

## **AT&T Megastore aims to make it fun to buy a phone**

*Laurie J. Flynn*

With the opening yesterday of its first megastore, AT&T is trying to do the seemingly impossible: make buying cellular service an almost entertaining experience.

The 5,000-square-foot store in the Compaq Center complex in Houston is the first of 11 AT&T Experience stores planned for opening this year with the aim of making shopping for communications equipment less daunting and, perhaps, more fun.

The new stores, most of them on the sites of smaller Cingular stores, are a significant part of AT&T's effort to recast itself as "the new AT&T," and say goodbye to the Cingular brand. That effort began in January with a new advertising campaign and is expected to go on through the spring.

For AT&T, the stores are a critical in the intensely competitive cellular business, where Verizon Wireless appears to be gaining.

AT&T executives are hoping a single brand name will help convince customers that AT&T is not just a phone company, but rather a one-stop shop for many communications products and entertainment services. Besides offering wireless and landline service in 22 states, AT&T is beginning to introduce an Internet-based television service that it hopes will help it become a major force in television advertising sales.

"Today, customers will be able to touch and feel the vast array of AT&T's full suite of services under one roof for the first time," said Ralph de la Vega, group president of AT&T's regional wire-line operations, based in Atlanta.

The Houston store, which replaces a 2,000-square-foot Cingular store at the same location, is expected to be followed in May by similar stores in San Antonio and Atlanta. Another eight stores are planned this year, but company officials declined to say where they would be.

Stanley T. Sigman, president and chief executive of wireless for AT&T, said the company planned to open more megastores as soon as demand warranted.

With its new approach to retail, AT&T appears to be reading from the Apple's playbook. With the opening of the first store in Tyson's Corner, Va., in 2001, Apple created a destination for shoppers, particularly young ones, and the modern design of the stores has become critical to establishing Apple's reputation as a hip, style-conscious company.

With the stores offering dozens of Macs and iPods for customers to try before they buy, it is not unusual to see customers spending hours playing with Apple products.

That approach has clearly worked for Apple. More than 28 million shoppers visited one of Apple's 176 stores last quarter, according to the company, and spent more than \$1 billion.

Verizon Communications has taken a similar approach with its new Verizon Experience stores; the first one opened in October in Southlake, Tex. At Verizon's stores, the company can demonstrate all its products and services under one roof, highlighting the benefits of the new high-capacity fiber optic network that is at the core of its strategy.

"We're seeking to retain, and win over, customers' loyalty amid the most competitive period in our industry's history," Robert E. Ingalls Jr., chief marketing officer for Verizon Communications, said at the store's introduction.

Jeff Kagan, an industry analyst, said yesterday that the new high-touch superstores fill a critical need for telecommunications companies as they try to convince customers that they are now selling more than just phone service.

"It's become a battle for all the major services," Mr. Kagan said. "The companies have to reach out to customers any way they can."

In AT&T's new Houston store, an entertainment area features demonstrations of high-definition programming and the company's video-on-demand catalog. Another station lets customers learn how to customize Web pages and use remote monitoring.

A music area lets customers test XM Satellite Radio on wireless phones, try out Bluetooth headphones and, eventually, test Apple's new iPhone, which will have AT&T as its exclusive carrier when it arrives midyear. A gaming station features phones optimized for game-playing and allows customers to use store equipment to download games to their wireless phones.

At the mobility station, customers can try out phones and hand-held organizers. Another station displays the latest in wireless fashions, including stickers that customers can design and then apply to their phones.

The transition from Cingular to AT&T is not going to be easy, branding specialists say. Taking the AT&T name is a step back in time for Cingular, which acquired AT&T Wireless in 2004 and subsequently dropped the name. Then last year, AT&T completed its \$86 billion purchase of BellSouth, making it the sole owner of Cingular Wireless. Until then, AT&T owned 60 percent of Cingular, and BellSouth owned 40 percent.

Over the years, Cingular has cultivated a reputation as youthful and hip, helped by its recent deal for the Apple iPhone. AT&T, on the other hand, is burdened by an image as a stodgy company that has been around for decades, analysts say. The new megastores are intended to help meld the two.

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