BCE Inc. Is Beating Rogers Communications Inc. in Wireless Wars

Description

It's not very often you hear a Canadian telecom executive boast about customer service, but that's exactly what **BCE Inc.'s** (TSX:BCE)(NYSE:BCE) President George Cope did on Thursday in a conference call following the company's latest earnings announcement. It's the latest shot across the bow by BCE at rival **Rogers Communications Inc.** (TSX:RCI.B)(NYSE:RCI), which has become infamous over the years for poor customer service.

Cope told analysts the number of service calls BCE handled fell by 1.7 million in the last quarter, a shift that has positively affected the telecom company's bottom line. "Our actual overall costs to operate the company have [been] reduced as a result of this improvement in service," Cope said.

The Montreal-based company reported first-quarter net income of $532 million, down 13% from last year. Revenue rose nearly 3% to $5.24 billion, led by BCE's wireless businesses, which generated $1.64 billion in the first quarter, up nearly 10% from last year.

BCE added 35,373 wireless customers during the quarter, which was higher than analysts had predicted. "The wireless results were absolutely stellar," Cope said.

Meanwhile, Rogers posted a 17% drop in its latest quarterly profits as the media giant struggled to hang on to customers. Rogers lost 26,000 net postpaid wireless subscribers in the first quarter as well as 37,000 prepaid customers.

Still, Rogers' operating revenue rose 5% to $3.17 billion as those who stayed chose more expensive plans, which is part of the company's overall strategy.

Both BCE and Rogers are dealing with the so-called double cohort challenge, where three-year contracts signed before they were banned run out at the same time as newer two-year contracts. That's bound to negatively affect both firms, but Rogers has pledged to invest heavily to retain its three-year clients, so it may have the edge in this particular battle.

Investors will probably do well long term with either stock, but Rogers has been stagnant of late, gaining just 2% in the past year, while BCE has added nearly 10% in the same period. BCE has a healthy dividend yield of 4.8% (the company's policy is to pay out between 65% and 75% of free cash flow as dividends), while Rogers lags slightly at 4.4%. And as the wireless wars heat up, BCE appears to have the overall edge, adding more customers than its rival.

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