines. DirecTV would add more than 20 million households nationwide, and the combined 26 million would exceed Comcast's 22 million for TV.

AT&T wants to add wireless to packages now made of TV, Internet and wired phone lines. And it wants to distribute video content to more places, including phones and the backseats of cars.

"We believe that going forward, when people start making decisions around mobile services, it's going to be around what I can do with those services. Can I watch video that's important when I'm on the go or wherever I am?" said John Stankey, AT&T's chief strategy officer.

— Cars, meanwhile, contributed to more than half of the 1.2 million wireless service connections that AT&T added in the first quarter. These are primarily car manufacturers needing data connections for diagnostic systems and consumer-facing services such as OnStar navigation and roadside assistance.

AT&T has partnerships with eight car manufacturers, including General Motors, Ford and BMW, and expects to be the data-service provider for half of the new wireless-connected passenger vehicles this year.

While AT&T sells data connections to car manufacturers—in some cases, to resell to drivers as part of OnStar and the like—AT&T is also targeting consumers directly with the promise of backseat entertainment and other benefits. (It hasn't said how many have subscribed, though the business appears small for now.)



This May 6, 2015 photo shows a display for AT&T's Digital Life home-automation and security services at an AT&T company store, in New York. AT&T, whose slogan "Reach Out and Touch Someone" became popular in the 1980s, now wants to be on your TV, car and even trashcan. (AP Photo/Mark Lennihan)

— With AT&T's Digital Life home-automation and security services, people can unlock doors, turn off lights and check security cameras remotely through an app.

— And AT&T is making a big push for business and government customers. After selling them wireless and wired phone connections, it's selling them new ways to use those connections, such as vehicle tracking and mobile timecards for payroll.

But why stop at employees? AT&T is also selling new types of wireless connections for water pipes to warn of leaks and garbage cans to say when they are full. AT&T might get a cut of any savings when garbage trucks don't have to drive to nearly empty cans.

AT&T is also developing systems that analyze traffic patterns, so traffic can be rerouted before congestion forms. A car skidding on a patch of ice might even warn other vehicles behind it, without any human intervention.



This May 6, 2015 photo shows a display of phones, tablets and accessories, left, at an AT&T company store, Wednesday, May 6, 2015 in New York. AT&T,

whose slogan "Reach Out and Touch Someone" became popular in the 1980s, now wants to be on your TV, car and even trashcan. (AP Photo/Mark Lennihan)

Some of these projects are in research labs, while others have real customers in trials and smaller deployments.

Jefferies analyst Mike McCormack said that other than DirecTV, many of these initiatives won't produce much revenue. Take cars: It's one thing to include data capabilities; it's another to get people to pay another monthly fee.

Nonetheless, it's revenue AT&T didn't have before.

"We are going to be touching the customers in every aspect of their lives, whether it be the car, the home, the smartphone," said Glenn Lurie, who heads AT&T Mobility. "It really puts us in a position to grow."

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