This is to certify that the

thesis entitled

The Changing Relationship Between Customer Service
And Satisifaction With Cable Television
Due To Recent Price Modifications

presented by

Megan Lee Ryan

has been accepted towards fulfillment
of the requirements for

Master degree in Art

Major professor

Date 12-17-97

THE CHANGING RELATIONSHIP BETWEEN CUSTOMER SERVICE AND SATISFACTION WITH CABLE TELEVISION DUE TO RECENT PRICE MODIFICATIONS

By

Megan L. Ryan

A THESIS

Submitted to
Michigan State University
in partial fulfillment of the requirements
for the degree of

MASTER OF ART

Department of Telecommunication

1994

ABSTRACT

THE CHANGING RELATIONSHIP BETWEEN CUSTOMER SERVICE AND SATISFACTION WITH CABLE TELEVISION DUE TO RECENT PRICE MODIFICATIONS

By

Megan L. Ryan

Since the 1984 Deregulation act, the rates that subscribers paid for cable service and equipment increased at more than three times the rate of inflation. The cable industry customer service standards failed to keep pace with the needs and expectations consumers anticipated to be standard for the price they were paying. A growing number of service complaints, disconnects and downgrades proved subscribers are no longer content with the level of service performance and quality of cable television.

This thesis contains a telephone survey that evaluates opinions of the subscribership of TCI Cablevision in the East Lansing, Michigan area. The survey evaluates subscribers' changing expectations of satisfaction with their system's customer service. Customers appear less satisfied with TCI Cablevision, than last year, because of recent price increases for cable service and the relationship of value to that price.

TABLE OF CONTENTS

LIST OF FIGURES

LIST OF TABLES

INTRODUCTION

Over the past decade, the cable market has experienced tremendous growth. Through it all, Congress has tried to keep the industry competitive to guarantee affordable high quality technology and programming. In 1984, when Congress deregulated the cable television industry and took the power to regulate away from the local authorities, they thought the ruling would result in reasonable rates for cable services, improved customer services and diversity in programming. Yet that was not the result.

There was unquestionably a period of unprecedented growth accompanying deregulation. "Between 1984 and 1992, cable subscribership rose from 37 million to 57 million. The percentage of homes passed by a cable wire rose from 71% in 1984 to 97% in 1992."[1] And the number of programming services grew tremendously as cable evolved from an antenna service to a video medium.

The price consumers paid for this transformation was quite steep. Rates for cable service and equipment increased at more than three times the rate of inflation. Cable operators began being painted as insensitive, greedy monopolists. The cable industry customer service standards also failed to keep pace with the needs of the growing

[1]Robert N. Rubinovitz, "Market Power and Price Increases for Basic Cable Service Since Deregulation." Rand Journal of Economics, 24, No. 1 (1993, Spring), 3-6.

subscribership base. A growing number of service complaints underscored the fact that operators had little incentive to provide quality customer service. The consumers expected the level of service to be comparable to that of other local businesses and regulated industries, such as the telephone and electric company.

Congress responded to the unsettling situation with passage of the 1992 Cable Act to seek to rectify the fact that the marketplace did not seem to generate new competitors to limit cable's dominant power. Cable's competitors were not successful in their efforts to compete with existing cable monopolies in the majority to the U.S. markets. Provisions were put into play to successfully limit anti-competitive practices in the cable industry.

Over the past year, for example, the FCC has issued many regulations implementing the Cable Act of 1992. Tough new customer service standards and new service rates were imposed. Unfortunately, the FCC rules implementing the regulation of rates, and in fact rolling back basic rates were circumvented to a greater level never anticipated. Rate hikes, rather than rollbacks, occurred as operators re-tiered their basic services. A recent FCC survey found that 31% of the subscribers to systems owned by 14 national cable companies, actually saw their cable rates rise as the result of the new FCC rules. Systems owned by 11 other companies revamped their pricing strategies so, that the FCC has not yet been able to determine how much rates have risen for these companies.

The 1992 law requires the FCC to set benchmark prices for basic rates. The problem with the law's approach to a regulatory benchmark is that cable companies may have often been below the benchmark rates for a variety of reasons. For example, they might have been building a subscriber base by offering low initial prices. Or, they may have cross subsidized basic service with a low price while charging high rates for set-top converters, remote controls, additional connections, or enhanced basic service. Because the new rules now prohibit many of these practices, cable operators have re-tiered their basic service and most have raised rates to permissible levels set by the FCC, thus leading to an overall price increase to consumers for the most popular services.

HYPOTHESIS AND RATIONALE

The purpose of this thesis is to report the results of a survey measuring customer service and satisfaction with TCI Cablevision in the area of East Lansing, Michigan, subsequent to a recent price increase. A hypothesis was formed to test the following: As cable prices increase, customer service and satisfaction with cable TV can be expected to correspondingly diminish. In more formal terms: Hypothesis 1, the higher the price of cable subscription the lower customer satisfaction, and Hypothesis 2, the higher the perception of customer service, the higher the customer satisfaction.

Since September of 1992, TCI Cablevision has been increasing the price of its basic service. September 30 of 1992, TCI added an additional two dollars to its "basic plus" service to subscribers. On September 30 of 1993, TCI increased their service for basic plus an additional eighty-two cents. This met the expectations of the benchmark rate set by the FCC's 1992 Cable Act. The benchmark is derived from terms of rates observed in recent years in markets in which there are two or more cable companies or a thriving multichannel video competitor.

Surveys have proven that the majority of cable service disconnects are a result of excessive price increases and lack of quality service by a cable system. According to the Market Facts' National Cable TV Usage & Attitude Study, "The number one cause for people disconnecting is that they feel cable is too expensive."[2] In the past five years the rapid price increases have become the culprit of the majority of disconnects.

---

[2]Linda Moss, "Price Proves Main Culprit in Cable Disconnects," Multichannel News, 11 Jan. 1993, p. 3.

A survey was thought to be the best way to obtain a vast amount of information about subscribers' attitudes toward satisfaction with their cable system. It enabled the researcher to measure satisfaction levels in relation to customer service standards since customer service is a term that covers many different performance areas within each system.

The customer service report published by the city of East Lansing, Michigan, gave a monthly average of the various services TCI provided for the month ending March 1994. The average transfer time (average wait) for a call in to the system was 37 seconds. Eighty-six percent of the subscribers had a busy signal less than 3% of the time. Installations were completed within 2.46% days after being reported and service response was 98% met within 24 hours and 100% was done within 36 hours. Twelve billing complaints were received and all twelve were handled within 30 days.

For the first quarter of 1994, there were 43,057 reported calls into TCI's system. Customer service representatives answered 26,581 and an automated response unit answered 16,476. There were 2,811 calls abandoned which gives a ratio of 6.53% of the calls were abandoned. The numbers have all increased from the previous and last year (March 1993) quarters.

Supporting Literature

Customer satisfaction has increasingly been used as a centerpiece for company identity. Chrysler Corporation's identity trademark of satisfying the customer, relates to the public the importance of their happiness with them. AT&T has also found the customer service satisfaction to be so important that, if you are not fully satisfied with their service, they will pay to put you back with your previous service.

Cable operators have realized the importance of customer service quality. There are now alternate options for customers to subscribe to receive similar sources of entertainment and news. This new era of technology has threatened the role of the cable operator as the only entity that can distribute multichannel programming. To survive, operators must now accept the role of a successful service provider. According to one industry survey, "forty-five percent of a surveyed group of cable subscribers said the customer service provided by the local cable companies has improved greatly or somewhat over the past year."[3] This figure was an improvement over the 38% who expressed improvement during the previous survey.

Since the FCC also realized the importance of customer service standards, it created guidelines by which cable operators must abide. The FCC passed requirements for cable systems office hours, telephone availability, acceptable response times for service calls, billing and refund rules. The new rules require customer service and bill payment locations to be convenient, installations are to be performed within seven business days of an order being placed, and if there is an interruption in service, the operator must start repairs no more than 24 hours after the interruption becomes known. The customer will no longer have to tolerate excessive waiting for a repairman. At most, an operator can give a subscriber a four-hour window for repair appointments. Rate and programming changes must be announced 30 days in advance. Normal business

---

[3]"Poll: Subscribers' Opinion of Service on the Rise," Cable World, 7 June 1993, pp. 86-88.

hours must be kept by the cable operator, so that the hours are similar to those hours held by businesses in the community. The operator must also allocate some evening and weekend hours for customers to be able to contact the system. When customers call in, the operator must provide a 24-hour, toll-free line seven days a week. Similarly, phones must be answered within 30 seconds and transfers must be made within 30 seconds. Busy signals will be allowed only 3% of the time. These are tough guidelines set by the FCC, and subscribers now have a right to expect these rules to be followed by the operator.

The minimum expectations subscribers have for customer service standards can be expected to increase, as prices for cable services increase. Subscribers may downgrade or disconnect their cable service, after a rate increase, because the value of cable service is not worth the new cable price. A customer-perceived value for cable service, incorporates customer service standards set by a cable company. This is a factor in markets that fall behind the national 63% penetration rate, reported by the NCTA, for cable. For example, in Dallas, Texas, which has a penetration rate of less than 50%, residents claim the reason for subpar subscribership to cable is the "history of poor service problems."[4] Customers in Dallas considered cable to be a utility. When subscribers did not receive the same service as from the electric and telephone companies, i.e. quick response for repairs and efficient phone service, they found no need to continue subscribing to cable. Now TCI has taken over the Dallas, Texas market and has begun improving service. An industry expert said, "Nonetheless there has been

---

[4]Kim Mitchell, "In Some Cities, Cable Isn't a Part of Life," Multichannel News, 19 July 1993, p. 64.

some recent evidence of regression in perception of customer service, probably reflecting higher expectations as the price of service increases and the industry matures."[5]

As prices have continued to increase, sensitivity to value in cable has also increased and it is important to examine the price-value relationship. While operators are promoting cable service is an excellent value, subscribers appear to be disagreeing. In a survey commissioned by the Conference Board, consumers ranked cable's value 44th out of 50 products. "The study conflicts with operators' mantra, intoned to defend the big rate hikes over the past few years: that cable remains a great value."[6] When rating the value of cable, "9% ranked it good, 40% voted average and 51% rated it poor."[7] Jones Intercable Inc. marketing vice president John Mathwick expresses how the survey directs us to a marketing problem that the cable industry is having with value perception. "The rate adjustments of the past few years haven't been supported by value messages."[8] Continuously educating the subscriber about changes with the cable's price and service is the key to keeping the customer content. FCC Chairman, Reed Hundt, also stresses the importance of educating customers by properly informing them about billing changes. Mr. Hundt said he has seen two types of letters operators have given subscribers. "One letter he described as intimidating, confusing and antigovernment. The other is straight

---

[5]Peggy Ziegler, "Cable's Biggest Problem," Cable World, 4 May 1992, p. 84.

[6]John M. Higgins, "Customers in Survey Rate Cable a Lousy Value," Multichannel News, 22 Feb. 1993, p. 44.

[7]Ibid., 45.

[8]Ibid.

forward and discusses the benefits of changes in terms of price and quality."[9] What operators say in their bill stuffers and the way they address customer compliances and the media, will affect the public's reaction to cable operators this year and in the future.

Rate Regulation Rollback

On February 22, 1994, the FCC adopted revised regulations that will be used by local and federal officials to assess, whether rates for regulated cable services are reasonable, as required by the Cable Television Consumer Protection and Competition Act of 1992. The commission revised the benchmark formula to reflect a stronger statistical and economical analysis. On March 30, 1994, the revised rate regulation rules were released stating cable systems must reduce rates up to 17% and then adjust upward for certain allowable increases. The final result for TCI in East Lansing was a rollback of 7%. All rates went into effect by May 15, 1994. Rate restructuring must include, setting equipment rates at cost (including a reasonable profit), unbundling equipment charges from programming rates, and applying an average rate per channel when setting program tier charges. The FCC has also issued "price caps" that limit the amount by which cable systems can raise their rates after initial rates have been set. The price cap has two components: annual adjustments for inflation, and up to quarterly adjustments for changes in so-called "external costs," which are costs beyond operators control. Regulated systems must obtain approval from local franchising authorities before increasing their rates for basic service, and must obtain approval from the Commission

[9]Kim McAvoy, "Hundt has Encouraging Words for Cable," Broadcasting & Cable, 30 May 1994, p. 14.

before increasing the rates for a cable programming services tier if the Commission has found that the tier rates were unreasonable within the last year.

TCI has abided by the FCC's revised rate regulation and dropped its rates 7%. This meets the new benchmark rate. The price for the basic plus service with TCI has gone down to $20.56 from $22.10. However, the price for TCI's other services have increased. Converter boxes have gone up from $1.20 to $2.83. Installation, VCR connections, and service visits have all increased by a few cents. So, what may look like a good deal in one aspect, may not turn out favorably in the final accounting of monthly charges to consumers.

FCC chairman, Reed Hundt, in an interview made it known that the FCC is going to help in every way to eliminate any misunderstanding cable operators or consumers may have about the new rates. Hundt believes the rollback in rates will "help cable, through government regulation, win the confidence and the trust of consumers again."[10]

---

[10]Kim McAvoy, "After the Rollback: Debriefing the FCC," Broadcasting & Cable, 28 Feb. 1994, p. 10.

RESEARCH METHOD

Method

It is hypothesized/theorized that a strong relationship exists between customer service and satisfaction with cable TV. To understand the whole picture of customer satisfaction, we need to define the many elements that make up "good" customer service.

This study began with questionnaire items to measure the cable subscribers' perceptions of TCI's system performance after the recent price increase. There were three major objectives in mind. First, the author wanted to compare personal satisfaction with cable to the local postal service, telephone company and electric company. The second area was to measure TCI's system performance in the major areas of technological service, phone customer service, technician service and billing service. The third was to determine attitudes about the total amount of the cable bill, the value of cable to the subscriber and subscribers' willingness to switch cable companies.

The survey was conducted between April 9 and May 15, 1994. Each questionnaire required a fifteen-to-twenty-minute telephone interview conducted between the hours of 6 p.m. to 9 p.m. Two hundred and ninety questionnaires were completed. The sampling frame for the survey was the telephone book. Interviewers randomly selected pages out of the phone book, scanning down the page selecting sampling units from the left column top to bottom. Last names were categorized as single, small and large representation by number of listings in the same surname. The single names were used as is, the small names consisting of five to nineteen were only represented by the first three completed with businesses as blanks. For example, Abbell was listed seven times. Two of those appeared to be businesses, and were not called. Out of the other five, only three of the names are to be counted. The large category included names repeated twenty or more times, and only the first ten completed were counted. The last name of Adams fits into this category. After ten names had completed the survey and fit the demographic quotas, the rest of the Adams names were not used. The purpose was to fill the area codes proportionally within the East Lansing, TCI district.

The zip codes that make up the subscribership of TCI cablevision of Mid-Michigan are 48823, 48864, 48840, and 48824. These zip codes are the base of the sample. A calculated proportion of the reported population was taken for each of the zip codes. The 48823 zip code represents the East Lansing subscribership. Within that zip code are 61,997 residents, the largest in the TCI group. In the 48864 code there are 17,587 and in the 48840 code there are 10,679 residents. The 48824 zip code represents the campus of Michigan State University. To get a true sample of the total subscribership base, an average of the actual number of residents from each zip code must be represented. The proportional numbers were 195 completed surveys in the 48823 code, 53 surveys in the 48864 code, 32 surveys in the 48840 code and 10 surveys from the 48824 zip code. This stratification accurately represented the actual population size of TCI's district. It was important to have an adequate representation of males since women tend to be the persons who answer the phone and who are more likely to be at home. The goal was 40% males. The other stipulation was age. The age groups were under 18, 18-34, 35-44 and over 44. The under 18 category was rejected. Again in each zip code, the proper proportion in each age category had to be represented. When a quota in a particular category was filled by an interviewer, then remaining sampling units in that category were rejected by interviewer until all quotas were filled. When all gender and age criteria were met within each zip code, the survey was complete. Overall, there were 40% males. There were 33% 18-34, 33% 35-44 and 33% over 44.

The survey was conducted to achieve 290 completed surveys that represented the subscribership of TCI in East Lansing, Michigan.

Using this non-probability quota sample, it was impossible to calculate the accurate response rate or sampling error. A non-probability quota sample violates the standard sample guidelines that give a true probability sample. Yet, the method the author used, did result in a good cross section of households proportionately representing each zip code. The key measures were hand coded and programmed into the SPSS, statistical computer program.

Results of Survey

The question was asked on the survey, "On a scale of one to ten, with one equaling very dissatisfied and ten equaling very satisfied, how would you rate the following: phone company, postal service, electric company, and cable service." The overall satisfaction level of the TCI cable system compared to the overall satisfaction of the telephone company, the postal service and the electric company is significantly lower. Rated on a scale of 1 to 10, cable received an overall rating of 7.5. The phone company received a rating of 8.2, the postal service 8.1 and the electric company 8.0. (*See* Figure 1 & Table 1.)

The customer service results were obtained by using cross tabulations of many questions within the survey. The author was able to calculate the overall performance

Figure 1

OVERALL SATISFACTION

- Satisfaction with Cable T.V. is significantly lower than other services.

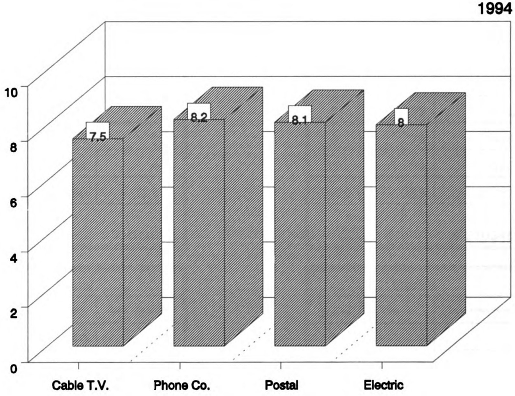


Table 1: Overall Satisfaction (Tabulation)

Cable T.V.		
Scale	Response	Scale x Response
1	3	3
2	10	20
3	7	21
4	11	44
5	14	70
6	24	144
7	50	350
8	63	504
9	64	576
10	44	440
Total	290	2,172
Total Divided by Response		7.489655

Phone Co.		
Scale	Response	Scale x Response
1	0	0
2	0	0
3	3	9
4	4	16
5	4	20
6	22	132
7	46	322
8	72	576
9	74	666
10	64	640
Total	289	2,381
Total Divided by Response		8.210345

Postal		
Scale	Response	Scale x Response
1	10	10
2	0	0
3	0	0
4	7	28
5	8	40
6	8	48
7	55	385
8	68	544
9	74	666
10	62	620
Total	292	2,341
Total Divided by Response		8.072414

Electric		
Scale	Response	Scale x Response
1	3	3
2	2	4
3	2	6
4	5	20
5	5	25
6	26	156
7	57	399
8	63	504
9	66	594
10	61	610
Total	290	2,321
Total Divided by Response		8.003448

of TCI Cablevision's four major customer service performance areas: technological service (picture quality and advanced equipment), phone customer service, technician service (timely visits and professional service) and billing service. The question was asked on the survey, "Of those four major performance areas, which do you consider to be the most important factor when judging your satisfaction with TCI Cablevision: technological service (picture quality and equipment advancements), phone customer service, technician service, or billing service." Technological service and phone customer service were rated the most important factors for overall performance. Technological service rated 33%, phone customer service rated 31%, technicians had a rating of importance at 21% and billing was rated at 15%. (*See* Figure 2.) This indicates that consumers find the technological functions and the company's customer service to be the two most important features when judging a cable company's overall performance. When looking at the factors of service performance, the question was asked on the survey "On a scale of one to ten, with one equaling very dissatisfied and ten equaling very satisfied, how would you rate your satisfaction with TCI in the following areas: technological service (picture quality and equipment advancements), phone customer service, technician service, and billing service." customers gave overall performance an 8.2 rating out of 10. Billing service received the highest rating of 8.8, followed by technician service which rated 8.4. However, the more important factors, technological and phone customer service, received lower scores of 7.8 and 7.9, pulling overall performance down. (*See* Figure 3.)

The technological service of TCI received the rating of 7.8 out of 10. Customers were also asked about their ability to control their cable outages, availability and

Figure 2

OVERALL PERFORMANCE

Overall performance was calculated from ratings of the four major performance areas:

- Technological Service
- Phone Customer Service
- Technician Service
- Billing Service

  - Technological Service and Phone Customer Service were the most important factors for overall performance.

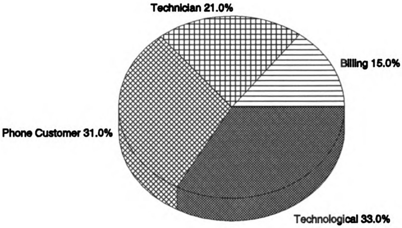
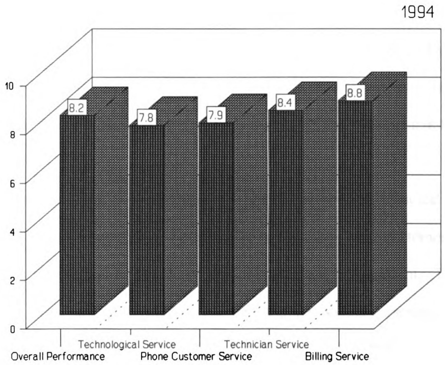


Figure 3

FACTORS OF SERVICE PERFORMANCE

- Billing Service received the highest rating, followed by Technician Service.
- However, the more important factors of Technological and Phone Customer Service areas received lower scores, pulling overall performance down.
- Result obtained from Figures 4, 6, 7 and 8, then weight averaged for overall performance figure.



customer's ease of using the cable equipment, and the picture quality of their service. Sixty-five percent of the respondents reported that they have experienced a cable outage. (*See* Table 2.) Although this area is sometimes perceived as uncontrollable by cable companies, customers perceive it to be something the cable company should control. The picture quality rated 8.2. (*See* Table 2.) This appears to be an area in which subscribers are generally satisfied. When you compare the question of picture quality to those who have their cable hooked up through their VCR, the VCR owners rate the picture quality slightly less than those non-VCR users. Those who own other equipment from the cable company, i.e., converter box, rated the ease of use at 8.1. This question when compared to age indicated that the older the user, the less user friendly the consumer finds the equipment. This may have to do with the so called non-technology generation.

Cable outages seem to be the cable company's most serious technical difficulty. Outages have serious repercussions on subscriber satisfaction, since customers perceive the reason for the outages to be mainly the cable company's equipment. Even if the weather plays a role, consumers still believe the equipment should persevere. The more outages a subscriber incurs, the higher the percentage probability that the customer will downgrade or disconnect his/her cable service. Simple interpretation of data from the 1989 CTAM conference reports that as outages increase, so do downgrades. Four percent of subscribers downgraded their Viacom cable service when they faced 0 to 2 outages where 7.2% downgraded their service when they endured three or more outages in a month.

Table 2: Technological Service (Tabulation)

Outages			
	Frequency	Total	Percentage
Yes	188	290	65%
No	102	290	35%
Total		290	100%

Easy to Use		
Scale	Response	Scale x Response
10	78	780
9	84	756
8	42	336
7	37	259
6	13	78
5	12	60
4	8	32
3	8	24
2	3	6
1	5	5
Total	290	2,336
Total Divided by Response		8.055172

Table 2 (Cont'd)

Picture Quality		
Scale	Response	Scale x Response
10	55	550
9	60	540
8	114	912
7	31	217
6	10	60
5	10	50
4	6	24
3	4	12
2	0	0
1	0	0
Total	290	2,365
Total Divided by Response		8.1551724

The next area of the survey dealt with phone customer service which received a satisfaction rating of 7.9 out of 10 when all aspects were combined. A rating of 1 was very dissatisfied and a rating of 10 was very satisfied. Within the area of phone customer service, subscribers rated the ability to get through as the lowest rated service area as 7.3. This is also the area that customers find to be important. TCI customers contacted their cable company an average of 3.2 times in the past year, and only 12% were able to get through on their first call. Out of the sample, 26% had to call more than three times or never got through. This problem may be partly caused by customers who are not used to using digital phone answering systems. They may have created their own disconnections when trying to figure out the phone system. The same group of respondents were asked if they were put on hold and how long did they wait. Sixty-two percent said yes they were put on hold, and the average for waiting on hold was 5 to 7 minutes. Personnel on the phone, however, received a very positive rating of 8.3 for being courteous and professional. Convenient hours and the ability to make a convenient appointment both received a strong rating of 7.8, and the subscribers rated the company's ability to resolve their problems at 7.9. (*See* Figure 4 and Table 3.)

Technician service received an overall rating of 8.4. Sixty-seven percent of those surveyed reported that service work was completed during the first visit and 84% responded that they believed their technician to be knowledgeable. Only 22% of those surveyed reported that their cable technician arrived on time. Technician service overall, received a good rating but arriving on time is definitely something TCI needs to improve. (*See* Table 4.)

Figure 4

PHONE CUSTOMER SERVICE

- Ability to get through is the lowest rated service area, but also the most important.
- Personnel on the phone received a very positive rating for being courteous and professional.

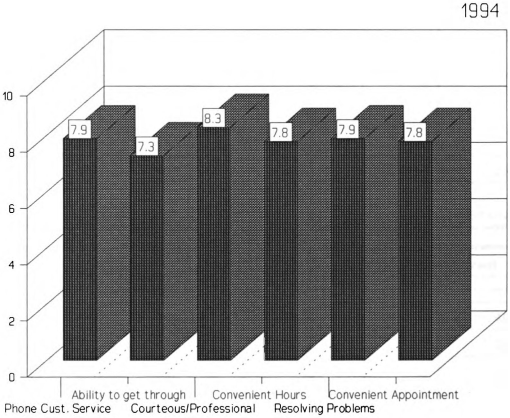


Table 3: Phone Customer Service (Tabulation)

Courteous/Professional		
Scale	Response	Scale x Response
10	92	920
9	90	810
8	40	320
7	35	245
6	9	54
5	5	25
4	4	16
3	0	0
2	0	0
1	15	15
Total	290	2,405
Total Divided by Response		8.293103

Convenient Hours		
Scale	Response	Scale x Response
10	55	550
9	72	648
8	58	464
7	34	238
6	32	192
5	32	160
4	2	8
3	5	15
2	0	0
1	0	0
Total	290	2,275
Total Divided by Response		7.844828

Resolving Problems		
Scale	Response	Scale x Response
10	61	610
9	74	666
8	57	456
7	39	273
6	22	132
5	26	130
4	8	32
3	0	0
2	0	0
1	3	3
Total	290	2,302
Total Divided by Response		7.937931

Convenient Appointment		
Scale	Response	Scale x Response
10	49	490
9	84	756
8	48	384
7	42	294
6	19	114
5	29	145
4	12	48
3	7	21
2	0	0
1	0	0
Total	290	2,252
Total Divided by Response		7.765517

Table 3 (Cont'd)

Ability to get Through		
Scale	Response	Scale x Response
10	33	330
9	46	414
8	79	632
7	35	245
6	35	210
5	43	215
4	16	64
3	3	9
2	1	2
1	0	0
Total	291	2,121
Total Divided by Response		7.3137931

Table 4: Technician Service (Tabulation)

Complete 1st Visit			
	Frequency	Total	Percentage
Same Day	193	290	67%
Next Day	52	290	18%
2 Days	24	290	8%
3 Days	12	290	4%
3 Days +	9	290	3%
Total			100%

Arrive On Time			
	Frequency	Total	Percentage
Yes	64	290	22%
No	226	290	78%
Total			100%

Knowledgeable			
	Frequency	Total	Percentage
Yes	243	290	84%
No	47	290	16%
Total			100%

Billing service of TCI is the highest rated major performance area 8.8, however, it is the least important factor when judging overall satisfaction with TCI. Customers said that TCI provided a very accurate monthly billing statement and the bill was easy to understand. Correcting problems was rated the lowest in the section of billing. Fifty-three percent of customers who reported having a billing problem, 47 out of the 290 surveyed in the last year said that they did not get the problem resolved right away. (*See* Table 5.)

In the past year, slightly more than one-half of all customers contacted TCI regarding a problem. Fifty-four percent of those calls were problem contacts and 41% of those required a service visit. (*See* Figure 5.) Most of the problems are typically technical in nature. Customer service phone contacts and downgrades are strongly related. In the 1989 CTAM research report, Viacom Cable reported that "the more times a customer contacts the cable company, the more likely that customer is to downgrade his/her service." Out of ten subscribers, 3.3% downgraded their service with Viacom when they reported contacting the cable company one to two times. Subscribers that downgraded their service when they reported having to contact Viacom three or more times were 5.9%. A relationship exists that suggests the more times a customer contacts their cable system, the greater his/her chance of downgrading their service.

Next, the respondents were questioned about price and value of their cable service. Ninety-eight percent of the subscribers said that their cable bill has gone up in the past year. As expected, not one customer felt the price for their service was inexpensive, and only 1% felt it was low. Sixty-four percent felt the price was slightly high, or high. Those that felt the amount they were paying was unreasonably high were 17% versus the

Table 5: Billing Service (Tabulation)

Correcting Problems			
	Frequency	Total	Percentage
Yes	22	47	47%
No	25	47	53%
Total			100%

Easy to Understand			
	Frequency	Total	Percentage
Yes	252	290	87%
No	38	290	13%
Total			100%

Accurate Billing			
	Frequency	Total	Percentage
Yes	253	290	87%
No	37	290	13%
Total			100%

Figure 5

CUSTOMER CONTACTS

- TCI customers contacted their cable company on an average of 3.2 times in the past year.
- Slightly more than one-half of all customers contacted their cable company regarding a problem, typically technical in nature.
- Four out of ten customers requested a service visit in the past year.

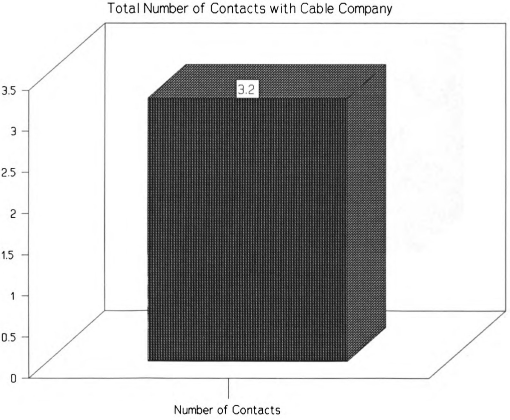
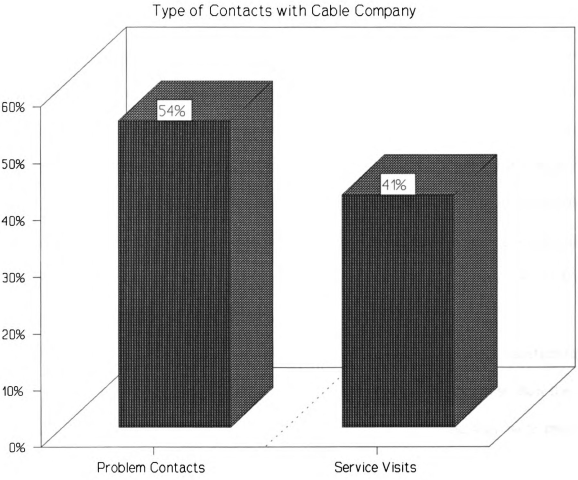


Figure 5 (Cont'd)



18% who felt the amount was reasonable. The majority of the sample stated that their cable bill went up one to five dollars a month. (*See* Figure 6 and Table 6.)

A big question within customer satisfaction is, do the subscribers understand the reason why TCI has changed their prices? This question reflects the success of TCI's marketing campaign to educate the consumer about the 1992 Cable Act. When the sample was asked, what they believe to be the reason for the increase in your cable bill, 46% stated they believe that TCI was being greedy. Ironically, for a town that is highly educated because of Michigan State University, none of the sample respondents answered that the reason for the price increase was the cause of regulation and government intervention. However, 42% did state that they believe the reason is TCI's reorganization of its services and channels. (*See* Figure 7 and Table 7.)

It is useful to compare current satisfaction with recall of previous satisfaction levels. When asked, 56% stated they were less satisfied with TCI this year than they were last year. Satisfaction remained the same for 41% and 6% said they were more satisfied with TCI. When using comparisons, I found that the reason those 56% of the sample were less satisfied is because of the price and channel options that TCI has to offer. Ironically enough, the 6% who are more satisfied state it is because of the channel options that TCI has to offer. The remaining 41% who claim their satisfaction with TCI has remained the same say it is because of TCI's great service quality and customer service. (*See* Figure 8.) Not one person who was satisfied with TCI mentioned price as a reason. This supported the hypothesis that perceived high price is adversely related to customer satisfaction.

Figure 6

MONTHLY CABLE BILL AMOUNT

- Monthly average is reported high due to individual cable bill increases.
    - ▸ Reflects consumers' attitudes about the 1992 re-regulation Cable Act.

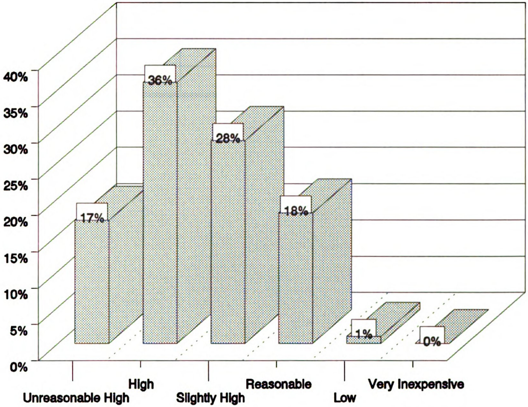


Table 6: Monthly Cable Bill Amount (Tabulation)

Monthly Cable Bill Amount		
Rating	**Response**	**Percentage**
Unreasonably High	49	17%
High	105	36%
Slightly High	81	28%
Reasonable	52	18%
Low/Inexpensive	3	1%
Very Low/Inexpensive	0	0%
Total Response	290	100%

Figure 7

CONSUMERS' EVALUATION OF INCREASE IN CABLE BILL

- Consumers are confused about the effects of reorganization of a system versus the company being greedy.

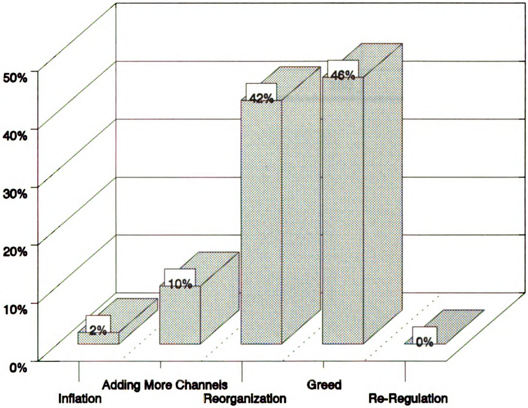


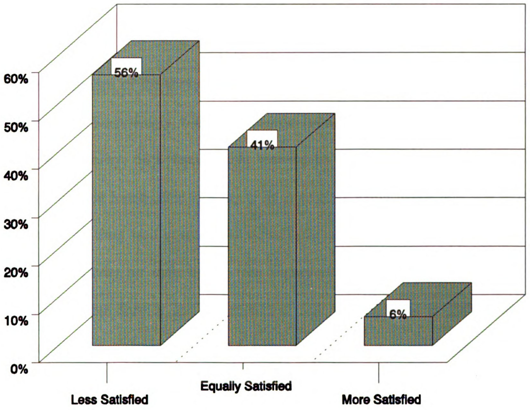
Table 7: Consumers' Evaluation of Increase in Cable Bill (Tabulation)

Consumers' Evaluation of Increase in Cable Bill		
Rating	**Response**	**Percentage**
Inflation	6	2%
More Channels	29	10%
Reorganization	122	42%
Greed	244	46%
Re-Regulation	0	0%
Total Response	290	100%

Figure 8

COMPARED SATISFACTION LEVELS

- Comparing current subscriber satisfaction levels with TCI Cablevision, to that of last year.



To further measure TCI's performance as a cable company questions were asked about the propensity of the subscriber to switch cable companies if one was offered in their same area. Fourteen percent of TCI's customers that said they would switch cable companies if offered the same channels at the same price. When asking those remaining 86% if they would switch for one to five dollars less, 30% said they would switch for one dollar less. Not surprisingly, propensity to switch increases with increased price savings. The sample indicated that 72% would switch for five dollars less. (*See* Figure 9.)

The conclusion of the survey asked subscribers to value their time spent viewing cable television. Surprisingly, 6% of the sample found cable to be a complete waste of time and the majority, 53% found cable viewing to be of poor value for their time. Thirty-eight percent found cable viewing to be an average value, while only 3% reported cable viewing as time well spent. No subscribers concluded that cable viewing is a highly valued activity for their time. (*See* Figure 10.) Yet, 96% of the sample will continue their cable service and an additional 3% are interested in increasing their number of viewing channels. Only 1% expressed intention to disconnect their cable service. (*See* Figure 11.) This reported 1% may reflect the 6% of the subscribers who found cable viewing to be a complete waste of their time.

Conclusion

Technological service and phone customer service are clearly the most salient. They account for 64% of the overall performance for TCI. Allocation of resources by TCI to technological and phone customer service will have the greatest impact on their

Figure 9

PROPENSITY TO SWITCH: SAME PRICE OR REDUCED FEES

- Fourteen percent of TCI's customers would switch cable companies if offered the same channels at the same price.
- Not surprisingly, propensity to switch increases with increased price savings.
- Clearly, loyalty to the cable company does not appear particularly strong.

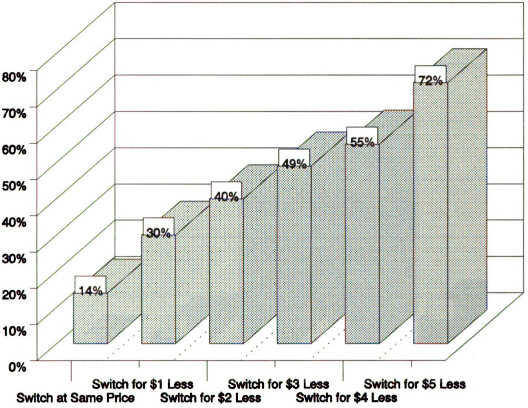


Figure 10

VALUE OF CABLE

- **The majority of consumers find cable to be a average to poor value for their time.**

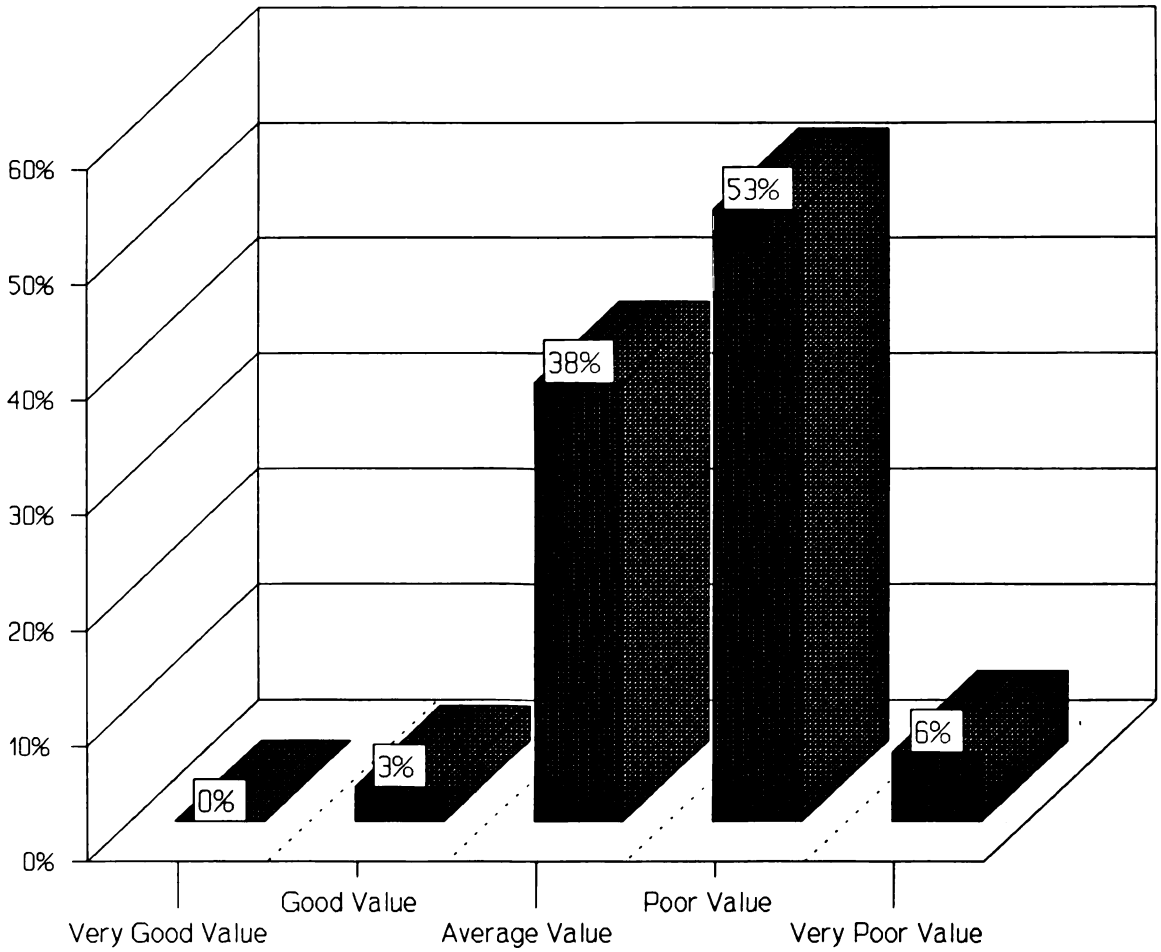
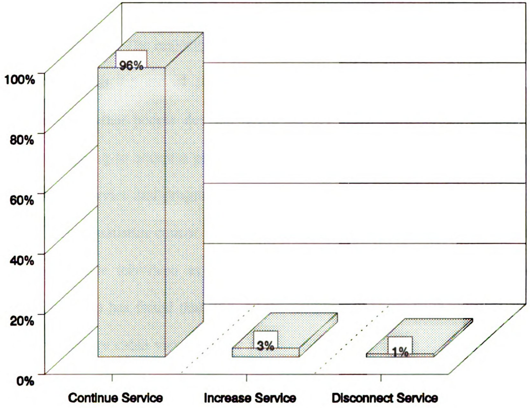


Figure 11

FUTURE CABLE SERVICE

Only 1% of all subscribers expressed intention to disconnect their cable service



subscribers. Outages appear to be the key to technological service and, the ability to get through on phone customer service would increase TCI's overall service performance.

Technician service and billing service are clearly less salient areas. However, they still account for one-third of overall performance for the system. Resource allocation in this area by TCI may have less impact on the subscribers.

Price and value of cable to subscribers is an area that has drastically changed with TCI in the past year. The majority of customers are less satisfied, yet their satisfaction level is averaged at 7.5 out of 10. The importance of this statistic is to show how satisfaction levels that people demand better service when cable prices increase. If customers are going to accept a price increase then they want to see a change, for the better, with the service and programming.

The survey statistics concur that the recent price increase has changed subscribers perception of cable television as an inexpensive means of entertainment and news. Ironically, the data has found that 96% of the sample will continue their cable service yet only 3% believe cable viewing to be time well spent. This could mean that people see cable TV viewing as time to relax, not time spent achieving or learning to enhance their lives. This time to relax is the time that they are not willing to give up. The results suggest that satisfaction with cable may be strongly related to satisfaction with television content and television viewing as an activity, areas over which an individual system has little control. Promotional efforts to create a higher value for television viewing -- suggesting merit and value -- may have some effect.

The survey has reported that loyalty to TCI is not strong. With competition entering the market, customer service and satisfaction will continue to be one of the most important elements of subscriber retention for TCI. Programming will be almost the same on any channel line-up and competition will set the price. Losing 15% of TCI's subscriber base to a competitor is likely to seriously decrease incoming cash flow and jeopardize operating abilities. TCI should be worried about this situation. But, what people say in a survey may not accurately reflect what they would actually do when the situation occurs. While these numbers should be looked at as the worst case scenario, clearly, loyalty to the cable company does not appear particularly strong. (*See* Figure 9.)

I have found that the component of service is multidimensional. In the future, to support this hypothesis, you could study the correlation of the individual response of perception of price with the individual response of overall perception of customer service.

BIBLIOGRAPHY

BIBLIOGRAPHY

Higgins, John M. "Customers in Survey Rate Cable a Lousy Value." Multichannel News, 22 Feb. 1993, pp. 44-45.

McAvoy, Kim. "Hundt Has Encouraging Words For Cable." Broadcasting & Cable, 30 May 1994, p. 14.

Mitchell, Kim. "In Some Cities, Cable Isn't a Part of Life." Multichannel News, 19 July 1993, pp. 66 and 68.

Moss, Linda. "Price proves Main Culprit in Cable Disconnects." Multichannel News, 11 Jan. 1993, pp. 3, 39.

"Poll: Subscribers' Opinion of Service on the Rise." Cable World, 7 June 1993, pp. 86-88.

Rubinovitz, Robert N. "Market Power and Price Increases for Basic Cable Service Since Deregulation." Rand Journal of Economics, 24, No. 1 (Spring 1993), 396-398.

Ziegler, Peggy. "Cable's Biggest Problem." Cable World, 4 May 1992, p. 84.

General References

"Attitudes and Usage of Cable Television: Wave II." ASI Market Research/CTAM Research Committee, 1 June 1992.

Brown, Rich. "Cable Confronts Customer Service." Broadcasting & Cable, 31 Aug. 1992, p. 21-22.

______. "Rate Regs Could Impede Cable Investment." Broadcasting & Cable, 28 Feb. 1994, p. 12.

"Cable Companies Oppose Channel Cuts." Broadcasting & Cable, 21 Feb. 1994, p. 64.

Cooper, Jim. "Programmer or Programmed? More Than One Kind of Customer." Broadcasting & Cable, 14 Feb. 1994, p. 11.

Donath, Bob. "Customer Response at the Extremes." Marketing News, 4 Jan. 1993, p. 14.

Flint, Joe. "FCC Gets Tough Task: Customer Service." Broadcasting & Cable, 18 Jan. 1993, p. 97.

_____. "FCC Lays Down Law on Cable Customer Service." Broadcasting & Cable, 15 March 1993, p. 14.

Granger, Rod. "Cable Subscribers Elect Cable Shows: Study." Multichannel News, 8 June 1992, pp. 20-21.

Higgins, John M. "Customers in Survey Rate Cable a Lousy Value." Multichannel News, 22 Feb. 1993, pp. 44-45.

"Keeping up with cable reregulation." Broadcasting & Cable, 12, April 1993, p. 64.

McAvoy, Kim. "After the Rollback: Debriefing the FCC." Broadcasting & Cable, 28 Feb. 1994, p. 10.

_____. "FCC Promises Price Drop for Most Subs." Broadcasting & Cable, 28 Feb. 1994, p. 28.

_____. "FCC Rules Attacked From Inside and Out." Broadcasting & Cable, 30 May 1994, p. 12.

_____. "Hundt Has Encouraging Words For Cable." Broadcasting & Cable, 30 May 1994, p. 14.

Mckie, Duncan A. "Quality of Issues in Customer Satisfaction Studies of Cable Television." Journal of Advertising Research, March/April 1992, p. rc6-rc8.

Mitchell, Kim. "In Some Cities, Cable Isn't a Part of Life." Multichannel News, 19 July 1993, p. 64-65.

Moss, Linda. "Price proves Main Culprit in Cable Disconnects." Multichannel News, 11 Jan. 1993, pp. 3, 39.

_____. "Roper Study: Cable Gets Good, Not Great Marks." Multichannel News, 26 July 1992, p. 30.

Poe, David R. "As the World Turns: Cable Television and the Cycle of Regulation." Federal Communications Law Journal, 23, Issue 2 (April 1991), 141-156.

"Poll: Subscribers' Opinion of Service on the Rise." Cable World, 7 June 1993, pp. 86-88.

Stern, Christopher. "Cable Takes FCC to Task Over New Rules." Broadcasting & Cable, 23 May 1994, p. 101-102.

_____. "FCC Releases Final Cable Survey; Confirms Cut for Most Subscribers." Broadcasting & Cable, 28 Feb. 1994, p. 34.

Stump, Matt. "Gauging Customer Satisfaction." Cable World, 16 Aug. 1993, pp. 30, 37.

Ziegler, Peggy. "Subscribers: Basic Cable a Good Value." Cable World, 23 Aug. 1993, p. 56.

APPENDIX

APPENDIX

Survey

TCI CABLEVISION STUDY - EAST LANSING

Telephone No. ________________

STATUS OF INTERVIEW:

1. DISCONNECTED PHONE/NO SUCH SUBSCRIBER NUMBER ______
2. NOT A CABLE SUBSCRIBER ______
3. PARTIAL (NAME AND TIME TO CALL) ______
4. REFUSED ______
5. NO ANSWER (IF NO ANSWER, RECORD DATE AND TIME OF CALL:

1st CALL DATE: ______________ 2nd CALL DATE: ______________
TIME:______________ TIME:______________

Hello, I'm a Michigan State Communications student working on my thesis project about Telecommunications Inc. Cablevision/TCI. I would like to ask you a few questions about the service you receive. This will only take about 10 minutes.

IF PERSON IS RELUCTANT TO ANSWER OR WANTS MORE INFORMATION, ADD:

Subscribers and employees don't always tell management of the problems that arise. These interviews will be used to assess performance and make suggestions on improvement for TCI's cable service.

1. Do you or anyone in your household work for a radio station, cable company, television station, or a market research firm?

   Yes _____ (TERMINATE) No _____

2. Are you a cable subscriber?

   Yes _____ No _____ (TERMINATE)

3. What is your zip code? ______________

4. I am interested in speaking with people in a particular age group. Please stop me when I read the group that includes your age.

   Under 18 ____
   18 - 34 ____
   35 - 44 ____
   Over 44 ____

5. What is your gender?

   Male ____ Female ____

6. About how many years have you been a cable subscriber?

   ____ (YEARS)

7. How many T.V.'s do you have in your home?

   One T.V. ____
   More than one T.V. ___

8. How many are connected to cable?

   One T.V. ____
   More than one T.V. ___

9. Do you own a VCR?

   Yes ____ No ____

   IF NO, SKIP TO #12

10. Is the VCR connected to cable?

    Yes ____ No ____

11. In an average month, approximately how many tapes do you rent? ____

12. a. On a scale of 1 - 10, with 1 = VERY DISSATISFIED and 10 = VERY SATISFIED, how would you rate the following?

    Phone Company ____
    Postal Service ____
    Electric Company ____
    Cable Service ____

b. On a scale of 1 - 10 with 1 = Very Dissatisfied and 10 = Very Satisfied, how would you rate your satisfaction with TCI in the following areas:

(1) Technological Service (picture quality and equipment advancements) ______

(2) Phone Customer Service ______
(3) Technician Service ______
(4) Billing Service ______

c. Of those four major performance areas, which do you consider to be the most important factor when judging your satisfaction with TCI Cablevision:

(1) Technological Service (picture quality and equipment advancements) ______

(2) Phone Customer Service ______
(3) Technician Service ______
(4) Billing Service ______

13. On a scale of 1 - 10, with 1 = POOR and 10 = EXCELLENT, how would you rate picture quality?

Picture Quality _____

14. Besides your cable wire, do you have any other equipment issued to you by the cable company?

Yes _____ No _____

IF NO, SKIP TO #16

15. On a scale of 1 - 10, 1 = DON'T KNOW and 10 = TOTALLY KNOWLEDGEABLE, how would you rate your ability to use the equipment?

_____

16. Have you ever experienced a cable outage (i.e.: cable is not coming in)?

Yes _____ No _____

IF YES, ASK: How many times? _____
IF NO, SKIP TO #19

17. Has the disruption in service caused you to change your system in any way? For example: Disconnect your cable, subscribe to less channels of cable, etc.

    Yes _____ No _____

    IF YES, ASK: What changes did you make? _____

18. Was the reason for the disrupted service: (PROBE)

    Weather _____
    Cable company equipment _____
    User equipment _____
    Other _____

19. Has anyone in your household ever had a reason to call the cable company, for example, to order or change service, for repair, or with a billing question?

    Yes _____ No _____

    IF YES, ASK: Were you the person who called? _____
    IF NO TO EITHER QUESTION, SKIP TO #30

20. When was the most recent call you made?

    (1) This month _____
    (2) 3 months ago _____
    (3) 6 months ago _____
    (4) 1 year ago _____
    (5) Can't remember _____

21. On a scale of 1 - 10, with 1 = NEVER and 10 = ALWAYS, how often do you connect with a customer service representative on your first try?

    First Try _____

    IF NEVER, THEN ASK: How many calls did it take?

    (1) 1st call _____
    (2) 2nd call _____
    (3) 3rd call _____
    (4) More than 3 calls _____
    (5) Never got through _____
    (6) Do not remember _____

22. Were you put on hold?

    Yes _____ No _____

    IF YES, ASK: How long? _____

23. On a scale of 1 - 10 with 1 = VERY DISSATISFIED and 10 = VERY SATISFIED, rate the following:

The politeness and professionalism of the operators	_____
The convenience of company hours	_____
The company's ability to resolve your cable problems	_____
The company's ability to schedule service at your convenience	_____

24. What was the purpose of your most recent call?

(1) Outage _____
(2) Billing question _____
(3) Repair _____
(4) Other _____

IF REPAIR OR OUTAGE CONTINUE SEQUENCE, OTHERWISE GO TO #29

25. When was the repair complete?

(1) Same day _____
(2) Next day _____
(3) 2 days _____
(4) 3 days _____
(5) More than 3 days _____

26. Were you satisfied with the time it took for a technician to come and complete the repairs?

Yes _____ No _____

27. Did the technician arrive on time?

Yes _____ No _____

28. Was the technician knowledgeable?

Yes _____ No _____

29. Are you the person in the household who pays the cable bills or have you seen the bills?

Yes _____ No _____

IF NO, SKIP TO #33

30. Do you feel the bills are clear and easy to understand?

Yes _____ No _____

31. Have you had any problems with the monthly billing amount?

Yes _____ No _____

IF NO, SKIP TO #33

32. Was your problem with the bill handled effectively?

Yes _____ No _____

33. Do you feel your cable bill amount is:

Unreasonably high for the service you are getting _____
High for the service you are getting _____
Slightly high for the service you are getting _____
Reasonable for the service you are getting _____
Low for the service you are getting _____
Very inexpensive for the service you are getting _____

34. Has your cable bill amount gone up in the past years?

Yes _____ No _____

IF NO, SKIP TO #38

35. About how much of an increase?

$1 - $3 _____
$4 - $5 _____
$6 - $10 _____
$11 - $15 _____
$16 - $24 _____
$25 or above _____

36. What do you think is the reason for the increase in your bill?

Inflation _____
You adding more cable channels _____
The cable company reorganizing its services and channels _____
The cable company being greedy _____
The cause of regulation and government intervention _____

37. How unhappy are you with the price increase?

Very unhappy _____
Slightly unhappy _____
Indifferent _____

38. How has your satisfaction with TCI Cablevision changed in the past year?

    More satisfied _____
    Same _____
    Less satisfied _____

    IF SAME, SKIP TO #40

39. Is it because of: (CHECK AS MANY AS THEY RESPOND TO)

    Price _____
    Service quality _____
    Customer service _____
    Channel options _____

40. If TCI had a competitor that offered the same services at the same price, would you switch?

    Yes _____ No _____ (PROBE)

    IF NO ASK: Would you switch for:

    $1 less _____
    $2 less _____
    $3 less _____
    $4 less _____
    $5 less _____

41. Do you believe cable to be a:

    Very good value for your time _____
    Good value for your time _____
    Average value for your time _____
    Poor value for your time _____
    Very poor value for your time _____

42. Are you planning on:

    Keep your cable service _____
    Adding more cable channels on to your cable service _____
    Disconnecting your cable service _____

Okay, thank you very much for your time...Goodbye.