

Not So Flexible Cable

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Abstract

A customer struggles with accepting the service rate that Flexible Cable is charging for cable, Internet, and phone service. Flexible Cable offers a two-year service package that locks her in with a low price for the first year of the contract and then raises the price for the final 12 months of the contract. This forces the customer to pay the increased rate and does not allow the person to be eligible for a new promotional deal that was similar to the original package. This is a type of negative trade talk, highlighting a monopoly service within the provider to customer relationship. Businesses make decisions that directly impact their relationship with consumers, and some of these decisions create a positive business to consumer relationship, whereas other negative decisions strain these relationships. Establishing a strong internal competency within the firm can help eliminate any tension with consumers when a company creates monopolistic decisions. Monopolistic decisions financially benefit the business, despite creating a negative business to consumer relationship and negative customer service reputation.

Key words: customer service; marketing; internal competency within the firm; advertising; monopoly

Story

After moving to Exeter, New Hampshire, I was in the market to find a cable and Internet service provider. After contacting several service providers, I learned that Flexible Cable has monopolized the cable and Internet offerings within the Seacoast of New Hampshire. I became a new customer of Flexible Cable, because they were the only option for Internet access and cable TV bundle package. I signed up for the “Unbelievable Play Package”, which means I have access to Internet and cable TV, but no phone. I had a 1-year introductory rate of \$115 per month. After the 1 year expired, my new rate became \$175 per month.

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I was not informed of the large price increase for the second year when I worked with the original Flexible Cable customer representative. I then contacted Flexible Cable about this large price increase. The customer representative suggested that I could opt for a “Three Play Package”, which was similar to my original package, but it also included a phone. I have no use for a local phone number, and so this did not interest me, but the pricing was less than what I was paying for the old package. The new “Three Play Package” rate was for one year, but I was again committed to a 2-year contract. Thus, after the year was up, the rate would be much higher than the \$175 I was paying for the lower package. Below is my correspondence with the customer service representative from Flexible Cable regarding adjusting my cable and Internet needs as a current customer:

Thomas: Hi, thanks for shopping. Do you have any questions about our products or services that I can help answer?

Me: I am a current Flexible Cable customer. Is this package available for me?

Thomas: Do you mind if I ask you a couple questions to make sure I provide you with the correct information?

Me: Sure.

Thomas: According to your account on file your address is “INSERT ADDRESS.” Is this correct?

Me: Yes.

Thomas: Thank you for the clarification.

Thomas: Since you already have the Unbelievable Play Package you are not eligible for the Three Play Package promotion.

Thomas: May I ask what package you are interested in adding?

Me: HD Premier with sports for \$159.99 a month.

Thomas: Thank you for your clarification.

Thomas: Going back to your concern, you are eligible for the \$159.99 HD Premier with Sports Package.

Thomas: HD Premier with Sports has the Digital Premier TV, which includes over 260 digital channels like HBO, Showtime, Cinemax, and Starz. This package also includes Voice Unlimited and has a download speed of up to 150 mbps and an upload speed of up to 10 mbps.

Thomas: I understand that you already have a package in mind. To make sure that it meets your needs, what channels are you looking to have?

Me: How much is this package after the twelve-month promotional price?

Thomas: The package is on promotion for \$159.99 per month for 12 months. After 12 months, the package will be on promotion for \$184.99 per month for months 13-24. After 24 months, the regular rate of around \$215.49 per month will apply. If you want a second TV, of course there is another charge for that. Roughly, \$8 a month.

* These rates do not include the addition of taxes and fees, which are about \$20 per month. There is also a \$10 per month fee for a modem that is required. My conversation with Thomas ended at this point with no resolution other than I was locked in with my current cable package.

Even with the promotional package for \$159.99/month, the ending monthly cost would be about \$200 per month and \$225.00 for the second year. Essentially, the service rate that Flexible Cable decides to charge for its services is not negotiable and requires one to be locked into a two-year contract. A long-term package is not feasible or realistic to pay over \$200 at a condo rental. If I were to move out of this location, I would still be responsible for the cable and Internet payments until my contract expired, despite not using the service. Flexible Cable tries to continue to raise your package rate the longer you are a customer with them. The longer the customer to service relationship is, the higher the service price will ultimately have to pay.

Outcomes

- A. Flexible Cable could continue its monopolistic pricing as it signs up New Residential Customers, causing them to be unhappy about Flexible Cable's pricing, which can be deceptive.
- B. Flexible Cable could have a single reasonable rate that could be locked in for the duration of the two-year contract.
- C. Flexible Cable could allow current customers to be eligible for all new promotional rates even though they are not 'New Residential Customers'.
- D. Flexible Cable could increase advertisements to improve its user image rating.
- E. Flexible Cable could make its current marketing practices for the programs less deceptive and straightforward regarding the pricing of packages.

Surface Assessment

The customer feels being taken advantage of by Flexible Cable, as the rate continues to increase despite Flexible Cable's commitment to the customer as a service provider. Flexible Cable knows that it will receive the business, regardless of what the rate is. If customers want cable, Internet, or phone, they will pay the asking price. Flexible Cable will receive the business, but the customers' perceptions of the company will be poor from being locked into a contract and taken advantage of since there are no alternatives. Solution C is the best service recovery option.

Deep Assessment

Consumers feel locked in to Flexible Cable due to its extensive reach and the customers' lack of options within the cable, phone, and Internet industry. Flexible Cable has over 30 million customers and does not feel the need to become more affordable, since it has a strong competitive advantage. Consumers feel stuck with whatever price Flexible Cable chooses to charge them. Consumers also understand they need to comply with Flexible Cable's business model if they want to have cable, Internet, and phone service. Increases in program expenses and charges are the

primary weakness the company is facing. From a financial standpoint, Flexible Cable is excelling but its business to customer relationship leaves much to be desired. Customers are dissatisfied with the hidden fees and deceptive package bundles. Furthermore, customers experience buyer's remorse rather quickly after the Flexible Cable experience due to the monopolistic business practices and the lack of empathy towards its customers.

Multiple Choice

- A. Flexible Cable could continue its monopolistic pricing as it signs up New Residential Customers, causing them to be unhappy about Flexible Cable's pricing, which can be deceptive. 0 points. Flexible Cable may be a telecommunication leader, but its user image rating is extremely poor. In monopolistic situations, customers tend to deal with Flexible Cable due to a lack of options for cable, phone and Internet services. The firm's business rating of 1.1 out of 5 shows how its customer to business relationship is lacking.
- B. Flexible Cable could have a single rate that could be locked in for the duration of the two-year contract. 2 points. Consumers would prefer this, since they at least understand their cable package cost upfront. They would have a full understanding that Flexible Cable will be charging this amount for two years, compared to a certain price for one year, then another price after the first year, and then a further increase after two years from the time the agreement was formed.
- C. Flexible Cable could allow current customers to be eligible for all new promotional rates even though they are not 'New Residential Customers'. 5 points. Flexible Cable would decrease its profit margin, but would see an increase in customer satisfaction. Customers would experience a more positive relationship with Flexible Cable from being able to experience the promotional benefits as a returning customer. The firm's current promotions only target new customers and essentially charge more and more the longer one has been a customer.
- D. Flexible Cable could increase advertisements to improve its user image rating. 0 points. This would not be beneficial, unless Flexible Cable changed its business model and internal competency. Consumers would not view the advertisements positively unless there were changes to how the firm provided service to them and evolved its package structure and overall service delivery.
- E. Flexible Cable could make its current marketing practices for the programs less deceptive and straightforward regarding the pricing of packages. 3 points. Consumers would feel less taken advantage of and fully understand what they are purchasing. When consumers face unexpected charges, they feel as though the service provider and customer representative have failed them. Consumers would prefer to have a full understanding of what the total cost is over the time of the contract versus being surprised at the time of any new billing when they are already fully committed to the service provider.