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Selling To The Large Wireless And Wireline Carriers

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Businesses that want to sell products or services to a large carrier are often overwhelmed by the task. Some try repeatedly and fail. Others may have sold to one or two but are unable to close deals with the remainder. This paper presents several guidelines for how to successfully sell products and services to these large carriers. After three decades of telecommunications industry experience including working for AT&T, consulting to large wireless and wireline carriers and their suppliers on purchases, and serving on the Board of Directors of numerous companies that sell to the carriers, the author has amassed a vast knowledge about how to sell to them. Several of the most important strategies are discussed in this White Paper.

From a low point following the collapse of the market bubble, capital expenditures by large carriers have gravitated higher in recent years for several reasons. Wireless networks must migrate to the next generation; networks are converting to IP; the threat from cable companies requires fiber deployment and electronics; mergers are driving network and software integrations; and the list goes on and on.

In most years large carrier capital expenditures equate to 15-17 percent of total company revenues. In 2005 their wireline capex exceeded 17 percent and wireless 22 percent of sales. Even during recessionary times when poor market conditions absolutely and quickly slow capital spending, these carriers never direct less than 10 percent of revenues to capital purchases.

Given their substantial buying power, selling to these carriers can be quite rewarding. Once one becomes a customer, the vendor relationship may last for years. Purchases from a single supplier often range from millions to tens of millions of dollars annually. And while closing business with one does not guarantee success at another, it helps; and no doubt the supplier's learning curve becomes shorter.

Selling to a billion dollar carrier is not only possible it is also a high probability outcome. Teamwork, time, budget, creativity, and account management however are required, each in large quantity.

This paper describes principles followed by model suppliers to these carriers. Attention to them can cut months or years off the time it otherwise would take to close business, and possibly add millions of dollars of annual revenue to a supplier's top line.

Plan For A Lengthy Sales Cycle

Start-up businesses, joined by more mature companies that have not sold to large carriers, will find that it takes 10-20 months to make a meaningful sale to a large wireline carrier. To close business with a substantial wireless company may take 6-20 months. After the sale is made, first year revenues are often millions of dollars for many suppliers and then grow over 5-10 years to maturity.

Average Sales Cycle In Months		
CLEC	4 →	6
RLEC	6 →	10
Wireless	6 →	20
RBOC	10 →	20

Dedicate Sales Resources

A sales person cannot sell to a large carrier and be simultaneously responsible for even one additional account. This is the single biggest mistake made by prospective vendors. Getting a contract with one of these companies is a full time job beginning the day account is assigned. Those companies that have yet to succeed making the first sale miss this point over and over. What they often experience is that their sales rep, after a few phone calls or meetings with the target, informs management that the carrier is a slow mover, the rep needs more accounts to keep busy, and one or more nearby large or small carriers can be juggled

without dropping balls. Not true. Adding more accounts to the sales person guarantees that no sale will be made, and also confirms that the wrong rep was assigned to the account to begin with.

There is no single buyer at a large carrier. Depending upon what is being evaluated and purchased, there are always many interested parties, decision influencers, and a team that will own the purchasing decision. At a minimum, a half dozen or more large carrier employees will play key roles in any procurement, and 20 or more from many departments may touch the procurement process. Finding the proper 20 may require starting with double that number, then culling it down over months, often by trial and error, as carrier employees themselves decide if and how they are going to become involved in the use or procurement of a prospective vendor's product. These employees are never collocated, especially in wireline companies, with some spread out over many states. It is a full time job for one person to establish and maintain these contacts and insure that the project does not bog down and die.

Choose The Right Salesperson and Manager

The best sales person to hire may not be someone who has experience selling to carriers. The unsuitable candidate may have sold to a different carrier, lived in a different

city, marketed a different type product and at a different stage in its life cycle, interfaced with either none of, or a fraction of, the same people they would now attempt to forge business with, and possess a lot of preconceived notions. Further, the sales candidate may want to join a new company since he or she was not successful in the previous sales job.

The best sales representative is frequently an individual who is or until recently was employed by the carrier he or she will call on. This person has 5-10 years of experience as a low-middle level carrier manager, considerable interdepartmental experience and a sizeable Rolodex. People with this experience know first, how the selling process needs to work; second, how the carrier makes decisions; third, who to call on; and fourth, who will champion the sale from the carrier side.

There should be little reason to shy away from recruiting employees directly from the target carrier. During the past decade large carriers have steadily downsized, and will continue to do so for years to come. Whether one has left or is recruited-out may make little or no difference to the carrier. A large carrier for example may help a supplier with a sales hire, pointing the vendor toward an excellent candidate that the carrier would rather not lose except for the inevitability of an impending exit. It would not be uncommon for a manager to endorse the hiring of a

valuable employee whose change of employment would allow the two to continue to work together and simultaneously sidestep any future awkward removal of a valuable company asset due to force reductions.

A vendor sales manager with no experience successfully selling to large carriers, or supervising sales people who have closed similar sales, is probably a poor choice to lead the sales force. Cautioned by a sales employee that no business may materialize for 10-20 months, the inexperienced sales manager lacks the tools by which to gauge when the sales representative is on the wrong track until the problem becomes too great to fix. Common mistakes made by such a manager are: not knowing whether the account executive's roadmap is right or wrong; allowing the sales representative to live in a different city than the carrier; believing that a sales person in any stage of account development can simultaneously manage another account; misreading what going to lab trial means; and accepting reports that things move slowly in a carrier when they generally don't. Though a vendor should not want to hire the sales manager from a carrier, the best candidate will have successfully overseen comparable sales for another company.

Know How The Large Carrier Makes Vendor Selections

One of the reasons it appears to take so long to close a large carrier sale is due to the way decisions are made. There is no individual purchaser; there are committees of purchasers, each comprised only of those individuals that have an interest in the outcome. Interested parties could include, for example: testing, network engineering, network administration, network operations, installation, maintenance, traffic engineering, procurement, IT, finance, legal, sales and marketing. Decisions are made at low levels in the company, typically managers and directors, which are the second and third layers of management. These people are more knowledgeable about narrow areas of the business than are assistant vice presidents and other executives. The vendor's sales representative, supported by anywhere from 1-10 vendor technical support people will interface with double or triple that number of carrier managers working the same issues.

Know The Implications Of Lab Testing

Getting into the carrier testing lab is a necessary step for the prospective vendor. Authorization to submit a product for rigorous controlled evaluation occurs fairly early in the cycle, and does not provide assurance of a speedy sale to the carrier, or any sale at all. The role of the lab is to evaluate in a simulated environment

how the product will perform in the field. While a new technology cannot be purchased without lab approval, receiving it offers no assurance of a future sale. In a simplified carrier sales model, lab testing is the second of seven steps to the sale.

Vendor Steps To The Carrier Sale	
1	Engineering Contact
2	Lab test
3	Field Trial
4	RFP
5	Negotiation
6	Award
7	Roll-out

Know Whether OSMINE Applies To Your Product

If a vendor's technology will interface with carrier inventory, order management, or test OSS systems designed by Telcordia Technologies, companies require that suppliers' products are OSMINE (Operations Systems Modification of Intelligent Network Elements) certified. This may take from 6-12 months. Certification is performed by Telcordia Technologies. While large wireline carriers occasionally worry that a lengthy OSMINE process can sideline a promising new technology, the need to protect the integrity of existing OSS overrides such concern. OSMINE cannot be side stepped or negotiated around, however Telcordia Technologies offers several OSMINE options for suppliers.

Keep the Carrier from Moving-On

Every carrier manager has a lot to do (exacerbated by downsizing or rapid growth), and too little time to get it done. On an individual level each person moves quickly. Prospective suppliers frequently miss this point, along with the reality that large carriers tend to move faster than vendors. Those that generate initial interest and don't quickly leverage it into a field trial and subsequent award will lose out. Culture as well as overriding objectives requires the largest of carriers to move on to the next issue quickly, and never look back. The higher in the organization one sells, the more quickly managers make decisions and move on to the next important issue.

Get Outside Resources To Engage The Carrier Leadership

A sales representative for a prospective supplier cannot easily make an executive contact at a large carrier and expect to get the ball rolling. Were this possible, it might create a huge advantage. Someone high up in the carrier leadership may be better able to see the larger picture that the prospective vendor's product fits into, and get the initial ball rolling. Also one or more successful calls on senior management can lead to contacts with the proper lower level managers very quickly. While none of this top-level calling may improve the odds of making a sale or accelerate the time to an order, it

should, and certainly a lot of trial and error finding the right person to call on further down in the organization would be forgone. For example a call on the president of network services could open the door to the senior vice president of operations and the vice president corporate sourcing, if not a key fourth or fifth level in the user or purchasing hierarchy. They in turn can point the direction to the second and third level managers who drive most carrier purchase decisions.

Calling on the leadership is an over-support step that should be employed whenever possible. Use people on your company's Board of Directors who have established contacts at the leadership levels of the large carriers, to make introductions and maintain ongoing involvement throughout the selling process. If a respected board member can instill confidence high in the carrier organization, skittish lower level managers will have the "permission" to vet and perhaps select a new supplier.

Outside consultants with strong carrier ties are another channel into the leadership. A consultant may be a retired carrier manager or former executive. These people frequently bring years of insider experience with them. The ex-employee ideally would have worked in multiple departments, built a relationship with many of the carrier's employees, and established a favorable reputation.

Creating an advisory board can also be a helpful selling tool for a

supplier. Candidates drawn from the ranks of customers or prospects can provide the seller's team with insight needed to engage with the carrier, and open doors for the sales person.

Team With A Large Partner

Dealing with small vendors is occasionally a problem for large carriers. Fears of bankruptcy loom over the transaction. First is the concern that the prospective supplier may run out of money and jeopardize some part of the carrier's business. Second is the fear of what may happen to a vendor's business if the carrier reduces its purchases at a future time. If for example a carrier undergoes a downsizing that eliminates half or two-thirds of the purchases from a specific vendor, the action could potentially threaten a small company, and leave the carrier without a source of supply for necessary components.

Scale is also a problem. Carriers process billions of calls per month for millions of customers. They buy in such large volumes that many potential suppliers may not be able to scale production or support quickly enough to meet the demand.

Partnering with a multi billion-dollar supplier to the carrier is an effective way to alleviate potential concerns that accompany purchasing from a new or small supplier. Nortel, Siemens and Motorola are archetypal partners. If a carrier believes a small company must partner with a larger

one it will say so. Alternatively, a concerned carrier may gate purchases from a new supplier.

Don't Underestimate The Competition

Seven companies account for 95 percent of the total capex of all carriers. With so much purchasing power in the hands of so few, competitors will be aggressive competing for and retaining carrier business. Incumbents have the most to lose, since a large carrier often accounts for 10 percent or more of a vendor's sales; and the loss of one such customer is a slippery slope that inevitably leads to further erosion at other carriers, frequently at the hands of the new entrant. An embedded supplier may be willing to sacrifice margins, bundle services, improve terms, and enter JV relationships if possible to keep out new competition. An incumbent carrier supplier can quickly overwhelm a prospective vendor.

Have Your CEO Sell

Large carrier upper level managers and executives are often willing and frequently eager to meet with the president or chairman of a prospective supplier. A vendor CEO can share where the business is headed, discuss developments, make concessions, and develop sensitivity for issues the carrier is facing. Knowing that a carrier may become a 10 percent customer, a CEO has few more important responsibilities than

to call on these companies. Within each large carrier the vendor CEO needs to build a relationship with 2-3 executives that can be visited and telephoned regularly. This kind of attention goes a long way to defeating an incumbent supplier.

Don't Accept No For An Answer

Having business from a large carrier is a bright line that distinguishes very successful companies from others. Sales to a large carrier are usually achievable, but frequently represent difficult and challenging endeavors. Many otherwise successful companies quit the sales effort mid-stream, generally after the wireless or wireline carrier says either no, or nothing at all. What no means is that a different approach is necessary. Start by listening for what the large carrier objects to. Then retool. Those committed to winning business will retool practically anything in their business or business plan. It may be the product, the quality, the way the business is presented, or anything else necessary to turn a no into a yes.

Summary

Suppliers routinely misunderstand several important considerations when selling to large carriers. The task is not without expense and effort. Carriers take as much time as they require before placing even the first large order, and this interval may be longer than the vendor would prefer. However the rewards from

selling are great. Margins in the 40s to mid 50s are normal, and may be better than a vendor's overall gross margin. Successfully selling to one large carrier often leads to similar results with one or all of the remainder. Finally incumbency is a reward that may last for years if not decades.

About The Author

John Malone is founder and CEO of The Eastern Management Group. Having worked at a large carrier, AT&T, for a decade, he understands how these carriers purchase. In his capacity as the head of a management-consulting firm he has advised not only the largest carriers on purchases, but their suppliers as well. He has also been and continues to serve on the board of directors of many public and privately held companies, where he has aided in

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