AT&T Hikes the Price of ACCU-Rings

This special FAQ issue of Voice Report is written by Hank Levine, partner at [Levine, Blaszak, Block & Boothby, LLP](), in response to their recent finding of a major change in AT&T's pricing strategy for its ACCU-Ring service.

ACCU-Ring® is an AT&T private network local access service that uses a dual-fiber ring network between AT&T points of presence, customer premises, and local access to carry a customer's network traffic. The service, which has been around for well over a decade, is based on a redundant, self-healing SONET ring architecture that quickly and automatically reroutes traffic around network trouble spots.
If you are a large user that buys ACCU-Ring service from AT&T (and many large users do), you will be interested to learn that effective December 10, 2011, AT&T is hiking the "list" rates for ACCU-Ring service components by 20%. [Kudos to TechCaliber's Theresa Knutson for spotting this one; AT&T didn't hide it, but didn't shout it from the rooftops either].

To help enterprise customers understand what is going on, we have prepared the following Frequently Asked Questions (with answers). Read 'em and weep.

Q. AT&T is hitting its largest and best customers with a big hike in the price of a key service? No way.

A. Way. Here's a link to AT&T's announcement: http://serviceguide.att.com/ABS/ext/pcn.cfm

Q. Does this mean that the price of my ACCU-Ring will go up by 20% on December 1st?

A. No. ACCU-Ring contract pricing is typically expressed as a discount off of rates that are listed in the contract. This means that for most customers the rate hike will not hit until the contracts come up for renewal.

Q. Is AT&T losing money on ACCU-Rings?

A. Heck no. Services like this, which typically stay in place for years and years after they are installed, are cash cows.

Q. Then why is AT&T raising its rates?

A. Glad you asked. It's part of AT&T's Migration strategy.

Q. What's AT&T migrating?

A. You.

Q. Huh?

A. Getting customers to move from a legacy product that they know and like to a new product that the vendor wants them to buy instead is an age-old problem. From a customer perspective, the way to do this is for the vendor to offer attractive pricing on the new product. Vendors hate that – they think of it as being forced to sell their newest and best stuff cheap. From a vendor's perspective, the best way to get customers to move is to increase the price of the old product so that they are "incented" to migrate to the new product.

AT&T "pioneered" this approach 30 years ago to get customers to move from electro-mechanical private switches and Centrex to electronic PBXs. As telecom guru Lee Selwyn famously pointed out, if the old PBX rents for $1,000 per month and customers think the features of the new model make it worth $100 more than the old one, in a competitive market the new machine will rent for $1,100. The "solution" for a vendor who has some market power and wants to get $1,300 per month for the new model is to raise the price of the old model to $1,200.

AT&T's use of migration strategies has not been confined to PBXs. In the mid-80s it employed the tactic to get customers to move from private lines to SDN. In the mid 2000s, it used price and sales force incentives to move customers to its then-new Universal Billing Platform. Etc. Now it's ACCU-Ring's turn.

Q. What does AT&T want me to migrate to?

A. Ultravailable Network Service (UVN – a converged SONET/DWDM ring service that carries multiple data protocols over an optical channel) and/or ILEC-provided rings. UVNs do have advantages – they can support higher capacities and more protocols than ACCU-Rings and they work with Ethernet access, among other protocols. On the other hand, ACCU-Rings allowed for low(er) bandwidth solutions, and UVN users face additional charges (including for access connections, where those haven't been waived) and can run into provisioning issues when transitioning from ACCU-Rings.

Q. Other than the price hike, are there other indications that AT&T is getting ready to abandon ACCU-Ring?

A. In several recent deals AT&T has been unwilling to extend an ACCU-Ring agreement by more than 1 or 2 more years. Since an ACCU-Ring on which the install costs have been amortized is a huge cash cow, that's a pretty strong indicator.

Q. So what should I do?

A. A problem is just an opportunity dressed up as a challenge. Start planning now for the fact that you are probably going to have to move off of your ACCU-Rings at the end of your current contract. That's a leverage-creating opportunity – you'll have to change technologies no matter which vendor you choose, so AT&T's incumbency advantage should be greatly reduced. Even if your company is very conservative it should seize the chance to issue a ring RFP and choose the vendor that offers the best prices and terms (remember, you don't have to change your data or voice WAN carrier to change your ring provider). And because your network architecture has probably changed significantly since you originally installed ACCU-Ring(s), and may change even more in the near future (e.g., with the conversion of voice to SIP trunks), see if a new design for access and metro area services could be more vendor-neutral and save you money.

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