

AT&T' s SKYLINE



at&t

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AT&T Skyline

- Product Design
 - Description
 - How this will benefit the customer
- Target Market
 - AT&T Customers
 - Verizon Wireless Customers
 - Skype Users
 - Miscellaneous

Competitors

- Compare to Skype
 - Skype is the first in the market
 - Skyline in a lower rate \$10.99/month vs. \$12.95/month
 - Easy to use
- Compare to other Wireless Services
 - More customer
 - Partner with Apple: iPhone

The Four Ps

Product:

“AT&T’s Skyline”

Description: With the touch of a button, can find themselves connected to any landline or mobile phone anywhere on the planet, via talking, texting, or video chatting and voice conferencing.

Ultimately, with this product, businesses all around the world can slash communication costs after integrating Skyline into their daily operations.

The Four Ps

Price:

\$10.99 per month for each line on a plan.

This introductory price will be used to try and influence a huge portion of current customers, as well as consumers in the market, to add this feature to their plan.

The Four Ps

Promotion:

- The main focus for the advertising department will be towards putting out an advertisement during the 2010 NFL Super Bowl.
- A 30-Second Super Bowl Ad this year is estimated to be \$3 Million.
- A 30-Second Skyline commercial is crucial to get the idea out there into the market place.
- According to NBC, 2009's Super Bowl had an average audience of 98.7 Million viewers.

<u>Ad Medium</u>	<u>Advantages</u>	<u>Limitations</u>
Airport	Relatively Inexpensive; High Exposure	Primarily only Middle/Upper Class
Television Ad	High Volume Coverage; Low Cost per Viewer; Appeals to the Senses	Less Audience Selectivity; High Cost Fluctuations
Direct Mail	Flexibility; High Audience Selectivity	Considered "Junk" Mail;
Online	Low Cost; High Exposure; Immediate	Audience Controls Exposure; Low Impact
Radio	Costs are Low; Limited Range of Exposure	Audio Only; Low Attention
Magazines	Credible; Longer Ad Life Period; High-Quality Images	No Position Guarantee; Higher Costs
Newspaper	Good Local Market Coverage; Low Cost	Short Life; "Dying Media"

The Four Ps

Promotion (Continued):

Average Costs for Advertising*

Newspapers - \$1,300 per week for 2" x 2" advertisement.

Television - \$200,000 for one 30-second commercial (during prime-time, not for Super Bowl which will be around \$3,000,000 for a 30 sec ad for this year's Super Bowl).

Direct Mail - \$1,500 for 1,000 4x6 postcards (includes postage).

Radio - \$90 to \$120 per week on a rotator (prices higher if time slots for ad are selective).

Magazines - \$1,200 to \$5,000 per month or per issue (depends on ad size and demographics).

Outdoor (billboard) - \$3,000 to do artwork and install media on billboard; rates depend on impress level, ranges from \$5,000 to \$500,000.

Online - \$0.60 pay-per-click or \$1,200 - \$1,800 a month for aggressive campaigns (does not include search engine optimization) or \$200 to \$1,200 per year per banner ad on websites.

**Note: Prices reflected are averaged prices for a 12-week ad campaign.*

The Four Ps

Promotion (Continued):

Super Bowl Ad

Percentage

- We calculated initial advertisement investing to exceed eight to ten million in the first half of the introductory stage of this service, with almost a quarter dedicated to the Super Bowl alone if the proper progress has been made by that time to Skyline.



The Four Ps

Place:

- With technological advancement at an all-time high, the great thing about Skyline is that it will be available to any AT&T customer anywhere in the world.
- With this opportunity for people to be able to stay connected 24/7, allows for endless possibilities for businesses, as well as every day consumer to consumer interaction.
- Allowing every AT&T certified corporate branch to offer this to customers, consumers should have no problem what so ever upgrading their current contract.



Demand and Expenses

- Our expected demand is as follows:

Sales				
Probability	Case	Skyline Demand (MM)	Price per line	Revenue (MM)
50%	Base	45	\$10.99	\$494.55
40%	Best	75.5	\$12.95	\$977.67
10%	Worst	38.59	\$9.99	\$385.51

- Our expected incremental expenses are as follows:

Incremental expenses of the project				
Probability	Case	Cost/line (MM)	Cost of Good Sold (MM)	Profit (MM)
50%	Base	\$8.50	\$382.50	\$112.05
40%	Best	\$8.00	\$603.97	\$373.71
10%	Worst	\$8.75	\$337.66	\$47.85

Projected Income

Base Case Pro Forma Income Statement	
For AT&T Corporation	
For year ending December 31, 2010	
Sales (45 MM at \$10.99/line)	\$494.55
Variable Costs (\$3.50/line)	\$157.50
Contribution Margin	\$337.05
Fixed Costs (MM)	\$225.00
Depreciation (1MM/3 years)	\$83.33
EBIT	\$28.72
Taxes (35.4%)	\$10.17
Net Income (MM)	\$18.55
Depreciation	\$83.33
Total Incoming Cash Flow (MM)	\$101.85

Net Present Value

Base Case		
Initial Investment= \$400,000,000		
Year	Cash Flow (MM)	Discounted Value (MM)
1	\$101.88	\$94.31
2	\$127.35	\$109.12
3	\$133.72	\$106.06
4	\$131.05	\$96.22
5	\$125.81	\$85.51
	PV=	\$491.22
	NPV=	\$91.22

Internal Rate of Return

Base Case				
Initial Investment= \$400,000,000				
Cash Flows	0%	15%	17.825%	18%
\$101.88	\$106.31	\$92.44	\$90.23	\$90.09
\$127.35	\$132.88	\$100.48	\$95.72	\$95.43
\$133.72	\$139.53	\$91.74	\$85.30	\$84.92
\$131.05	\$136.74	\$78.18	\$70.95	\$70.53
\$125.81	\$131.27	\$65.26	\$57.81	\$57.27
PV=	\$646.73	\$428.10	\$400.01	\$398.24
NPV=	\$246.73	\$28.10	\$0.01	-\$1.76
The IRR is between 17.825 and 18% in our base case scenario.				

What Could Go Wrong?

- Initial Investment
 - Could cost more than we expect
 - Raising capital
- Competitors
 - Copying
 - Lower prices
 - Better quality
- Demand
 - Not being as high as expected