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Director-
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Federal Communications Commission
Office of Secretary

July 16, 1998

Memorandum of Ex Parte Communication

Ms. Magalie Salas
Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Dear Ms. Salas:

Re: *CC Docket No. 96-262 - Access Charge Reform*

On Wednesday, July 15, 1998, representatives of Quality Strategies and SBC Communications, Inc. (SBC) met with members of the Commission's Competitive Pricing Division. Attending from the Competitive Pricing Division were Ms. Jane Jackson, Mr. Rich Lerner, Ms. Tamara Preiss, Mr. Dave Konuch and Mr. Aaron Goldschmidt. Attending from Quality Strategies were Mr. Douglas Young, Mr. Jonathan Haller and Mr. Dan del Sobral. Attending on behalf of SBC were Mr. David Hostetter, Mr. Mike Montgomery and the undersigned.

The purpose of the meeting was to provide an overview of the marketing research methodologies utilized by Quality Strategies. The attached written materials were distributed and discussed during the meeting.

We are submitting the original and one copy of this Memorandum to the Secretary in accordance with Section 1.1206(b)(2) of the Commission's rules.

Please stamp and return the provided copy to confirm your receipt. Please contact me at (202) 326-8889 should you have any questions.

Sincerely,

Jay Bennett

cc: J. Jackson, R. Lerner, T. Preiss, A. Goldschmidt, D. Konuch (w/o attachment)

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Dedicated Transport Market Analyses Research Overview

FCC Introduction - Washington, D.C. - July 15, 1998

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Washington, D.C.

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Meeting Objectives

- Introductions and Background
- Methodology Review
- SBC Project Overview

Introductions

- Assist telecom clients to develop and maintain effective responses to competition and to identify market opportunities through market research metrics and industry analyses
- Ten+ years of providing market metrics and competitor and industry analyses to telecom clients
- Practice focuses on "traditional" telecom markets
  - Dedicated transport products, including high-capacity and DS-0 circuits
  - Data products, including frame relay and ATM services
  - IntraLATA and interLATA toll
  - Local exchange
- Also provide analyses of other lines of telecom business
  - Wireless
  - Internet

Background

- Approximately 150+ employees, including analysts, statisticians, consultants, database managers, market research specialists, and report writers
- Organizational structure
  - Response - data collection centers
  - Population - statistical and methodological group
  - Industry - industry and competitor analysis group
  - Client Services - account management group

Partnerships

- Southwestern Bell
  - Ongoing ten-year relationship
  - Market metrics analyses
    - Market share, market size, and market growth analyses
  - End-user customer and industry analyses
- Telecom practice
  - Exclusive focus on telecom industry
  - National competitor profiles databases
  - National market metrics databases using standard methodology
  - Market metrics for major carriers
  - Multiple client interfaces
    - Marketing
    - Product management
    - Regulatory
    - Strategic management

Research Approach

- Quality Strategies provides three types of analyses - market research analyses, competitor research analyses, and ad hoc research
- Market research provides statistically valid customer behavior profiles and estimates of market structures
  - What market share do our clients have of a particular market, segment, product, or service?
  - At what rate is the market or segment growing?
  - What is the size of the market and product segments?
- Competitor research provides insights into other questions that help our clients understand their market positions and trend evolution
  - Why are competitors winning in particular markets or segments?
  - Where are competitors targeting their networks and sales efforts?
  - Which customer segments are competitors targeting?
  - How are competitors pricing their products?
- Ad hoc competitor analyses provide insight into specific "one-time" questions and issues encountered by our clients

Methodology Objectives

- Describe and monitor client's position in the competitive marketplaces
- Collect data that accurately reflects client's (and competitors') customer bases
- Monitor market segments and services critical to client's continued success
- Deliver accurate, cost-efficient, and practical info in a format consistent with internal client data definitions
- Utilize sampling plan that delivers results that are representative and projectable to the population
- Track changes in market size and market growth
- Enhance client's ability to compete effectively
- Provide regulatory data and support

Methodology Overview

- Competitor and Industry Analyses
  - Initial project planning, including reviewing existing databases and trend data
- Sample Plan and Quotas
  - Establish quotas for strata (high penetration, low penetration, etc.)
  - Confidence levels to 95%/±5%
  - Develop and select sample (business location is sampling unit)
- User Surveys
  - Stratified random sampling, telecom and/or data manager is survey target
  - Results based on 400+ interviews per geographic area
- Data Analysis
  - Customer invoice analysis (% of survey respondents providing invoices)
  - Competitor and industry research
  - Proprietary regional and national database analysis
- Reporting
  - Develop draft results
  - Obtain client input and deliver final results
  - Customized data presentation templates

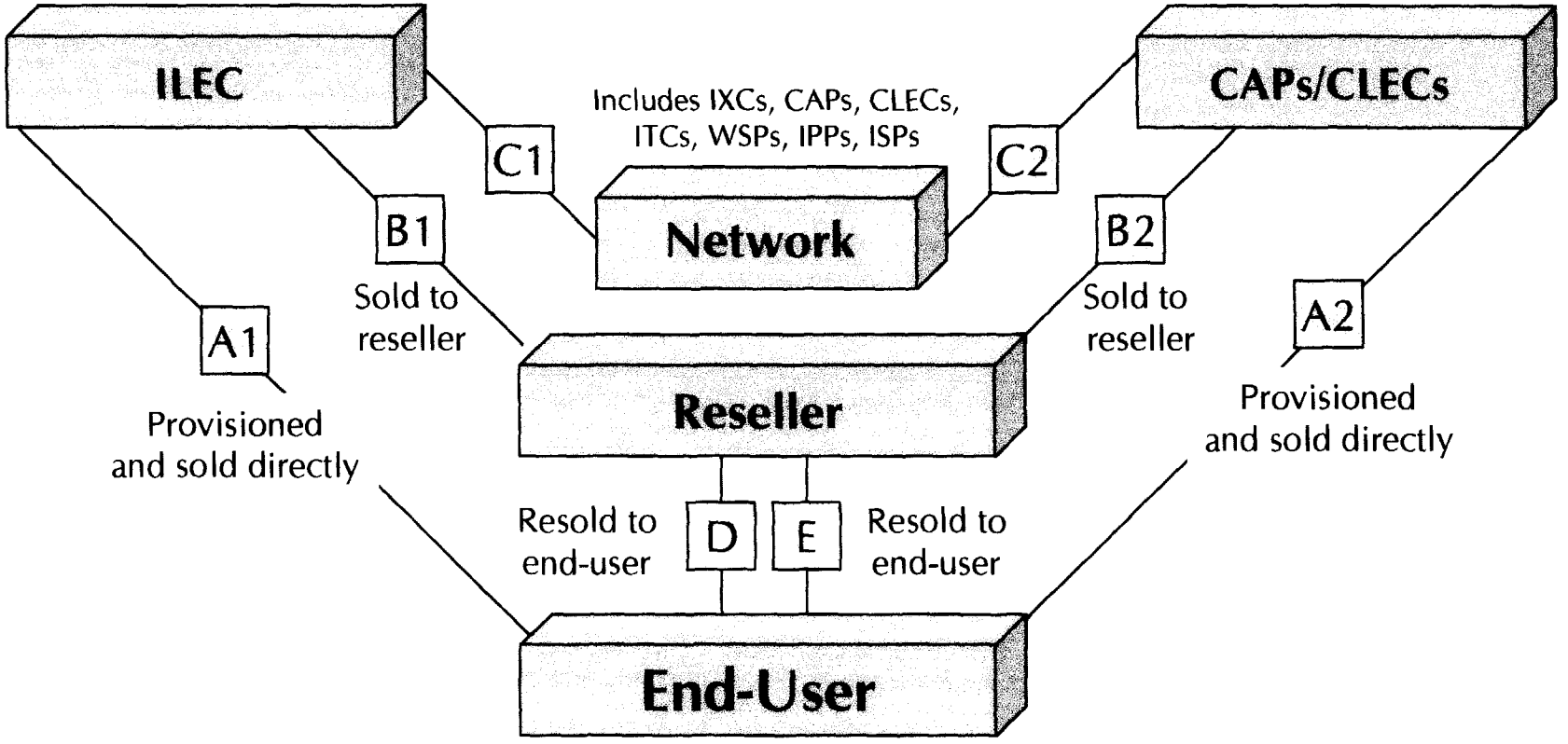
Methodology Details

- Sampling plan
  - Design
  - Quotas
  - Statistical validity
- Fieldwork
  - Data collection
  - Survey data
  - CATI
  - Invoices
  - Bias analyses
- Data Analysis and Reporting
  - Data processing
  - Reporting and databases

SBC Project Overview

- HICAP market metrics
  - Market share and market size
  - Wholesale and retail level
  - End-user DS-1 equivalent circuits (≥DS-1 included)
  - Network circuits (i.e., circuits that don't "touch" an end-user location)
  - Total HICAP market view
- Market share competitors
  - Southwestern Bell
  - CAPs/CLECs
  - IXCs
- End-user market metrics
  - By geographic area
  - Special access and point-to-point circuits
  - Demographics
  - Vertical markets
  - Trend analyses

Retail and Wholesale Perspectives



Facilities	Retail	Wholesale
A1 + B1	A1	B1
A1 + A2 + B1 + B2	A1 + A2 + D + E	B1 + B2

Summary Conclusions

- Based on analyses conducted in 1997
- Competition for dedicated transport circuits is significant in SBC's territory
  - Intensity in large metropolitan areas with national CAP/CLECs
  - SBC has only approximately ¼ of retail high-capacity circuits
- High-capacity market represented only an initial competitive interest by the CLECs

1998 Project Status

- Fieldwork conducted in 2Q98
- Results expected mid to late August