



Case Study

DirecTV Consumer Contract: A Case Study

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Abstract

The primary subject matter of this case concerns the operational policies of a major cable/dish company. Secondary issues include customer service availability along with services provided, contracts with customers, advertisements, customer knowledge of services provided, availability of management, and billing policies.

Keywords: Customer service, cost, contracts, management, training, and policies.

Case Synopsis

Steve McQueen's wife is ready to switch from a Netflix exclusive household, to a cable/dish centered entertainment choice. There are many cable/dish choices to choose from in the South Florida market. DirecTV is a dish centered entertainment medium. This company offers many packages to choose from with a focus on sports packages. They also offer HBO, and Cinemax among other movie services. DVR equipment is offered by the company with an additional service fee. Many cable companies offer similar packages in the South Florida area. This case will follow Steve's journey to make the decision to commit to a cable/dish service.

Background

After nearly a year of trying to convince Steve's wife that cable was too expensive he finally managed to convince her to drop it and switch to Netflix. They enjoyed Netflix along with a few other supplemental movie and television choices for a few years until his wife informed him she was ready to go back to cable due to its convenience of choices and DVR capabilities. Steve's wife has always liked to be able to 'click-and-watch', being frustrated with

more than one remote, or having to turn on the TV, surround sound, and cable box in separate steps. Simplicity is happiness.

Steve decided to do some research online as to who his family should go with before calling their current internet provider: AT&T. 'Uverse' was dropped a year ago and replaced with the Netflix service. Steve could make an informed decision and eliminate higher priced cable providers before jumping in to cable.

After a few hours of exploring internet advertised pricing Steve found the following information:

Service	Price	Channels offered	Perks
DirecTV	\$19.99/month w/ 2yr contract	120	\$100 gift card for signing up.
Dish Network	\$49.99/month	120	3 year price guarantee.
Comcast X1 Double Play	\$89.99/month w/ 2yr agreement	140	Includes internet services.
Comcast Digital Starter	\$49.99/month for 12 months	140	No contract after 1 yr.

After taking some time to discuss the options with his wife, Steve decided to go with the DirecTV service. They would be able to package the deal with their current internet provider AT&T and get both bills on the same statement monthly. He was happy with the internet service and was interested in what other options there were for the bundle deal. If internet and TV were bundled, they would pay about \$70 a month for combined services. This seemed like the best option for the family. Steve decided to call DirecTV the next day to purchase.

The Purchase

After some research, Steve was happy to choose DirecTV services as he is already an AT&T customer, and they offer discounts to current consumers. When he inquired about the HD service with a sales representative, he was assured that this service was included in the package. The salesman also informed Steve that DirecTV offers a 'free' DVR receiver that records live TV and allows for scheduled recordings, along with access to on demand services. Steve was pleased with these offerings as he had a DVR in the past with another carrier and was happy with the results.

The sales representative scheduled the install for February 4th between 4pm and 9pm. The package would include the DVR, 120 cable network channels, 3 months of free HBO Cinemax Showtime and Starz, and a month of free equipment full service insurance. The sales representative attempted to up-sell Steve to the next package which included more sports channels for a total of 150 channels for \$5 more a month. Steve was not interested due to the addition of sports channels. Steve does not watch sports and would not benefit from this package.

The Installation

Steve's initial install was scheduled for February 4th between 4pm and 9pm. When the install date was approaching he decided to make sure his service address was correct due to the complication of his address. He was not surprised when he checked online that his address was incorrect. After failing to correct the address online himself, he called customer service and spoke to Jennifer who attempted to correct the address. In the process of changing the address, he was told that the install date would have to be moved to February 15th, this was disappointing because Steve watches 'The Walking Dead' and February 14th was the first episode of the season premier. Still, he had to agree because Jennifer told him that there was no alternative. Jennifer also informed him that the original package selected was not available and he would have to sign up for a \$24.99 a month package. After nearly an hour of struggling with correcting the address and multiple issues with selecting a package to be installed the conclusion came that the install date would be the 15th and Steve would be receiving the free HD/DVR, and free installation with the \$24.99 a month package including free HBO and a few other perks that Steve was not particularly concerned with. Jennifer was apologetic and offered to send a \$200 gift card for the inconvenience, Steve was encouraged by the DirecTV representative due to the large inconvenience this call had caused. This phone call lasted well over an hour and caused Steve to be late for work, luckily the manager he works for is understanding and the workforce absorbed the tardiness.

The physical installation went on with only one hitch, the technician hit one of Steve's preexisting wires to his entertainment center. This wire was located under the house so the technician had to pull the wire through the hole and rewire the connection. Steve was not upset about this as the technician connected the wires before he left and made the system work.

The Billing Statement

Around the 22nd or so Steve received his first bill, he was surprised to see that the first bill was twice what was expected. First of all, Steve was informed by Jennifer that the bill would be \$24.99, a price that he was discontent with to begin with because he wanted the \$19.99 service. When he looked at the bill he saw that the original \$19.99 service he had requested is what he was now enrolled in, but an additional fee of \$7 to 'watch TV on One TV' was added to the bill along with another fee of \$15 to have an 'advanced receiver' function was added. Numerous ads and fliers display in large font '\$19.99' service and this is the service Steve was expecting to receive.

When Steve saw the amount of \$44.70 he was concerned and called customer service where he spoke with Peter.

Steve: "Hi, I am calling with concerns about my bill."

Peter: "OK, I can help you with that, what kind of concerns do you have about your bill?"

Steve: "I noticed on the bill that there is a line stating an additional cost of \$7 for a 'watch TV on one TV' and also an additional cost of \$15 called 'advanced receiver'. I was told by your representative named Jennifer in the sales

department that the receiver would be free and I was going to have a fee of \$24.99 per month. Now it seems that I am being charged \$19.99 a month, but I see these other two charges that I am unaware would be on my bill.”

Peter: “Yes, those are 2 sets of charges that are included in each billing cycle. The first is to have the signal from your dish sent to your first receiver. The second is a charge that is included to operate your HD DVR service.”

Steve: “I thought that the receiver was a free service.”

Peter: “Yes, the receiver is free of charge.”

Steve: “But now I am being charged each month to use it.”

Peter: “The DVR is free for you to use, but in order to record programs you are charged an additional fee of \$15 per month.”

Steve: “So, every month I will be charged \$19.99 to get the 120 channels, then an additional \$7 to have the signal sent from the dish to the receiver, and another \$15 to be able to record and watch live TV?”

Peter: “Yeah, that is correct.”

Steve: “Huh, I was under the understanding that I was going to pay \$24.99 a month for services, now I see that the bill is almost twice what I had originally anticipated. I can get these same services somewhere else for less money. I think I would like to go with someone else for cheaper. I would like to cancel my order.”

Peter: “I’m sorry you have entered into a 2 year contract. There is no way to disconnect now without paying an early termination fee. Your early termination fee would be about \$480 because you have 24 months remaining on your contract.”

Steve: “But I have just now received my first bill, I was not aware these other fees were going to be on here. I thought my bill was going to be \$24.99 a month. Now I have come to realize that this bill will be nearly twice what I was expecting. Since I am a new customer and this is my first bill, isn't there any way to disconnect without the early termination fee?”

Peter: “Unfortunately, there is nothing I can do for you about that, I am in the sales department and cannot disconnect service or wave fees.”

Steve: “Well, can you connect me with someone who can please? I would like to disconnect my services now.”

Peter: “Yes, I can connect you with the 'customer service' department.”

Steve: “OK, please connect me with them then. Thanks.”

Steve was connected with the customer service department where he was anxious to disconnect service. He realized that he should have gone with Comcast where they offered a bundle deal with internet and TV together for the price of \$89.99. This service was both faster and more reliable since it was a ground line and he would not have to worry about bad weather interfering with signal strength.

DirecTV agent: “Hello, my name is Melissa, how can I help you today?”

Steve: “I am interested in disconnecting services.”

Melissa: “I'm sorry to hear that, are you unhappy with the service?”

Steve: “No, I am happy with the service, I just got my first bill and it is twice what I was expecting to see so I would like to disconnect now.”

Melissa: “I see that you are a new customer, you are in a contract for 24 more months, you would have to pay the early termination fee. This fee would total \$480.”

Steve: “You cannot wave this fee? It is obvious that if I was aware that the first bill was going to be what it is, I would not be calling you with the concerns I have.”

Melissa: “I see in your notes that you have called us with concerns about your bill.”

Steve: “Yes, I got my first bill and it was twice what I was expecting, now I want to disconnect my services.”

Melissa: “I can disconnect you, but you will receive a bill for the early termination fee of \$480.”

Steve: “That is unacceptable, I have just now received my first bill and I will be expected to pay that much money to a company I am only just starting a relationship with? It sounds fraudulent to me somehow.”

Melissa: “If you would like, I can escalate this issue to our 'Activation offer department', they can review your case and call you back.”

Steve: “Can you transfer me to them please, I am a full time student, work part time, and have a family. My time is very limited and I was lucky to have a few hours today where I could call.”

Melissa: “I'm sorry, that department is only able to make outgoing calls—they are unavailable for transfer.”

Steve: “You mean you cannot transfer me now?”

Melissa: “No, I'm sorry, they will have to call you back after reviewing your case.”

Steve: “With my busy schedule I will not be able to receive the call, there is only about a 5% chance that the time you call, I will be able to talk.”

Melissa: “I'm sorry, but that is all I can offer you unless you would like to disconnect today and pay the early termination fee.”

Steve: “No, I will wait for your call, but it will probably be received by voice mail.”

Melissa: “I'm sorry I could not help you further. Is there anything else I can help you with?”

Steve: “No not today, I hope to receive your call soon.”

Melissa: “You should receive the call within five business days.”

Steve: “OK, I will wait for the call then, what other options do I have?”

Melissa: “Only the early termination fee.”

Steve: “Yeah I'll just wait for the call.”

Melissa: “Alright, I sent your request to the department.”

Steve: “Well, thanks for your help.”

Melissa: “Thank you for being a DirecTV customer.”

Steve: “....”

A few days later Steve noticed the call on his voice mail from what sounded to be 'Mani' from DirecTV management. She informed him she had looked at the case and gave him a number to call back, but the connection was so bad that even after listening to the voice mail several times he could not make out the number. He called the number that was on his caller ID (800-***-****) where he followed prompts to talk to a representative.

Steve spoke with Andy from customer service who looked at his account notes and placed him on hold for about 5 minutes or so and returned, informing Steve that he read the notes and understood that he was unhappy with the \$19.99 package. Steve informed him that this is not the case and that he was interested in disconnecting, that he was returning the call of the manager named 'Mani' that he had requested earlier. Steve requested to be forwarded to someone in management, he said he would connect me to 'Activation offer department'. This is curious to Steve since he was told earlier that this department could only place calls and not be connected to directly. Steve was connected to Ashley where we discussed multiple options and prices:

Ashley: “I understand you are interested in disconnecting services.”

Steve: “That's right, but I was told that I would have to pay an 'early termination fee' of nearly \$500. Since I am a new customer and just received my first bill, I figured

that I would be able to disconnect without having to pay this. There was confusion over the bill and I am dissatisfied with the agreement.”

Ashley: “I’m sorry to hear that, but I would not be able to waive that fee, you have entered into a contract that you signed when you had your dish installed.”

Steve: “Really...I would like to see that contract with my signature on it. Is there any way you can send that to me?”

Ashley: “Yes I can email you the contract.”

Steve: “This will have my signature on it?”

Ashley: “The contract I send will be the contract you signed, your signature will not appear on it, but it is the same contract you signed.”

Steve: “Can you send me that one and the one I signed too please?”

Ashley: “I can send you an email of the contract, but I will have to mail you the signed contract.”

Steve: “That’s fine, please send that to me.”

Ashley: “OK, I sent you the contract.”

Steve: “Yes, I can see on my phone that I got the email, thank you, can you tell me more about the \$7 fee and the \$15 fee please. They are described on the bill as 'advanced receiver' and 'watch TV on one TV'.”

Ashley: “Yes the 'watch TV on one TV' fee is required by the cable channels. They are the ones charging this to us and we transfer this charge to the customer. The other charge is for your DVR receiver so you can pause rewind and record shows.”

Steve: “So, if I purchase the receiver, would I still have this fee?”

Ashley: “Yes, this fee is for the service provided to you by DirecTV, not a rental fee.”

Steve: “These fees will be on each bill?”

Ashley: “Yes, they are on each billing cycle.”

Steve: “I was not aware of these fees, I was under the impression I would pay \$19.99 a month for services. This is why I am interested in disconnecting my service.”

Ashley: “Unfortunately, I cannot cancel services without charging the early termination fee.”

Steve: “I guess there is nothing you can help me with then.”

Ashley: “I’m sorry I couldn’t help you today.”

Steve: “Me too.”

Requesting More Help Online

After this discussion Steve contacted customer service online to request the email of customer service so that he could contact them directly, the transcript from that conversation follows.

Hi, my name is Kierstie S. (ID 100699232). How are you today?

Steve: OK, how are you?

Kierstie S. (ID 100699232): Hello there Steve!

Kierstie S. (ID 100699232): Glad to know that you are doing okay.

Kierstie S. (ID 100699232): I'm great! Thanks for asking.

Steve: I would like to receive the email address of the department in charge of early termination please.

Kierstie S. (ID 100699232): For security purposes, can you please also verify the full name and billing address, including the city, state and ZIP code on the account?

Steve: Steve McQueen 12345 upset lane 33325 Davie Florida,

Kierstie S. (ID 100699232): Thank you.

Steve: why do you need that information if all I am requesting is an email for a department?

Kierstie S. (ID 100699232): Are you asking for email address where you can send regarding your termination fee?

Steve: I would like to email the early termination department to see if I can negotiate with them about the early termination fees.

Steve: I would like it in email so I can have it in written form instead of phone calls.

Kierstie S. (ID 100699232): I see.

Kierstie S. (ID 100699232): Email is no longer an options for us. I have a direct line for you. Or I can give you the direct address where you can send your written request.

Steve: Is there an email address for customer service? I do not want to call because I get the same answer each time. I cannot request a script of each call can I?

Kierstie S. (ID 100699232): I do apologize; we no longer have an email address for customer service. I can give you a direct line.

Steve: I do not want a direct line, I can find that online, I would like any email address you can give me to contact someone with customer service or management please. If you cannot provide me with this information, who can?

Kierstie S. (ID 100699232): We can only give you a direct address where you can send your DIRECTV concern. '

Steve: So no one at direct TV has access to a corporate email address? No department has an email system?

Kierstie S. (ID 100699232): Yes, that is correct. We only have corporate address,

Kierstie S. (ID 100699232): Appreciate your patience.

Steve: OK then, please provide me with whatever information you can give. This is frustrating as the longer it takes to communicate with the department the longer I will be paying for services I am dissatisfied with.

Kierstie S. (ID 100699232): I understand your frustration, as much as I want to, I do not have an access for any email address. We do not have that options.

Steve: It's OK; I will search online. I'm sure someone has posted concerns similar to mine online. Please provide me with the address for the early termination department so I can send out my request as soon as possible.

Kierstie S. (ID 100699232): DIRECTV Customer Service P.O. Box 6550 Greenwood Village, CO 80155-6550

Kierstie S. (ID 100699232): Rest assured everything is noted on your account!

Steve: Is there any way you can send out the 'notes' that are in my account, I would be interested in reading them.

Kierstie S. (ID 100699232): I will send you this chat transcript for your reference.

Steve: I will get that in my email? What about any notes that have been made on my account, do I have access to them as well?

Kierstie S. (ID 100699232): Yes, after this chat session you will receive an email.

Kierstie S. (ID 100699232): Thank you for your time. I appreciate it. Again, this is Kierstie S. from DIRECTV. You have a great day!

Kierstie S. (ID 100699232): I will be sending you an email with our chat transcript. Please disconnect the chat session by pressing the X at the top right of this chat window.

Steve: But I do not have any way to receive the notes that have been added to my account?

Kierstie S. (ID 100699232): No, Steve.

Kierstie S. (ID 100699232): Our specialist can read the notes once he pulled up your account when you call us.

Steve: Can I have a copy of those notes emailed to me?

Kierstie S. (ID 100699232): Let me check.

Kierstie S. (ID 100699232): Thank you for waiting.

Kierstie S. (ID 100699232): As I see here we do not have options to send you the notes, but I can give you what the notes says about.

Steve: Yes please.

Kierstie S. (ID 100699232): Sure!

Kierstie S. (ID 100699232): I've noted that you are asking about the email address for your early cancellation fees. However, we informed you that email address for customer service is no longer available.

Steve: OK, what else is in the notes

Kierstie S. (ID 100699232): I've noted also that I provided and offered you a direct line and the corporate direct address.

Steve: OK, what notes did Ashley add?

Kierstie S. (ID 100699232): If I may ask, who is Ashley that you are referring to?

Steve: A previous agent I spoke to.

Steve: I also spoke to Melissa, Peter and Jennifer.

Steve: None of their notes are in my account?

Kierstie S. (ID 100699232): Let me check.

Kierstie S. (ID 100699232): I thought you are only referring the notes I have added on your account!

Steve: No problem

Kierstie S. (ID 100699232): Thank you.

Kierstie S. (ID 100699232): Thank you for waiting.

Kierstie S. (ID 100699232): As I see here the notes was regarding your concern about the \$19.99 each month and you was advised that cannot waive the early cancellation fee

Steve: Are there any other notes in there? There should be some about gift cards as well.

Kierstie S. (ID 100699232): All if that is noted in your account.

Steve: What does it say about the gift cards?

Kierstie S. (ID 100699232): There's no notes regarding the visa card.

Kierstie S. (ID 100699232): The only notes is the \$19.99 package that you trying to dispute!

Kierstie S. (ID 100699232): Are you there?

Steve: Yes here

Steve: The first representative that I spoke to, Jennifer, said she was sending out a \$200 gift card for my inconvenience. That is not in there? It was separate from the normal \$100 for switching or \$100 for bundling etc.

Kierstie S. (ID 100699232): No, Steve.

Steve: That's what I figured, I will probably never see that gift card then. Well, thank you for your time. I guess I will write that letter then and have to wait a month for the response then.

Kierstie S. (ID 100699232): You can put all your concern and send to our corporate address.

Kierstie S. (ID 100699232): Thank you for your understanding and patience! Rest assured everything is noted on your account!

Kierstie S. (ID 100699232): Thank you for your time. Again, this is Kierstie S. from DIRECTV. You have a great day!

Kierstie S. (ID 100699232): I will be sending you an email with our chat transcript. Please disconnect the chat session by pressing the X at the top right of this chat window. 'Steve' disconnected ('Concluded by End-user').

Steve is now in the process of sending the letter to corporate office to hear a response. Steve is hoping that he can disconnect service without the early termination fee applied to his account.

Conclusion

Steve sent a letter to the address listed above requesting permission to be released from the contract. The response from DirecTV was the same as received from the call center explaining that Steve would be required to pay an early termination fee of nearly \$500 to be released from the contract. Steve is extremely disappointed in the lack of customer service with DirecTV and the inability to communicate with management.

Case Questions

1. What value(s) was Steve dissatisfied with concerning service?
2. What could DirecTV do differently to improve customer service?
3. Discuss changes DirecTV should pursue to encourage loyalty retention.
4. What policies restricted Steve's options? What could DirecTV change to improve these restrictions?
5. What could Steve have done differently to reduce dissatisfaction in service from DirecTV?
6. As the CEO of DirecTV, how would you deal with this specific situation? Justify your response.
7. As the CEO of DirecTV, it is important for you to recognize the problems and the main issue. Conduct a fishbone analysis and justify your response.
8. As the CEO of DirecTV, what are the short term and long term implications of the main issue that you have identified? Also, what are some of the strengths, weaknesses, opportunities, and threats for DirecTV?
9. As the CEO of DirecTV, what is your action plan? Please use SMART Goals, identify a control system(s), and discuss how you will personally be involved in the action plan.
10. In today's volatile and competitive business environment, how would you rank the following three contributing factors of a successful business: Cost, Customer Service, and Consistency? Justify your response.