

Profile: Talk America

Talk America Holdings is another carrier that made resale work after a rocky start. Talk America has also probably been through more corporate names in a short period of time than any other company in the industry. The company began as Tel-Save Holdings in 1989. It was a long-distance reseller that marketed both pre-subscribed lines as well as the counter-culture dial around (10-10) services. Not wanting to miss a trick in the crazy financial markets of the late 1990s, the company changed its name to Tel-Save.com in 1998.

Then in 1999, the company changed its name to match its World Wide Web address, Talk.com. In that same year, it decided to add UNE resale to its product line. The market was beginning to realize the value of bundled services and, by 1999, the second race was taking its toll on long-distance rates, squeezing margins across the industry, particularly for the resellers. So while RBOC resale was not a mature business, it looked better than the future of long-distance resale.

To support its late entry into competitive local service, Talk.com entered into many dot-com-style marketing agreements, the most significant one being with AOL. The costs of the change in business model and the rush into less-than-productive marketing agreements took a toll on Talk.com. The end of the Internet boom in 2000 also took its toll on the company's stock price. The stock dropped from a high of more than \$20 per share in February 2000 to a close of \$1.70 on November 28, 2000.

When "dot-com" became a bad word, the company changed names again, becoming Talk America in early 2001.¹ The stock still traded near \$1 per share as late as May 2002. The company executed a 3:1 reverse stock split in late 2002 and changed its name yet again in early 2003, this time to Talk America Holdings.

Talk America's operational results turned around in 2002. Since it had a background as a long-distance reseller, it knew how to live with low margins. It cut costs and made an attempt to "lower bad debt expense", which meant cutting off non-paying customers. Like Z-Tel, it learned to focus on profitable revenue once the growth-at-all-costs mantra of the dot-com boom was over. The result was that Talk America returned to profitability in 2002 and maintained profitability in 2003.

¹ Talk America should not be confused with Touch America, which is profiled in Chapter 9.