



John Zeglis became chairman and chief executive officer of AT&T Wireless in October 1999 and oversaw its separation from its parent, AT&T. He joined AT&T in 1984 as corporate vice president for law, became AT&T general counsel in 1986, retained that title while serving in a number of executive roles including president, and was elected vice chairman in 1997. He is a trustee of the United Negro College Fund and sits on the boards of Helmerich and Payne Corporation, Georgia-Pacific Corporation and Sara Lee Corporation.

AN INTERVIEW WITH JOHN ZEGLIS

By first gaining a deep understanding of its brand, **AT&T Wireless** was able to begin life as a public company with a rock-solid business strategy.

Foundation for



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a New Business

Early in 2002 **Sense** interviewed John D. Zeglis, chairman and chief executive officer of AT&T Wireless, America's largest independent wireless company and a client of Lippincott & Margulies. We measured the AT&T Wireless brand, including detailed surveys of three thousand people, to establish a foundation for fundamental business decisions and future brand development. A second and third round of research was completed at time of publication.

A company's leaders have to own the brand personally, deal with it viscerally and give it

Timeline

1877

Alexander Graham Bell's company emerges based on patents granted in 1875 and 1876.



1885 American Telephone & Telegraph is created to extend American Bell's reach long distance.



1913

With 6,000 local phone companies, the U.S. makes AT&T a monopoly to build a national grid.



1956 The first transatlantic submarine telephone cable dramatically improves international service.

As you faced your split from AT&T, what was foremost in mind when you thought about managing your new company's brand?

Right from the start, I believed it was important for top management, including me, to be hands-on when it came to brand management. We wanted the senior team to own the brand, enforce what it stood for, and figure out how to express its promise. Doing this meant we had to evaluate the brand we inherited, learn its attributes and decide where to take it. We said let's go for the whole nine yards of research and analysis and not delegate a "they propose" and "we dispose" process.

Why wasn't brand a bigger deal at AT&T?

At AT&T, people took the brand for granted, me included. That's why we knew coming out of the chute in splitting off from AT&T, we had to find the essential brand promise for AT&T Wireless. We had to build off the old, add the new and own this entire process at the top of the company.

By the way, I'm definitely not saying the senior level is more right or wrong about brand than any other level. But the top leaders have to own the brand personally, deal with it viscerally, embrace it and give it juice when we speak to internal or external audiences. When you finally decide on your brand and brand promise, you'll come out with a lot of energy, confidence and alignment if the senior team has been intimately involved in brand management.

What were the big questions you were trying to tackle?

There are (or will be) several AT&Ts. And so there are three immediate challenges – questions we need to

answer. First, can we live off the base strength of the AT&T brand and stake out ground for us that's different? Second, what if we create a lot of value – pumping many millions of dollars into the brand's equity – and then have to pay again because our license runs out? Third, could we add components to the AT&T brand that enhance it – things like youth, energy and fun?

As we looked at these questions, we considered establishing a second brand that would evoke the attributes we wanted to add to the AT&T brand. Ultimately we decided not to.

Several companies sharing the same brand: To find a similar situation, you might have to go back to Standard Oil. In this house with several siblings, how do you measure the differences between brands and who's getting credit for what?

The best data we have so far shows a weak but positive correlation between our sales and AT&T Broadband advertising. Just keeping the AT&T name in front of people, in whatever form, helps our sales.

Clearly, we'll conduct periodic research with other AT&T companies to assess the brand's value, health and attributes. But does it matter if you're selling different services? If an AT&T company is doing good stuff in Atlanta where two of us are present – both companies garner goodwill. In fact, most customers don't care that AT&T Wireless is separate from AT&T.

What if another AT&T company begins to have an image problem?

That's a challenge, but no one else can use the AT&T name for mobility – that's ours exclusively.

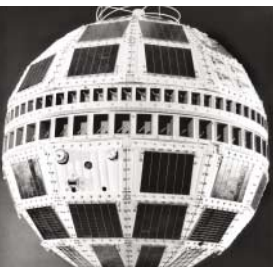
juice when they speak about it.

I should say up front: I think the DNA from the Bell System and the AT&T company belong here. In the Bell System, we created something special in the 20th century – phone lines that conquered distance. In the 21st century AT&T Wireless is conquering place. You don't call a place, you call a person. A person reaches out to others and to information wherever they are.

AT&T Wireless can make the AT&T name thrive for another century under its original auspices. I'm passionate about this. We are doing something profound with technology that improves lives and

plans and a welter of deal-of-the-day offers. This is not the way to compete if you're trying to avoid commodity pricing. The Lippincott brand research showed that our concern was justified. Customers were confused. They wanted someone to take them to a better place and, at the same time, show them a human face. Best of all, the research showed they'd trust AT&T Wireless to get it done.

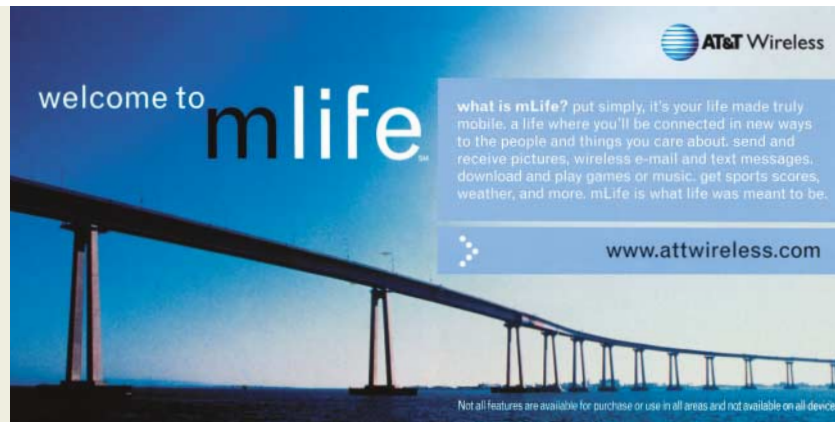
The ultimate is a brand that moves customers to say, "Yes, I trust you to be the one to take us onward." When you have that, then you have a chance not to sell on price alone.



1962 Phone service goes orbital: the first telecommunications satellite, Telstar 1.

1984 Divestiture: AT&T spawns 7 regional phone companies and a long-distance carrier, itself.

2000 AT&T Wireless is born from McCaw Cellular; it becomes a public company in 2001.



creates more than profits. We'll use the traditional strengths of the AT&T brand, and with the powerful attributes we add, we'll separate ourselves from our competitors no matter what happens to our AT&T siblings.

What do you want to measure to be sure you don't need to build another brand?

Nothing matters unless our brand and messaging sell service and keep our customers from churning just to get an extra ten minutes of free time on Sunday afternoons. The ultimate here is performance – we will use a customer retention measurement.

We will also develop a brand that motivates our employees. It's very important that our people share the brand vision, the energy, the pride. We want people who don't work here to think – "Hey I'd like to work at AT&T Wireless, it's a cool place."

I'd also like to measure whether our brand has attributes that distinguish us from our competitors. Research shows we are on the thin edge of following the long-distance industry into a mass of confusing

Has a better understanding of the brand given you tools to help you chart the future of the company through the brand? Has it helped link the brand to specific business decisions?

It's helping us run the company. For example, the project taught us the AT&T brand alone wasn't enough. Even AT&T Wireless wasn't enough. You have to field better offers and be more innovative about them at each step in your journey. And you have to find a new way to express your brand promise. The two work in tandem. A promise only lasts for six to eight weeks unless you make good on that promise and then keep improving on it.

How did your brand promise come into being?

Now more than ever people understand being connected to everybody in the world wherever they are. But after the tragedies of September 11, as people worried about somebody lying under a pile of rubble or ran up Broadway to get away from the explosion, the life-saving, life-assuring, life-securing parts of using wireless all became visceral. It was in



didn't make a cent that day – we erased all the charges for the minutes everybody used in New York, Washington, D.C. and Pittsburgh.

In a way, September 11 brought our brand to life. It was the proof of that brand. We officially stated our character at the time of our independence. We put together our values and commitments and spent time on employee road shows communicating them. But September 11 was the first time this had all been tested. I can't tell you the overwhelming response we received from employees, who said exactly what you'd hope they would: "This is a company I'm proud to work for." Our people instantly understood how valuable they were to the relief effort, and why we were in business: Not just to turn a quarterly profit, but to keep people connected.

The value of brand is in customers acquired and retained, not as a stand-alone asset. It's a tool

part because of this reaction that AT&T Wireless decided to stay with the AT&T brand. And we immediately began reshaping our offers to address people's deeply felt need for connectedness.

All this led us to the brand promise: You'll be connected and at the same time be free. That's what untethered access to all the world's people and information is all about – whether for emergencies, convenience, productivity or just plain fun.

When we think about what AT&T Wireless stands for, what the market propels us toward, we always come back to this connectedness theme.

What are you doing to infuse the brand's energy throughout the company, all the way to the stores?

The excitement and celebration we generated on what we called our Independence Day, July 9, the day of our split-off from AT&T, wasn't one-tenth as meaningful as the company's response to September 11. A do-the-right-thing instinct from top to bottom in the company drove our actions that day. We rushed our cells-on-wheels to stricken sites, gave five thousand phones to the emergency workers, got in there with our technicians to try and triangulate on signals from beneath the rubble, helped the families learn if there was a call attempt registered on our switch from a family member, and more. We

How have you used your new ad campaign to build employee excitement and energy?

We've taken mLife much further than a simple ad campaign. We asked employees to be ambassadors for mLife and what we're trying to deliver to our customers. We've armed them with information and made them insiders.

Chapter three of our internal branding effort, community involvement, is now taking shape. Our customers are local by definition. That's why we're directing our philanthropy locally – from disaster relief to the ambulance corps to community learning to activities people gather for in the evenings in community centers and elementary schools. Our people will respond because we're tapping back into caring. And we'll be able to use our technology to do well by doing good.

Before September 11 there wasn't necessarily a cohesive culture here. You were in some ways a young company made up of disparate parts.

We have lots of cultures. The company grew from a start-up founded by Craig McCaw to where we are today very quickly. There were a series of CEOs, rapid growth and different owners. And, while all this was going on, the company went public again. Now it's time for us to come together. We tried to do this around the IPO but we were only partially successful.

Only recently have we been able to start melding our cultures and to stand for something with consistency.

You've talked about the Bell System's passion and sense of mission for providing service to everyone, and that the sense of mission faded. It sounds like you are recapturing it.

This is early in a marathon race. We haven't passed the five-mile mark yet. Of all the AT&T-branded companies, wireless is the one in the growth industry. We've got places to take customers past pure voice. It's exhilarating to work here. In wireless you're constantly developing new ideas or applications such as short-messaging or #121. Pretty soon we'll all insert cards into our laptops and sync up our e-mail not in the hotel but in the cab riding to the hotel. This is fun. I think people get that.

best care after the sale. That will sustain the brand more than innovation for its own sake.

We get a lot of requests for numeric values – how much is my brand worth today? Is that a relevant issue for you?

It's tertiary. It might tell you whether you're doing all the other stuff well. The primary measures are sales and retention. Secondary measures are how the brand attributes line up against the experience we provide. Third, if somebody wants to do a brand value study and show where our brand ranks and that it's worth \$30 billion, I guess so. But nobody's going to sell the corporate brand, any more than they would sell the family name.

What I'd like to know about our brand is whether people trust it to take them the next step, to the next device, to the next connectedness application and when it's time for them to take that step. The Lippincott study found that people think AT&T Wireless is the wireless innovator. That's great, we'll take that. But it's proving to them that they can trust us to take them, hand in hand, into the future – that's ultimately how we deliver on our promise.

Is there any use for a dollar number measure of brand equity, in your mind?

I just don't see the purpose. Maybe if you were breaking up a company and needed a sum-of-the-parts valuation – the hardware, the receivables, the brand – I can see that use. But we aren't being valued on sum-of-the-parts, and if we were it wouldn't

that communicates promise.


The prospect of being free and independent has our juices flowing. We've tapped into AT&T's residue of innovation and entrepreneurship. Almost under cover of night, we became a very large company. There were 9 million customers when I got here. Now we're nearly 19 million. There was \$7 billion in annual revenue, now there is \$14 billion. But you can't run a big company, keep it vital, keep it growing and keep it innovative by taking the one thing that got you to be big and just do more of it. So on top of what we sell we're adding, why are we here, what's our purpose and what's the brand promise.

Are you a technology company, a marketing company, a service company, or a blend of all three?

Three or four years ago the answer would have been a technology company. We knew how to deploy brand-new technology. Right now we are half-way to declaring that we're a marketing and service company. And a marketing company is what you've got to be to have life after 50 percent penetration. To find segments of the population who aren't subscribed and who will give good revenue you have to be a marketing company.

There is a technology component to choosing AT&T Wireless, but I'd rather be considered the company that markets best and gives the world's





Portable wireless units being set up on 9-11 in Jersey City.

A Company that Pulled Together

Before the second plane struck the World Trade Center, the AT&T Wireless global disaster response team was converging in the company's Paramus, New Jersey regional headquarters. They had three priorities: the safety of AT&T Wireless people, emergency assistance to the public and customers. With transportation around New York disrupted, the next several days were chaotic. "You could have the greatest disaster plan and it would not anticipate September 11," said Lou Ferraro, the company's Northeastern regional vice president. "So I told our people to be guided by our process, common sense and their hearts."

They got local wireless service temporarily restored almost immediately and nearly 100 percent back to normal in two weeks. Along the way they kept rescue workers supplied with fresh batteries and phones around the clock so they could call their families, helped try to locate people in the vast rubble by triangulating on active phones and worked to make sure the victims' families and others dislocated or economically marooned wouldn't get late-payment notices the next month. "Our position was to be a good citizen and neighbor first and worry about business issues second," Ferraro said. No one in the Northeast who placed a call through AT&T Wireless on September 11 was charged for it.

"The way our people responded was awesome," Ferraro says with real pride. The key moments are often simple, unquestioning acts of humanity. Ferraro tells of touring ground zero September 14 and encountering a Denver fireman who said he depended on AT&T Wireless calls to his wife and young son. Then he politely asked a favor: He left Denver in too much of a rush to change his calling plan. Could Ferraro switch him to one more appropriate for a fireman's salary? Ferraro made sure of it.

include a separate line for the brand. And we don't intend to sell the brand, so its value is in the customers acquired and retained, and not as a stand-alone asset. The brand is not fungible: It's a tool that communicates promise and expectation.

Doesn't the same point arise when companies grapple with brand risk?

Yes. After September 11 every company worth its salt is looking at risk management. We are too. Rather than start with the 500 risks we face every day, we triage the top five or top ten risks and work on those. Then we move on to the next twenty and the next fifty. On everybody's top-five list of risks around here is something that might damage the brand on a permanent or long-lasting basis, like a catastrophic service failure. We are putting muscle behind the what-ifs of brand risk. Brand value – not as a stand-alone thing, but what it does for customer retention and the expansion of the services – is so important for us, it's one of our top five risk management programs.

What experiences brought you to your understanding of brand and its power?

In the early 1990s when things started to get difficult at AT&T and we all got pressed to think about what more we could do, I gained a sense of stewardship about things. I think we've got an obligation beyond just quarterly income – an obligation to administer this company and deploy technology so that the people in the company have good careers and lives, and the people who use our services get something more than a candy bar.

A sense of brand came from my early times as a lawyer representing AT&T, understanding what it meant to bust up the Bell System and all the things it did well – even acknowledging that the situation had to change. Like a few other historians, I knew what had happened, how that institution came to be and how it thrived on more than just its quarterly earnings.

I don't think the post-break-up AT&T ever came together as a brand. I relate more to the old Bell System's sense of stewardship and what that meant to the brand than I do to the new AT&T's. It's just blind luck for me that I've landed in a place that can carry on that tradition under a brand promise that we are making credible for the 21st century.