Here it is almost conference time. This is the time that we reminisce of past conferences. We all remember the Scottish castle in Banff, the beautiful mountains, the waterfall, the golf course, Lake Louise, the elk on the road. Then there were the tall ships of Norfolk and the bay with 1,000 sailboats outside our windows in San Diego. Pond memories.

Philadelphia has no mountains and only a two foot waterfall. The only elk you will see will be at the B. P. O. E. From your hotel window you will see cars, not sailboats.

- B U T -

in Philadelphia you will be a part of ACUTA's biggest and best educational program. There will be fifty one (51) sessions. Sessions specifically prepared for college and university telecommunications. There are sessions for the smallest to the largest institutions. There are more "hands on" exhibits then ever before. There are more presentations by college and university staff members. This is the biggest and best program available to college and university telecommunications staff.

Philadelphia is convenient. For sixty percent of our members it is a one day drive. Philadelphia's airport has many carriers and frequent flights. East coast members may want to use the train. Our hotel rates are very reasonable and there is no charge for parking.

Philadelphia is history. It is the birthplace of the United States. You will step back in history where Benjamin Franklin, Thomas Jefferson and Robert Morris worked, walked, ate, drank, and slept. Did I hear someone ask, "Who is Robert Morris?" He financed the revolutionary war. His money paid for the

(Continued next page)

We have completed one complete academic school year using station-discrete authorization numbers for student long distance. It has been an interesting year of discovery for our staff handling that end of our operation.

First of all, there was an immediate doubling of student accounts, files, database, number of bills to be mailed, etc. We had to deal with a security issue on how to distribute the new authorization cards. The sheer volume of database entry required was almost beyond our capability. In spite of all the added work load, and additional filing and storage space requirements, I have to tell you the station discrete authorization numbers were a big success.

In a recent review of the past academic year, with the two individuals responsible for our student long distance service, they both felt it made their job easier to provide individual bills to students as opposed to the previous method of billing the student room and letting the students split up the bill. Representatives from the Housing Administration agreed with them. They felt the new billing method prevented the squabbles of the past over who paid what....

However, we had to look at the added work load to see if we could handle the various tasks more efficiently.

Approximately 90% (or more) of all our residence hall students are pre-registered. We include student telephone service information in the pre-registration material mailed to the student's homes during the summer. Our information includes our policy statement and a contract card. The student fills out the contract card and returns it to the housing office along with their housing contract. The housing office assigns a room to the student and sends the telephone service contract card with the room number assignment to our office.

(Continued next page)
PRESIDENTS' MESSAGE, Continued:

ships, gunpowder, and supplies. His home is in northwest Christ Church. He was my great-great-grandfather.

Come to the 18th annual conference in Philadelphia, July 23-27. Attend the sessions, the exhibits, and be a part of the biggest ACUTA group meeting ever held.

It will be a fond memory too!

National Association of Educational Buyers Conference

I was pleased to speak to the members of the National Association of Educational Buyers Association at their annual conference and trade show in Anaheim, California. NAEB is similar in size to ACUTA and the members are the Directors of Purchasing and Purchasing Agents at colleges and universities. Since Purchasing is involved in acquiring a multitude of products and services, the exhibit area was large and diversified.

After presenting some background on telecommunications, I highlighted the two dozen telecommunications current "hot" items. I finished with a few minutes on "The Role of Purchasing in Telecommunications Acquisitions" and requested that they assist in getting the best system for the money, not just the low bid.

Remember when you are working with these colleagues, they are people just like you - the same money problems, the same staffing problems with the same institutional restrictions.

ADMINISTRATIVE DIRECTOR’S OFFICE

—Del Combs, Lexington, Kentucky

By now you should have received your conference brochure for Philadelphia. Hopefully you have mailed in your registration cards for the hotel as well as for the conference. In the past ACUTA has made each conference an "improved experience" each year. This year will be no exception. Again, it will be better than the year before. Beginning with more subjects, more sessions, and more exhibits coupled with a most enjoyable evening at the Franklin Institute with the nationally known Philadelphia Mummer's band entertaining.

The week will conclude with the annual banquet and from night featuring the renowned orchestra of Larry Elgart. Come to Philadelphia to relive some of America's most cherished and greatest moments in history and indulge in ACUTA's total experience of educational sessions, social functions, fellowship and networking.

The ACUTA conferences are rapidly becoming known as the "in place" to be each year. The attendance record will surely be set again. Why don't you plan on bringing an extra person from your staff this year - you and your institution will reap the benefits by having a better informed and motivated employee - so reward that deserving individual by digging a little deeper in the budget or maybe spending a little of that "resale money" for a good cause. You and your employee will be a better person for it.

PARTY LINE, Continued:

The evening and night telephone operators go through the cards and mark the telephone number for the room on each card. The card then went to the student services staff for assignment of the authorization number and entry in the database. The technician then proceeded to input the auth code and station number in the DMS-100 tables. As you can see, this adds up to a lot of work.

We felt if we could automate a portion of the activity, we would be ahead of the game. Our first effort in this direction was to discover what information was already in a database that we could utilize. The student's name, home address, parent's name & address, etc., was already in the student registration database. We could get that information by file transfer to our student billing database.

Next question, how could we avoid (if possible) entering the student's name and campus address in our database? We looked at how the university's main frame computer resources could help us.

They felt that if we could develop a contract card that could be scanned by the computer, a lot of our labor intensive activities would be eliminated. Taking a lesson from our pre-registration office, we designed a card with all the student's circles lettered in the alphabet to spell their name and circles numbers to list their social security number. We assigned a numeric code to each residence hall. The pre-registration office indicated the residence hall and room number by circling the code and numbers for the room.

The computer will scan the card. It will assign a randomly-selected authorization number to the card. It will combine the database from the student registration files with our card by matching on the social security number and transfer that information to our database. At the same time, the computer will print the authorization number on our student calling card (which contains information on how to use the service, but no indication of the telephone number, address or student the auth number belongs to). Our technician will get a pre-cut out of our authorization cards and the telephone numbers so they can be input in the auth tables of the DMS-100 switch.

So far, all of this is theory. We haven't "kicked the tires" (as our friend John Powers says). It has taken a lot of time to get the special forms printed and to do a little programming on both systems. This summer, when the cards start coming back and if we have everything in place, we should learn how viable our plan is.

By the way, with station discrete authorization numbers, you have the same problem of labor-intensive activities at the end of the academic year. It takes a lot of data entry activity to remove all those auth numbers from the DMS-100 tables. Our in-house data tech wrote a brief utility program using SMART software that interfaced with the DMS-100 to remove the auth numbers automatically. What a labor saving program it proved to be.

I mentioned that security was a problem when you distributed the auth numbers. We certainly don't have the staff or space for all of our students to pick up their cards and feel we might have a problem. We delivered the cards to the rooms. Our solution turned out to be simple and best of all, it worked!

Students are required to provide photo identification and sign for their room key when they continued page 8.
THE SECONDARY MARKET: WORKING TO SAVE YOU MONEY

— Bill Pinkerton

The Secondary Market is indeed working to save you money. How much money? Generally 20% to 70% off new telecommunications equipment prices with no compromise in quality or reliability. If you are not familiar with the Secondary Market you may be overlooking an opportunity to expand your buying options. This rapidly growing industry offers many benefits to telecommunication managers like yourself, that allows you more flexibility in your telecom decisions. In this article we'll take a look at those benefits by answering some questions most frequently asked about the Secondary Market.

IS USED EQUIPMENT REALLY AS RELIABLE AS NEW?

Unlike most other equipment, a PBX does not have any moving parts to wear out. In fact, most technical engineers will tell you that used components are more reliable than new ones. How can that be? Well, it lies in the peculiarity of telecommunications equipment. Manufacturers know that the majority of component failures are going to take place within the first six months after installation. To combat this phenomenon, manufacturers put components and circuits through a series of tests to simulate actual use. This process is called "burn-in" equipment. The longer the burn-in-time, the more reliable that piece of equipment is. That is why you hear many dealers saying that reliability is better in the Secondary Market.

WHAT WILL MY EQUIPMENT LOOK LIKE WHEN I GET IT?

It will look just like new. In fact, you shouldn't be able to tell the difference. All the equipment sold through the Secondary Market is refurbished and reconfigured. Refurbishing means that a trained technician has cleaned and polished the equipment, made adjustments and replaced any seriously worn parts. In the case of AT&T, they then put their stamp of approval on it which guarantees that you'll deal with a company that is certified for maintenance. If you look around you can also find Secondary Market dealers that add their own warranties, some guarantee parts up to 90 days. Reconfiguring refers to the process of setting up your ordered equipment to your exact specifications and running it through diagnostic tests to make sure all components are in good working order.

HOW MUCH SUPPORT CAN I EXPECT FROM A DEALER?

Many of the dealers in the Secondary Market are comprised of professionals with the entrepreneurial spirit. Because their firms are smaller, and because they are aware of the concerns of first time users these professionals are more service oriented than some of their counterparts in the big OEM corporations. Many dealer organizations include in-house operations staffs and technicians for reconfiguring and refurbishing. In addition, many also employ technical consultants. When you deal with a company that has this kind of in-house support it's like dealing with the original manufacturer of your equipment.

WHY DID OTHER COMPANIES GET RID OF THEIR EQUIPMENT IN THE FIRST PLACE?

There are number of reasons which include the original owners need for increased capacity, a downturn in the first users business activity or the successful OEM marketing hype pushing feature functionality and/or the imminent "need" for integrated voice and data. These new product releases have caused premature displacement of equipment that allows you to remain just one step back from the cutting edge of technology.

USED EQUIPMENT CAN'T GIVE ME THE LATEST TECHNOLOGY

There is a big difference between what is needed and what can be used practically. According to communications industry experts, less than 10% of the installed integrated voice/data lines are moving any data. This being the case, the only other reason for new equipment would be greater feature functionality. However, a commonly heard statement is..."I'm only using about 5 of the 200 features available."

Look for a dealer that is a member of the National Association of Telecommunications Dealers (NATD). This association was formed in large part to establish standards and ethics by which equipment was bought and sold to end-users and amongst dealers themselves. Every member that is accepted into the association must agree to live by a high code of ethical standards. If you do have a complaint about an NATD member you should contact the NATD Ethics Committee. You can register a complaint and a hearing will be held. A dealer or brokers acceptance into the NATD should give you a level of comfort from which you can operate. In addition, look for dealers that have technical consultants, refurbishing technicians and an operations staff in house. That will assure you that the company can provide the kind of support you need and should expect.

The Secondary Market for high tech equipment is nothing new. Your counterparts in the MIS department have been enjoying the benefits of the Secondary Market in computer equipment for the last 20 years. Now you too can enjoy faster delivery schedules, more specialized services and substantial savings for your department.

Bill Pinkerton is President and founder of National Telecommunications Equipment Corporation. Presently the Vice President of the National Association of Telecommunication Dealers Bill is recognized as a leader in the Secondary Market.
The Battle Continues: Centrex vs. PBX

In this heavyweight fight, more users are finding that they would rather Centrex than switch.

— Marc Robins

While the dark clouds of a market slowdown continue to hover over the PBX industry, its revitalized and rejuvenated rival, Centrex, seems to be basking in the bright sun of high summer.

Sales of Centrex services have never been better since its "reintroduction" more than five years ago. Customer awareness of the "Centrex alternative" is at an all-time high, thanks to the Bell operating companies' competitive pricing, marketing and promotional campaigns. After years of snoozing, consultants should be aware that the BOCs have started to respond to the demands of this "new" market-driven business and are learning to act accordingly. The Centrex or PBX decision is no longer a unanimous decision. Some users would rather Centrex than switch.

Centrex Advantages

Competitive pricing has made digital Centrex an extremely viable and cost-effective alternative to pricey PBX installations. Northern Business Information Inc., a New York-based market research house, has reported that lightly featured Centrex services can be 19 percent to 32 percent cheaper than 25-line to 5,000-line PBXs, based on a five-year PBX life.

Using a seven-year PBX life span—which is perhaps closer to today's expectations—Centrex still rates a good 6 percent to 16 percent cheaper. And even if a client requires more of an average mix of features, Centrex can still be 15 percent to 25 percent cheaper for the same line sizes over a five-year PBX life span. PBXs only gain a cost advantage when a nine-year or longer PBX life span is considered, ranging from around 20 percent for a 25-line installation to around 16 percent for a 5,000-line switch. Considering the BOCs will most probably continue their aggressive pricing strategies, this PBX advantage may soon become a stalemate.

And technologically speaking, Centrex has both barrels loaded. The BOCs have worked hard at making Centrex a state-of-the-art communication alternative. We're no longer talking weak sister, here. Some of the major Centrex advantages include:

* Digital Centrex: Running on a digital central office switch, such as AT&T's SESS offering, users receive all the benefits and sophistication of today's digital PBXs. Then remember there is no switch room needed and one place to call for any needs.

* CO TANS: Bell of Pennsylvania still leads the pack in central office-based local area networks, but others are beginning to offer Centrex-based TANS, which allow low-speed and high-speed digital data transmission over inexpensive single-pair cabling.

* Customer-controlled reconfiguration: Centrex users can dial into their central office's data base and instantly change their feature mix. This offering has moved mountains as far as the old obstacles regarding the telephone company's traditionally turtle-slow response to moves, adds and changes.

* Call accounting: Centrex can now provide real-time station message detail recording by telephone extension. Separate data lines are installed to send call records back to the customer, who then must process the data. Previously, extensive SMDR was the sole domain of the PBX set.

* Direct T-1 interface: The rising demand for and technological advances in T-1 technology has allowed the BOCs to offer more flexibility and attractive price breaks for this service. Consultants should know that it now makes more economical sense for the BOCs to go through a direct T-1 interface than through a D-4 channel bank.

* Centralized network management systems: New York Telephone's Intelligent and U S West's WestView let customers manage Centrex, digital PBXs, private T-1 networks and other equipment and networks through one central location.

* Feature packaging for small users: Many BOCs are targeting major marketing campaigns to business customers requiring 100 lines and under. By offering a group of some seven to 10 commonly used Centrex features, the telcos have managed to significantly reduce costs.

* Voice messaging: With the FCC barriers starting to crumble with respect to the BOCs being able to offer enhanced services, voice mail may soon be available as a Centrex option. Ameritech leads the way with its purchase of Tigon, the nation's largest owner/operator of voice messaging service bureaus.

Users should soon be able to receive voice messaging through the local central office—and pay for it as if it were just another feature such as call waiting.

Centrex Limitations, Consulting Opportunities

Consultants who are thinking that the revitalization of Centrex competition will be more of a bane than a treat for the consulting business should think again. Centrex, although it is able to fill many orders, is not the end-all and be-all of all communications solutions. Centrex still has several significant limitations—limitations which can create some solid opportunities on the customer premises equipment side. Until Computer Inquiry III comes to pass, the BOCs are not allowed to offer certain types of services, like protocol conversion and data and voice processing. And they're not allowed to sell certain types of equipment that can make Centrex even more attractive. So if you have a client who is leaning away from a complex, pricey—and for you potentially lucrative—digital PBX installation, and leaning toward the Centrex alternative, don't despair.

Centrex customer premises equipment, otherwise known as Centrex CPE, has become a major telecom industry market. Centrex CPE fills the holes left by Centrex limitations, and a lot of equipment vendors have jumped into the arena as well.
Centrex vs. PBX, Continued:

*Station Equipment:* Since the BOCs can’t sell the stuff, and since traditional vanilla or black 2500-sets all but block access to the real juicy Centrex features, Centrex-compatible intelligent feature phones have become the latest rage.

These phones provide single-button Centrex feature access, eliminating the need to memorize the myriad strings of special functions codes. These phones also offer speaker-phones and other much demanded features. Comdial’s Voice Express is a two-way handsfree speakerphone designed for Centrex with a 41-number autodialer with fluorescent display and more. Teledex, TeleQuest, Northern Telecom and Buscom also make great behind-Centrex station equipment. There’s also intercom and paging systems and controllers to consider, such as Gordon Kapes’ MZ-4C page controller which provides a one-way connection between Centrex and four zones of a paging system.

*Central Answering Positions/Consoles:* Since Centrex doesn’t provide any type of attendant position, users must buy one to attach to the Centrex lines. Conveyant Systems’ PC-based Teledex combines PC technology with windowing software to help enhance attendant productivity. Tone Commander’s CTX 200 Answering Console can handle 20 incoming lines and features line release with supervision allowing an attendant to route more calls and faster. Walker’s CTX 60/120 can handle up to 120 single-line phones connected directly to Centrex.

*Data Processing:* Although SMDR data can now be piped into a business, just from the central office, the BOCs can’t process the data into meaningful, actionable and readable form. Centrex customers who require Centrex SMDR must therefore buy dedicated computer equipment to be attached to the SMDR data line to collect, process, store, and print out the information. Moscom’s M3000 Centrex Cost Management System and Telco Research’s Tru System fit the bill nicely.

*Voice Processing:* Although voice mail may soon become a Centrex offering, more sophisticated, intensively customized voice processing applications may be forever in Centrex’s future. It’s up to the user to provide the system on site, such as Milpitas, CA-based Octel Communications Corp.’s Aspen systems or Dallas-based VMX Inc.’s Series 5000, 1000 or Dial systems.

*Protocol Conversion:* Another BOC restriction is the provision of modem-less data communication (at least until ISDN comes around the bend). Centrex users have to look elsewhere for this service.

*Trunk Distribution:* Obviously, it’s inefficient and quite expensive to have the same number of incoming Centrex trunks as phone extensions. Except in telemarketing operations, it’s highly unlikely that everyone will be on the phone at the same time. And since Centrex can’t provide the switching and trunk distribution needed to solve this dilemma, some sort of customer premises switch is called for.

Electronic key system like NEC America Inc.’s Electra Mark II and Plant Equipment’s ComCentrex. KSU-less key phones like Solitaire’s Plus Five Enhanced and Telamon’s No-KSU. For customers wanting a more sophisticated and powerful switch, there is TIE/communications Inc.’s Onyx system, designed specifically for the behind-Centrex market.

Fourteen Reasonable Reasons to Recommend Centrex

1. Your client doesn’t need to establish any financing to clinch the service.

2. Centrex service is typically less expensive to get going than PBXs, since installation charges are generally low.

3. Hasn’t the ’80s been typified by people wanting to find strong relationships without involving any commitment? Well, Centrex can satisfy that and few other alternatives can. Since centrex is generally leased on a monthly basis, your client isn’t stuck with the service longer than it’s wanted.

4. Centrex offers great economies of scale. Most of the telcos offer low-cost, large-size packages, making Centrex extremely cost-effective in large configurations.

5. Centrex is a great communications solution for multiple locations. Large clients with multiple sites in the same city will save money with Centrex since it eliminates the need for multiple phone systems as well as tie and OPX lines.

6. There is a flat and unlimited growth path (at least up to the tens of thousands of lines). It may be easier to expand Centrex service than a stand-alone PBX. Considering the wealth of “plant” at the phone companies’ disposal, your client won’t be faced with a shortage of paths, memory, intercom lines, phones, t-lines, etc.

7. Your client gets more space. Since Centrex eliminates the need to find room for customer premises switching equipment, all your client needs spacewise is room for phones (and maybe a key system or two).

8. Centrex can reduce payroll costs. Since Centrex has a direct inward dialing (DID) feature, your client will spend less on operators.

9. Greater reliability. It’s been sad that central offices have been designed so that down time is less than three hours every 40 years. (Let’s say last year’s Hinsdale CO outage was a one-in-a-million shot.)

A digital central office is full of the latest state-of-the-art gear, offering features such as complete redundancy, load-sharing circuitry, battery back-up power, on-line diagnostics, 24-hour on-site personnel, mirror-image architecture and more. Can you remember the last time you couldn’t get a dial tone?

10. With Centrex, there are no hidden inventory costs. No need to store extra line cards, power supplies and the like. Everything (except your client’s CPE) resides in the CO.

11. The phone company will be around to provide a wealth of technical support.

continued page 8
Used Equipment Isn't Necessarily Abused Equipment

by Peter Meade

Consultants can meet their clients' needs for telephone systems, upgrades and parts through the secondary market while passing along significant savings over buying brand new.

It must have something to do with the American Way: people continue to think "Don't buy used when you can buy new."

Be it cars, houses or any expensive purchase, Americans choose something that will be ours first, even if in many cases, the plan is to keep it for only a couple of years.

But while there still isn't a super market for 1987 Yugo automobiles or two-year-old Dallas condos, many key systems and/or PBXs of similar vintage appear to look as good as when they first rolled off the assembly lines.

Sellers of used equipment are popping up everywhere. There may be as many as 500 in the secondary market, as it is called, and they are no longer second-class citizens. There are plenty of success stories to prove it.

Telos Resources Inc., a research house based in Somerset, NJ, set the market at $167.8 million last year, growing to $243 million this year and $377 million by 1989.

And what has made the secondary market such a success? How about savings of 30 percent to 60 percent of list or buying the same items new? Any consultant or user should take a second look when talking about those kinds of savings. But what about the aforementioned American Way? Consultants must understand, and in turn explain to their clients, that the secondary market is one shoppers' outlet where you can indeed buy Tiffany diamonds at bargain basement prices.

Winning Clients Over

"Our biggest competitor is customer ignorance," said David C. Potter, president of Source Inc., a Richardson, TX-based remarketer.

A lot of doubters remain, but many are being won over. What about the consultant who has a client who wants to upgrade a PBX, but is now suffering from "sticker shock" after checking about the client who has a broken switch and the vendor says the parts will not arrive for several weeks? What about the client who is moving in three weeks but the new switch won't arrive until Christmas? What about the client who has basic communications needs and a real thin wallet? Where can all these people find answers to their problems? Through the secondary market.

While used equipment companies purchase full-blown switches from a variety of places including leasing companies, vendors and users, 70 percent of the business involves selling spare parts and upgrades, according to Teleos Resources president Alan G. Fross.

Users with AT&T Dimension equipment will find they can enjoy 60-percent breaks on spare parts and upgrades, while users of never gear, such as a System 75, still can get 30 percent off. The parts are also typically available on 24- to 48-hour notice, while some manufacturers are notorious for requiring days-and even weeks--to deliver goods.

Most secondary marketeers offer rental and leasing programs ranging from weeks to years for clients whose timetables or budgets don't allow big-time expenditures.

And cast aside the images of used equipment being phones laden with flower-power stickers and cigarette burns. Secondary marketeers are all quick to say their equipment is reconditioned and tested before it is offered for resale. Warranties of different types and lengths are offered. Typically 30 days are given for phones and parts with one year for systems.

Not surprisingly, used equipment companies specialize in the gear that is most popular, so while there are enough used Dimensions available to fill Emelda Marcos' shoe closet, finding parts for a Ztel PBX may be as looking for Jimmy Hoffa.

AT&T Domination

Clients with AT&T gear may find the secondary market particularly attractive. The reasons: AT&T was the initiator of the used telephone equipment market and remains the only manufacturer who doesn't look at it as a bastard child.

The reasons for embracing this child are not all fatherly. AT&T was saddled with thousands of systems when divestiture struck. The company was no longer in the lease-only mode and to move all the equipment coming off lease so new sales could be made to the installed base. By giving its old equipment value, it made room for the new to be sold.

If other vendors would follow suit, several secondary marketeers said, the market could reach the $500 million point predicted by some industry followers for 1992.

"The secondary market is not going to go away," said Teleos' Fross. As the market grows, especially on the systems side, vendors who do not acknowledge the secondary market will lose account control. By being in the market, vendors have a chance to gain the upper hand again at some future time, he said.

Yet many potential used equipment purchasers remain leery that other vendors such as, say, Northern Telecom would not service or maintain an item that was purchased through the secondary market. AT&T, meanwhile, will service and support any of its products regardless of its heritage. While some secondary marketeers said AT&T only pays lip service to this credo, even the most minimal support surpasses no support at all.

User groups are pressuring vendors to acknowledge the secondary market, but there is still a lot of progress to be made. Also contributing to this movement is the National Association of Telecommunications Dealers, a group of some 88 secondary market companies, according to member William Pinkerton, president of National Telecommunications Equipment Corp. (Farmington Hills, MI). (Continued next page)
Used Equipment, Continued:

The NATD was formed last year when the market's two leading factions merged. While proponents of the organization say it is helping set standards and maintain ethics, several remarketers expressed doubt about the NATD's effectiveness, and industry big fish Potter has steadfastly refused to jump in the NATD pool.

He isn't alone poolside. "I haven't seen any benefits [from the NATD] to the market or individuals," said Marty Hirsch, a former consultant who is now president of ComGear Inc., a Perth Amboy, NJ-based equipment dealer. "It's just a marketing forum."

Incentive Program

At June's NATD meeting in Vancouver, AT&T unveiled an incentive program for all resellers of its equipment. Any remarketer who sells a used Dimension, System 75 or System 85 that user will be rewarded with free installation and a waiver of some of the engineering charges toward configuration of the purchase. The discounts range from $1,000 on a System 75 to $3,000 on a Dimension 400 to $5,000 for a System 85.

While the incentive program is big news, the recent announcement of a restructuring of AT&T's secondary market operation may have a longer-term affect. The decision was made to shift the resources of the secondary market personnel from the corporate offices to the individual sales groups, said Chris Ramirez, AT&T district manager, industry relations for the secondary market. So the business-marketing group (handling large systems, such as Dimension, System 75, System 85), general business group (Merlin, Horizon, System 25) and data systems group (personal computers) will each have dedicated secondary market personnel. The move will be implemented over the remainder of the year, Ramirez said. When finalized, each business unit will make its own decisions on the fate of its used equipment.

Grin and 'Bear' It

According to Henry E. Giese Jr., chief executive officer of Finalco Telemanagement Inc., a subsidiary of Edison, NJ-based Finalco Group, serious secondary marketers must look beyond relying on AT&T.

"Some [secondary marketers] equate those three letters--AT&T--with G-O-D," he said. "But [working with AT&T] is like dancing with a 500-pound bear; if it wants to go left, you go left."

Giese said the NATD is helping remarketers go--and do--right. "We've made the 'bear' know we have a presence--by stinging it," he said. "The bear now knows we're here, and respects that, but it's still a 500-pound bear with an AT&T mentality."

Less than half of Finalco's business involves dancing with that bear. Giese said the rest is with Northern Telecom, Rolm, TIE, Mitel and "a little" NEC. Finalco manages an $8 million inventory in 12,000 square feet of space. More than 60 percent of the business involves parts and upgrades.

The company does no RFP work, preferring quick sell deals. "Our business is delivery and price," he said.

Hirsch said ComGear deals solely with PBXs (Northern Telecom, NEC, Mitel, AT&T, Rolm, GTE parts, especially add-on or replacement cards. The seven-employee company sells only new telephone sets, but Hirsch refused to name his source. "Our feeling is that offtimes refurbished phones are not top quality," he said.

Several executives said in many cases the best way to build user confidence is to install new phones with the used switch. Spotting a used switch is not as easy as identifying a year-old automobile and most users don't have a care beyond their desktop handsets.

Marathon Market

The secondary market appears as a marathon: anyone can enter, most make it past the first mile, but after 20 miles, quite a few dropouts scatter the course and only a half dozen or so are real competitors. Several executives pointed out that their market is already dividing between dealers and brokers, with the latter losing pace.

Source's Potter said he sees three types of competitors:

significant niche players: several-employee companies with small computer inventory systems and a garage-like warehouses:
"fallen angels": formerly members of the above fraternity before money woes set in;
hip-pocket operations: remarketers with one or two employees, usually focusing on AT&T (or perhaps one other vendor's) equipment, who sell mainly on personal relationships. These outfits can be profitable if the overhead is minimal.

Potter's $18 million operation is by far and away the largest in the market, according to Telcos' Fross. Source has seen sales increase 30 percent from 1986 to 1987 and another 30 percent this year. And while he certainly wins more deals than he loses, and has been called in as a consultant by several vendors to put a price tag on their inventories, the secondary market remains a challenge.

"On any given day any fine gentleman can beat us on the price of a system or parts," he said. "But 365 days a year on 1200 different parts items, I'm invincible."

Potter's invincibility is built on Texas charm, colorful tales as well as 55,000 square feet of warehouse and 100 employees, including 35 who serve as traders in a mini-Wall Street set-up. The company will soon move to bigger and 30,000 for offices--on a 6.5-acre campus. Potter is also looking to take his company into Mexico, the Philippines and China. He said his best sellers are (in order of volume) Rolm, Northern Telecom, NEC, AT&T, TIE and Mitel.

Following the Computer Industry

While the market for used telephone equipment has only blossomed since divestiture, used computer equipment has been sold for decades. Parallels are emerging.

Rolf, traditionally uncooperative regarding used CBXs, may become a little easier to deal with...
This article is from COMMUNICATIONS CONSULTANT September, 1988 issue.

WORDS OF WISDOM:

"The great end of education is, to discipline rather than to furnish the mind; to train it to the use of its own powers, rather than fill it with the accumulations of others...."

-------Tyron Edwards