



The Broadstripe Service Guarantee

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Cable companies traditionally focused on discounts for bundles of TV, Internet, and phone plans to win new customers instead of delivering great customer service. Broadstripe, a small cable company, launched a service guarantee with the aim of becoming the best-in-class service provider. Twenty months after the launch, Broadstripe's management was reviewing the performance of the guarantee and had to decide what changes should be made, if any.

Broadstripe, a small provider of cable, Internet, and phone services in four States (Michigan, Oregon, Maryland, and Washington) faced a difficult situation. Tony Lent, Chief Commercial Officer at Broadstripe, was convinced that the company had to dramatically improve its customer service.

However, how does a small cable company differentiate itself from better-known industry giants and establish a best-in-class customer experience? Should a company at the edge of bankruptcy invest in customer service altogether?

THE CABLE INDUSTRY

Traditionally, cable companies tried to appeal to customers with discounts for bundles of TV, Internet, and phone plans. Customer service, however, had mostly been disregarded. As a consequence, customer satisfaction ratings in the cable industry had been the lowest of any industry. Results of the American Customer Satisfaction Index (ACSI) showed that the largest providers (Comcast, Time Warner Cable, and Charter Communications) only had an ACSI score average of 59 on a scale from 1 to 100 over the past seven years, compared to an average of 82 for Internet

retailers, 75 for banks, and 65 for airlines. Importantly, the cable industry was also lagging behind their satellite TV or telecommunication competitors with DIRECT TV and DISH Network scoring an average of 68.

As competition from satellite TV and phone companies intensified, an increasing number of consumers disconnected their subscription TV services in favor of online video services such as Netflix and Hulu. Responding to these competitive pressures, cable companies turned to customer service to try and improve their negative reputation. Several cable companies began to develop customer-oriented policies. For example, Time Warner Cable offered an on-time guarantee that promised that a service representative showed up on time for installations and service appointments. The company claimed that it was the first company in the industry to introduce the on-time guarantee. Comcast, the nation's largest cable TV provider, had begun to offer a 30-day money-back guarantee and a \$20 credit if a technician was late.

Exhibit 1: Broadstripe's logo displayed at its headquarters.



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The support and feedback of Tony Lent, Chief Commercial Officer at Broadstripe, in the writing of this case are gratefully acknowledged.

This case was prepared as a basis for class discussion rather than to illustrate effective or ineffective handling of an administrative situation.





THE IDEA OF A SERVICE GUARANTEE FACED INTERNAL RESISTANCE

In early 2009, Broadstripe filed for Chapter 11 bankruptcy protection due to competitive pressures, shrinking subscriber numbers, and a high debt burden due to acquisitions that had been made before the financial crisis. The subsequent restructuring cut operational costs, and the firm divested a number of its holdings.

At the same time, Lent saw the necessity to dramatically improve the customer service experience, and he was convinced that a powerful service guarantee would be effective in driving service level improvements internally and in communicating its commitment to service excellence externally. Lent explained:

As a relatively small cable company, I knew we would have to do something to break through the noise. There are over 900 cable companies in the USA. Of the top 25 cable companies, two-thirds had money-back guarantees. Most of these guarantees were for 30 days. All of these guarantees were only for new customers. Many of these guarantees were soft guarantees—they were in place but nobody told prospective customers about them.

My “ah ha” moment was when I saw GM’s “May the Best Car Win” campaign. I saw a lot of parallels between GM and Broadstripe. For example, we were both bankrupt, both had perceived quality issues, and both needed to change customers’ perceptions in a hurry.”

However, the question was, could Lent persuade the new management to approve his ideas? There was no lack of resistance to investing into a service guarantee. Lent recalled:

I was concerned that there was a lag effect from the time we had put service improvements in place and getting credit for the improvements we made in the marketplace. For example, we invested heaps into adding more staff, improving the technology in our call centers which included a workforce management system, recording calls for training purposes, instituting post install surveys, and adding a call-back service, but it took time for customers and prospects to realize that we had become a much

better company. I also wanted to institute a 60-day money-back guarantee [MBG] to instill pride, a sense of leadership, and as a forcing function for all employees to drive customer orientation.

In December of 2009, I got into a heated argument with a member of our executive leadership team over the 60-day MBG. He took the position that the timing was not good. I disagreed. My exact words were, “If not now—when?” Ultimately, we agreed to disagree and I took my case to the senior leadership team of Broadstripe and ultimately prevailed.

BROADSTRIPE’S SERVICE IMPROVEMENT EFFORTS

Broadstripe started a grass-root approach to improve its customer experience. For example, the Northwest region traditionally had been a problematic area. The company invested significantly into upgrading its network, overhauling customer service, and implementing a number of customer-focused initiatives. Key consumer concerns addressed issues such as rate increases and call center responsiveness. Tamara Shelman, Senior Vice President of Customer Care, and her team decided to dramatically increase staffing levels, extend call center hours, and require all service representatives to undergo extensive training.

THE BROADSTRIPE SERVICE GUARANTEE

To support its service initiative, Broadstripe launched several service guarantees over the past years. Initially, the company introduced *Broadstripe Forever VIP*, the first lifetime price guarantee in the industry (see Exhibit 2), which offered new and existing customers the opportunity to lock in one price for life for (V)ideo, (I)nternet, and (P)hone service.

In February 2010, the company launched a 60-day MBG (see Exhibit 3) offering both new and existing Broadstripe residential customers 60 days to test the cable provider’s services. This was followed by the *Broadstripe Challenge* in May 2010, which was a total satisfaction service guarantee that invited customers to take advantage of the existing 60-day MBG and test the service. If customers were not totally satisfied, Broadstripe paid for the subscriber to restore the service with their previous cable provider.



Exhibit 2: Tony Lent, MBA from the University of Michigan, stands in front of a poster of the newly launched Forever Pricing Guarantee.



According to Lent, Broadstripe's 60-day MBG went beyond any money-back guarantee program in the industry: "We took the industry's best satisfaction guarantee and made it better."

From a service operations perspective, implementing the service guarantee enabled Broadstripe to identify and focus on closing service quality gaps. For example, the company noticed an increase in refund requests in the Pacific Northwest.

As it turned out, problems were traced back to "nodes" of the network infrastructure affecting high-speed data services. Once the company identified the cause, it decided to improve the infrastructure by adding new CMTS¹ while temporarily stopping its direct mail campaign in this area. Lent argued: "We did not want to make a difficult situation worse." Since then, the situation improved, which led to the company's decision to continue again with its direct mail campaign. Overall, service failures were lower since the introduction of the service guarantee. According to Lent, the number of "trouble tickets"² was down approximately 30 percent from when the company first instituted the

1 CMTS (cable modem termination system) refers to equipment that is located in a cable company's "headend" (an unstaffed facility). It is used to provide high-speed data services (e.g., cable Internet).

2 Trouble tickets are a measure that refers to customer complaints and any problems with the Internet or TV channels.

3 The magazine *Small Business Monthly* (SBMON.com) publishes a list every year of "Best in Business" based on nominations from its readers of top businesses in various industries for the St. Louis metro area.

Exhibit 3: Broadstripe's 60-day MBG.



60-day MBG. In addition, customer churn had experienced a step-function decrease since the first launch in January 2010. In fact, by the end of 2010, Broadstripe actually started to grow its subscriber base for the first time in over five years.

The service guarantee and the service improvements it had driven helped to change the public's perception about Broadstripe. In July 2010, Broadstripe was recognized by *St. Louis Small Business Monthly* as one of 14 "Best Telecommunications Companies in the Business."³ Yet, probably the most significant indicator of Broadstripe's



successful service improvements was the company's recent announcement that its rating from the Better Business Bureau (BBB) was changed from an "F" rating to an "A+" rating.⁴ According to the BBB, Broadstripe met the accreditation standards, which included a commitment to ethical business practices and to resolving any consumer complaint.

From a marketing perspective, Broadstripe saw increasing response rates to its direct mail campaigns. Response rates of nonsubscribers improved to 0.7 percent compared to an industry average of 0.5 percent, and response rates of current subscribers to cross-selling offers reached 0.7 percent compared to an industry average of 0.3 percent. In addition, Broadstripe's customer service representatives reported good success in utilizing the guarantee as a tool to close deals with prospective clients (see Exhibit 5 for sample customer responses). As a result, sales from technicians have doubled over the last two years, now accounting for 4–5 percent of total sales compared to an industry average of 1–2 percent.

The improvements in service operations, public perception, and marketing effectiveness were reflected in an improving bottom line. Lent noted:

Since January of 2010 we have recorded approximately \$162 million in revenue, since then we have refunded some \$38,000 or about \$1,700 per month. This is only 0.023 percent of our revenue.

Exhibit 5: Sample customer comments about the 60-day MBG.

Typical customers comments when they were informed by sales staff that Broadstripe offered a 60-day, full-satisfaction money-back guarantee:

- "I used to have your service and the telephone service was not reliable but I'd like to try everything again to see if we are happy since you offer a 60-day money back guarantee."
- "You have a 60-day Money Back? Ok then. I guess if it doesn't work I will just call back."
- "You're right, I've got nothing to lose since Broadstripe offers a 60-day Money Back."
- "Ok, I guess I'll go ahead and set it up"

4 The BBB is a national organization that evaluates and monitors ethical business practices. Based on file information about a business, the BBB assigns letter grades from A+ (highest) to F (lowest) based on the rating of 16 different factors (for details about the factors see www.BBB.org).

Our operating margin runs at 26.7 percent, much higher than 2009.

Moving forward, there were a few challenges that Lent had to address. He had just received an e-mail from his colleague Ancy Vue, Customer Service Supervisor, who felt that there were issues with customers taking advantage of Broadstripe's MBG. She had prepared a list of a few recent customer claims (see Exhibit 6) and wanted to discuss her proposed handling of those claims.

This e-mail was timely as Lent had already planned to analyze the MBG in more detail. He wanted to spend time thinking about how he could redesign the MBG and develop a policy on how to deal with potentially opportunistic claims (see Exhibit 7 for the terms and conditions of the guarantee).

Then he thought how the policy could be better communicated on Broadstripe's website. Currently, the MBG was only promoted on Broadstripe's product category pages, for example, Digital TV (see Exhibit 8). However, there was no specific link in the "Help Desk" tab that allowed customers to access the terms and conditions quickly or to invoke the MBG online. He wondered if making the MBG more "visible" and allow easy invocation of the guarantee online would potentially increase customer claims.

Finally and most critically, his senior management committee wanted an update from him about the performance of the guarantee. Lent was asked to present on (a) the financial performance of the MBG program, (b) how competitors had been reacting since its launch, (c) how the MBG program had affected Broadstripe's service culture, in particular among employees in the call centers, and (d) the extent subscribers were taking undue advantage of the service guarantee. Lent was thinking through these questions while starting to look through some key data in his spreadsheet (see Exhibit 9).

Exhibit 6: Sample customer claims when invoking the guarantee.

- "Services are not up to snuff so how do I go about getting my money back?"
- "I haven't made a payment on any of my services but heard that I can get my money back after 60 days."
- "I want the 60 Day Money Back because I don't need the services anymore."
- "The program I want [NFL Sunday] is not available so I want my money back."

**Exhibit 7:** Terms and conditions of Broadstripe's 60-day MBG.

Broadstripe's 60-day guarantee is for a limited time and is only available in Broadstripe serviceable areas. To be eligible for a money-back guarantee refund, customers must timely pay for all services, taxes and fees and comply with applicable service agreement(s) and terminate service by calling to request a refund within 60 days of service activation.

Broadstripe will refund customers up to \$75 (installation charge) to switch customers back to their previous provider within 60 days of initiating new service if they are not satisfied with their new Broadstripe services. The "Switch Back Refund" applies only to digital cable, Internet, and/or home phone service. Customers requesting a "Switch Back Refund" need to provide Broadstripe with written documentation (bill, work order, invoice, etc.) that details installation charges incurred "switching back" to their previous provider. Customers wishing to obtain a "Switch Back Refund" will need to call Broadstripe to make arrangements for sending to Broadstripe acceptable written documentation of installation charges.

To request a refund in:

- Maryland, please call 877-882-7623.
- Michigan, please call 800-444-6997.
- Oregon, please call 800-829-2225.
- Washington, please call 800-829-2225.

Broadstripe services covered by our 60-Day, money-back guarantee are:

- Digital Cable
- Internet
- In-home networking
- In-home wire maintenance
- Home Phone
- DVR
- **HBO**
- **cinemax**
- **starz**
- **SHOWTIME**
- Hispanic Tier (Maryland Customers Only)
- Digital Sports and Adventure Tier
- HD Tier
- Pay-Per-View movies, events and adult content are excluded from the money-back guarantee.

The refund will not apply if refunded service is reestablished with Broadstripe by customer within 90 days of disconnection. Broadstripe's money-back guarantee policies are subject to change. Broadstripe 2011.



Exhibit 8: Broadstripe's website featuring the MBG.



HOME | BILL PAY | NEWS | HELP | BUSINESS CLASS

Google™ Custom Search Search

BROADSTRIPE

MY BROADSTRIPE DIGITAL TV INTERNET PHONE HELP DESK BUSINESS CLASS SHOP BROADSTRIPE

Why Broadstripe Digital TV?

Broadstripe Digital TV features:

- Tons of the most popular channels, including all your local channels - watch thousands of programs!
- Access to Pay-Per-View shows and movies
- Commercial-free music channels
- HD channels with programming ranging from live sports to prime-time dramas (HD equipment required)
- Parental controls so you can decide what your kids watch



With Digital you can access Pay-Per-View shows and movies, watch thousands of programs, enjoy the benefits of a DVR, commercial-free music channels and use parental controls to decide what your kids do and don't watch.

Enjoy HD channels that range from live sports to prime time dramas & nature documentaries:

- Access premium movie channels such as HBO, Showtime and Starz.
- All your local channels including NBC, CBS, ABC, Fox and PBS...yes you can still "Dance with the Stars..." and you don't have to have a set top box!

Lock in a low price for LIFE when you bundle with the Broadstripe Forever VIP!

Order Now! or Our Sales Team Will Call You!

[View Packages](#)

Broadstripe's new 60-day, money-back guarantee is the BEST in the industry! Now, new and existing customers get a 60-day, money-back guarantee on any new video, internet, or phone service! Broadstripe has recently invested millions of dollars on a major upgrade to our network so customers can enjoy more reliable products, faster internet speeds and better customer care. You can count on Broadstripe to deliver the best overall value on in-home communications and entertainment...it's guaranteed!



Broadstripe's sixtyday guarantee is a limited time only guarantee and is only available in Broadstripe serviceable areas. To be eligible for a money-back guarantee refund, customers must timely pay for all services, taxes and fees and comply with applicable service agreement(s) and terminate service and request a refund in writing within 60 days of service activation. The refund will not apply if service is reestablished by customer within 90 days of disconnection. Broadstripe's money-back guarantee policies are subject to change. Call Broadstripe for restrictions and complete details.



Exhibit 9: Service guarantee operating data.

Key Performance Indicators	Cumulative after 12 Months	Monthly Average of 12 Months	Cumulative after 20 Months	Monthly Average of 20 Months
Number of new RGUs ¹	94,624	7,885	162,474	8,124
Number of unique customers who invoked the MBG	209	17.42	420	21.00
Number of disconnected unique customers	209		420	
Number of disconnected RGUs	470	39.17	928	46.40
% of customers disconnected using 60-day MBG	0.50%		0.60%	
Refund		\$91.56		\$86.00
Service credits issued ²	\$19,594.37	1,632.86	\$36,119.35	1,805.97

1 RGU (revenue-generating units) refers to digital cable, Internet, and home phone services.

2 Service credits refer to total refunds paid out to customers.

STUDY QUESTIONS

1. Explain the impact of a well-designed service guarantee on a firm's service employees, service operations, current and potential customers, and on marketing and sales.
2. Evaluate the design and communication of Broadstripe's service guarantee. Would you recommend any changes?
3. Can the guarantee be successful in creating a culture for service excellence within Broadstripe? What else may be needed for achieving such a culture?
4. Do you think customers might take undue advantage of this guarantee and "stage" service failures to invoke the guarantee? If yes, how could Broadstripe minimize potential cheating on its guarantee?
5. Imagine you are in Lent's position. How would you conduct the analysis and what would you present to the management committee?

