Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)	
	)	
Comment Sought on Measures Designed to Assist U.S. Wireless Consumers to Avoid "Bill Shock"	)))	CG Docket No. 09-158

REPLY COMMENTS OF VERIZON WIRELESS

Verizon Wireless hereby responds to the initial comments submitted in response to the Commission's Public Notice seeking input on the usage management tools currently available to U.S. consumers and whether regulations requiring service providers to implement usage alerts and other usage management tools should be adopted.[1] The record shows that wireless customers have a variety of usage management tools available to them both on their devices and online. Advocates for new rules mandating specific usage tools do not provide facts that could justify new regulation. While they point to a recent survey conducted for the Commission, the survey is marred by numerous problems that undermine its validity.

I. THE RECORD SHOWS THAT CUSTOMERS ALREADY HAVE ACCESS TO INFORMATION ABOUT THEIR WIRELESS VOICE AND DATA USAGE.

Commenters agree that consumers should have access to clear information regarding their wireless usage.[2] Intense competition has led wireless carriers to provide consumers with

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1 *Comment Sought on Measures Designed to Assist U.S. Wireless Consumers to Avoid "Bill Shock,"* CG Docket No. 09-158, Public Notice, DA 10-803 (May 11, 2010) ("Usage Management Public Notice").

2 *See, e.g.*, Comments of the Massachusetts Office of the Attorney General and the Massachusetts Department of Telecommunications and Cable, CG Docket No. 09-158 (filed July 6, 2010) ("Massachusetts Parties Comments") ("It is critical that consumers have access to information about the services to which they subscribe, their usage, and how their usage will

usage information.[3] Providers of all sizes have made this information available,[4] and many have developed tools that allow customers to monitor and control their usage in various ways.[5] The

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affect their monthly bills"); Comments of Rural Cellular Association, CG Docket No. 09-158 (filed July 6, 2010) ("RCA Comments") ("RCA agrees that consumers should have the benefit of relevant information pertaining to the provision of wireless services and choice").

[3] *See, e.g.*, Comments of T-Mobile USA, Inc., CG Docket No. 09-158 (filed July 6, 2010) ("T-Mobile Comments") ("T-Mobile recognizes that a customer suffering from 'bill shock' is unlikely to stay for long with the company that provided the unwelcome surprise. In today's competitive and evolving retail wireless marketplace, therefore, providers must regularly experiment with different methods of meeting their customers' information demands based on available and emerging technology, customer demographics, and other factors."); Comments of CTIA – The Wireless Association®, CG Docket No. 09-158, at 2 (filed July 6, 2010) ("The wireless industry's continuous introduction of consumer protection and account management tools are driven by rapidly-evolving consumer expectations in a dynamic marketplace. The account management tools detailed herein are satisfying the needs of the vast majority of consumers through constant innovation spurred by the competitive marketplace."); Comments of Sprint Nextel Corporation, CG Docket No. 09-158, at 1-2 (filed July 6, 2010) ("Sprint Nextel Comments") ("Mobile service providers have a strong financial incentive to ensure their customers do not receive 'surprises' in their monthly bills. . . . Customers who receive unexpected charges tend to be unhappy customers – and unhappy customers rarely remain customers.").

[4] *See, e.g.*, Comments of AT&T, Inc., CG Docket No. 09-158, at 3 (filed July 6, 2010) ("AT&T Comments") (noting that AT&T customers receive a personalized, easy-to-read Customer Service Summary before they sign up for service that explains the features of the rate plan he has selected, including any usage limitations and costs that may apply); Sprint Nextel Comments at 3-4 (detailing the information Sprint provides customers at the point of sale and in the first 30 days after sale); T-Mobile Comments at 8 (stating that T-Mobile offers detailed information regarding the consequences of exceeding usage limits in its terms and conditions of service and online); RCA Comments at 2, 4 ("RCA Carrier members provide their customers with accurate and detailed account and billing information, both on their monthly bills and through online resources. . . . [S]everal RCA members have voluntarily agreed to disclose rates and terms of service to consumers at the time of the sale and on their websites, including monthly access charges, number of minutes in the calling plan, charges for overages, roaming charges, and other charges collected by the carrier."); Comments of Verizon Wireless, CG Docket No. 09-158, at 13-18 (filed July 6, 2010) ("Verizon Wireless Comments").

[5] *See, e.g.*, Verizon Wireless Comments at 2-12; T-Mobile Comments at 4-7 (noting that T-Mobile sends free text alerts to customers when they are close to reaching or have reached their Whenever Minutes® bucket limit, offers several tools over which customers may monitor their usage, and provides other tools that allow customers to control their usage including text message blocking, Web Guard, family allowances, and content blocking, among other things); Sprint Nextel Comments at 5-6 (describing the tools Sprint offers customers to help them control

robust competition in the wireless marketplace empowers consumers by incenting providers to offer consumers detailed information regarding the services they offer, as well as innovative tools that allow consumers to control those services.

Despite the significant information available to consumers and the variety of tools offered by wireless carriers today, several commenters argue that regulation is necessary.[6] One-size fits all regulation, however, ignores the key differences between carriers.[7] Certain tools that may work well for one carrier and its customers may not work for another. For example, the Rural Cellular Association notes that smaller carriers are better positioned to provide direct billing review and resolution than usage alerts, which would require costly network and billing system upgrades.[8] Larger carriers, in contrast, may be able to offer customers usage alerts and online

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their usage including the Sprint Plan Optimizer, on-line alerts, blocking capabilities, Roaming Call Guard, and other tools); AT&T Comments at 5-8 (detailing the services AT&T offers to assist customers in tracking their usage and billing including its online account management system and courtesy alerts).

[6] *See* Comments of The Center for Media Justice, Chicago Media Action, Consumers Union, Esperanza Peace and Justice Center, Media Access Project, Media Alliance, Media Justice League, Media Literacy Project, National Alliance for Media Arts and Culture, National Hispanic Media Coalition, New America Foundation, People's Production House, Public Knowledge, and Reclaim the Media, CG Docket No. 09-158 (filed July 6, 2010) ("New America Foundation et al. Comments"); Comments of the Utility Consumers' Action Network, CG Docket No. 09-158 (filed July 6, 2010) ("UCAN Comments"); Comments of Consumer Action and the National Consumers League, CG Docket No. 09-158 (filed July 6, 2010) ("Consumer Action Comments"); Massachusetts Comments; Letter from Lisa Brennan, Montgomery County, MD Office of Consumer Protection, CG Docket No. 09-158 (filed July __, 2010) ("Brennan Letter").

[7] *See, e.g.*, Comments of MetroPCS Communications, Inc., CG Docket No. 09-158, at 2 (filed July 6, 2010) ("A 'one size fits all' approach to avoiding unexpectedly high bills and keeping customers informed ignores the diversity of business models and customer needs that are in the market. Because many providers' services are structured differently, the optimal method for keeping customer adequately informed will be different as well.").

[8] RCA Comments at 2, 5.

usage monitoring tools to help consumers monitor and control their usage.[9] But even within these broad classes of carriers, differences exist that would make any broad regulation difficult to implement. Because each carrier has developed and deployed its own network and billing system, each of which have different operational functionalities and capabilities, the tools and alerts that may be feasible for one carrier may not be for others. Wireless carriers are best positioned to make these determinations about the types and mix of information to provide to customers about usage. Indeed, as RCA notes, regulation could undermine the Commission's ultimate goal of competition and "consumer welfare, innovation and investment" by increasing costs and ultimately the fees paid by consumers.[10]

The record also shows that the competitive wireless market drives providers to listen to consumers and take directly responsive measures to provide the kind of information in the format that consumers prefer and continually updating those measures. For example, Verizon Wireless modified the design and content of its confirmation letters and pricing grids based on customer feedback, ultimately improving customer comprehension of the fees associated with Verizon Wireless' services and overall satisfaction.[11] Sprint and T-Mobile have similarly indicated that they are constantly striving to improve the information and tools they provide customers.[12]

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9 *See, e.g.*, T-Mobile Comments at 4-5; AT&T Comments at 6-8; Sprint Nextel Comments at 5-6.

10 RCA Comments at 5 (noting "the Commission's goal, as outlined in the National Broadband Plan, [is] to ensure robust competition and to maximize consumer welfare, innovation and investment" and stating that "[i]mposing an automated bill shock requirement at the expense of consumers, while well-intended, ultimately would prove contrary to this goal.").

11 Verizon Wireless Comments at 18.

12 *See* T-Mobile Comments at 9-10 ("Not only does T-Mobile currently offer a wide variety of monitoring tools, including usage alerts in many circumstances, it is constantly assessing the value of additional mechanisms to keep consumers informed and pleased with our service."); Sprint Nextel Comments at 15 ("Sprint and its competitors, in a never-ending desire to retain

Restrictive regulation would discourage these types of modifications, inhibiting carriers' ability to respond to changing customer needs and, ultimately, innovation.

Advocates for new regulation incorrectly assert that wireless service plan information is incomplete and fails to demonstrate the true cost of service, leading to substantial consumer confusion.[13] These commenters, however, provide no evidence supporting this claim.[14] To the contrary, as Verizon Wireless demonstrated in its initial comments and the consumer-facing materials attached to those comments, it provides information regarding overage charges and taxes and fees in its promotional materials as well as a first bill estimate when customers sign a contract in one of its retail stores.[15] Information about the amounts of usage included in various voice and data packages is available to customers in many forms, including the My Verizon booklet and on-line. Verizon Wireless is not alone in providing information about usage charges in various places to help customers select the service plan that best meets their needs.[16]

Moreover, advocates for new mandates involving usage alerts and other measurement tools fail to provide any facts that demonstrate how or why such mandates would address any specific problem. They also ignore all of the concrete actions providers already take to inform

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customers and increase customer satisfaction, continue to revise their methods of sharing information with customers (without overwhelming them), and carriers compete with each other to find the approach consumers find most effective.").

13 New America Foundation et al. Comments at 4-5 ("Wireless service plan descriptions in advertising materials or at the point of sale often promote 'base rates' that fail to demonstrate the true cost of service. . . . As a result the wireless providers' current marketing and billing practices lead to substantial confusion over the actual cost of a service and severely limit the ability of consumers to choose among plans and competing providers.").

14 Commenters claim that the FCC's "bill shock" survey provides this evidence. As discussed in detail below, however, this survey suffers from multiplel flaws.

15 Verizon Wireless Comments at 15-17.

16 *See, e.g.*, Sprint Nextel Comments at 3-4; AT&T Comments at 3, Attachment 1.

customers about the usage of voice and data, including alerts and other usage tools, which are detailed in the comments of many providers.[17] Thus they fail to explain why these existing carrier practices – coupled with the market-driven incentive to improve these practices to win and retain customers – are not fully sufficient. For this reason alone there is no factual basis to consider proposals for new rules.

II. THE SURVEY COMMISSIONED BY THE FCC DOES NOT ESTABLISH "BILL SHOCK" AND HAS NUMEROUS FLAWS.

Some commenters seeking new regulation base their arguments on the survey conducted in April 2010 for the Commission[18] as evidence that usage management regulation is necessary.[19] This reliance, however, is misplaced. In early June, shortly after the survey was released, Verizon Wireless retained Dr. Joel B. Cohen, who is one of the leading experts on the design and conduct of consumer surveys,[20] to evaluate the survey's methodology and findings. Dr. Cohen has prepared a detailed analysis of the survey, which is attached to these reply

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17 *See, e.g.*, Verizon Wireless Comments at 2-18; AT&T Comments at 3-8; Sprint Nextel Comments at 3-6; T-Mobile Comments at 4-8; RCA Comments at 2, 4. *See also* CTIA Comments at 3-13.

18 "FCC Survey Confirms Consumers Experience Mobile Bill Shock and Confusion About Early Termination Fees," News Release (May 26, 2010. According to the news release, the survey was conducted by Abt/SRBI and Princeton Survey Research Associates International. To Verizon Wireless' knowledge, these firms did not produce a report analyzing the survey's methodology and findings, nor have all of the underlying survey data been placed in the record.

19 *See* Consumer Action Comments at 6; New America Foundation et al. Comments at 5; Massachusetts Parties Comments at 3-4.

20 Dr. Cohen is a leading scholar in the academic discipline of consumer behavior and recently received the Distinguished Service Award and the 2009 Best Article Award from the leading scholarly journal in the field, the *Journal of Consumer Research*. He is a Distinguished Service Professor Emeritus and former chairman of the marketing department at the University of Florida. As a recognized expert in survey research, Dr. Cohen has served as Director of Social and Behavior Science Research at National Analysts and as a consumer behavior and survey research consultant to the Federal Trade Commission.

comments.[21] He concludes that the survey data did not support the Commission's conclusions, and that the survey suffers from numerous defects. Dr. Cohen summarizes his conclusions as follows:

- "Despite the FCC report's claim that the survey demonstrated "bill shock," the survey never in fact asked respondents whether they had experienced "shock" or even "surprise" about their wireless bill. For this reason alone, the FCC report's highly publicized conclusion is invalid.

- "The survey only asked respondents about increases in their bill (Q.52), but never asked questions about whether those increases were expected. Customer's bills obviously vary from month to month as a function of consumers' decisions to use available services. Home energy and water bills, for example, vary considerably, but it would be inappropriate to conclude that consumers were "shocked" when they saw that their bills went up during a relatively hot or cold month or when there was no rain to water their lawns. Gasoline and credit card bills can vary significantly as a function of holiday travel and vacations, and consumers anticipate that will happen. If the same FCC survey approach to these and many other categories of expenses was taken and people were only asked whether such bills had increased, similar results would be found. It would be nonsensical, on that basis alone, to interpret any of these increases as "bill shock." The fact that only 1 in 6 respondents reported a sudden increase indicates, to the contrary, that the vast majority of customers are successfully managing their charges as well as choosing effectively among an array of cell phone plans. The FCC report also offers little support for any claim implying customer dissatisfaction.

- "There is tremendous inconsistency throughout the report regarding how similar questions are asked. While some questions are open-ended, allowing people to provide their own best recall, other times interviewers read lists providing ranges of responses that respondents may never have considered.

- "The survey's methodology for determining eligibility to answer specific questions was tremendously flawed. Typically, survey practices ensure only participants with knowledge of a particular issue (or exposure to information about that issue) answer questions related to that issue. This survey, however, does not consistently use sensible eligibility criteria (such as confirmed familiarity with bills they are asked about). And when any eligibility criteria (beyond the mere use of a cell phone) are used, they are minimal and subjective. This approach draws into question the accuracy of the FCC's conclusions based on the survey.

- "It is fundamental survey research procedure to allow people to say that they have no opinion about an area of inquiry rather than lead people to think they should have an opinion or know something they do not know. In the FCC survey researchers did not

[21] Joel B. Cohen, Ph.D., "The FCC Survey: What the Data Can Tell Us about "Bill Shock" and Early Termination Fees," July 2010.

inform participants that it is fine to say they don't know or have no opinion about any subject they are asked about. When such answers actually appeared on the questionnaire, researchers were instructed NOT to read those options to respondents. The survey data therefore is likely to be contaminated by guesses.

- "In addition to failing to qualify participants to answer detailed questions regarding early termination fees (ETFs), the survey's ETF questions reflect a number of problems. For example, the survey's question regarding the importance of ETFs to participants when deciding whether to switch carriers is asked only after a number of other questions are asked about ETFs, thereby communicating the fact that ETFs are important."

Given these methodological and other problems with the survey, it does not supply a valid factual basis for drawing conclusions about wireless customers' experiences – let alone that any particular number of Americans has experienced "bill shock" about their wireless services. Nor could it provide a sustainable ground for proposing new regulation. Moreover, other third-party surveys have shown that most customers are satisfied with their wireless service and that consumer satisfaction is increasing.[22] Rather than consider new regulation, the Commission should continue to partner with wireless carriers to help make consumers even more aware of information available to them. As Verizon Wireless noted in its initial comments, it supports these efforts because the Commission is well-positioned to consolidate this information and engage in consumer outreach programs. Verizon Wireless looks forward to partnering with the Commission in these efforts.

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[22] Information about two such surveys, the United States General Accountability Office's survey and the American Customer Satisfaction Index annual survey, has been placed in the record. Verizon Wireless Comments at 19-20.

III. CONCLUSION

The wireless industry is providing consumers with a wide range of tools and information that they can use to monitor and control their wireless usage. Regulation of wireless providers' communications with their customers is at best unnecessary and unwarranted. At worst it would undermine providers' ability to adapt to consumers' ever-changing needs, and inhibit the innovation and differentiation that are the hallmarks of the competitive wireless market. Further, some commenters' reliance on the FCC-commissioned survey as evidence that regulation is necessary is misplaced. The survey has numerous flaws as to methodology, making its results inaccurate and unreliable, and precluding its use as the basis to consider new rules.

Respectfully submitted,

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Filed: July 19, 2010

THE FCC SURVEY:

WHAT THE DATA CAN TELL US ABOUT "BILL SHOCK" AND EARLY TERMINATION FEES

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July 2010

Introduction and Summary

On May 26, 2010, the Federal Communications Commission issued a news release saying, among other things, that the findings of a large survey "indicated that 30 million Americans—or one in six mobile users—have experienced 'bill shock,' a sudden increase in their monthly bill that is not caused by a change in service plan." The FCC survey was also said to show, "that nearly half of cell phone users who have plans with early termination fees…don't know the amount of the fees they're accountable for. " A summary of survey findings issued by FCC staff provides significantly more detail about results, but it essentially repeats these conclusions: "The Federal Communications Commission new survey of American consumers of broadband and cell phone service finds that one in six cell phone users has experienced 'bill shock' . . . This translates into approximately 30 million Americans who have at one time had 'bill shock' on their monthly bill." The FCC repeats the claim of "bill shock" a number of times in this news release, leading the reader to believe the phrase is well supported by the survey data, the quality of which is heightened by citing the margin of error at only plus or minus two percentage points. Regarding early termination fees (ETFs), "For those with personal cell phones, 54% said they would have to pay an ETF and 18% did not know whether they would have to pay a fee….Among personal cell phone users who said they were subject to an ETF, 47% did not know what the amount of the fee would be."

I am a Distinguished Service Professor Emeritus at the University of Florida. I received my B.S. in Business Administration, MBA with a focus in Marketing, and Ph.D. in Business Administration/Marketing with the supporting Field of Social Psychology from U.C.L.A. I have published many highly cited articles and book chapters on psychological processes that are important in attitude formation and consumer decision making along with a variety of other consumer behavior topics in a number of leading journals including the Journal of Consumer Research, Journal of Marketing Research, and Journal of Consumer Psychology as well as a number of other edited volumes including authoritative handbooks in my field. In addition, I was recently awarded the Distinguished Service Award for lifetime achievements in scholarly research by the Journal of Consumer Research as well as that journal's "Best Article Award." I served as the Editor of the Journal of Public Policy & Marketing and as the President of the Association for Consumer Research, the leading scholarly organization in the field. Prior to joining the University of Florida, I served as Director of Social and Behavioral Science Research at National Analysts. I have been a consumer behavior and survey research consultant to the Federal Trade Commission and other U.S. and Canadian investigatory and regulatory bodies. Among other projects, I was selected by the National Cancer Institute to design and carry out a national survey to help establish consumers' understanding of cigarette health risks and to present these findings to the President's Cancer Panel.

Verizon Wireless asked me to review the survey data made available by the FCC to determine whether the data adequately supported the agency's claims and conclusions. In my opinion, they do not. The survey and the conclusions in the agency's summary have numerous defects. In summary:

- Despite the FCC report's claim that the survey demonstrated "bill shock," the survey never in fact asked respondents whether they had experienced "shock" or even "surprise" about their wireless bill. For this reason alone, the FCC report's highly publicized conclusion is invalid.

- The survey only asked respondents about increases in their bill (Q.52), but never asked questions about whether those increases were expected. Customer's bills obviously vary from month to month as a function of consumers' decisions to use available services. Home energy and water bills, for example, vary considerably, but it would be inappropriate to conclude that consumers were "shocked" when they saw that their bills went up during a relatively hot or cold month or when there was no rain to water their lawns. Gasoline and credit card bills can vary significantly as a function of holiday travel and vacations, and consumers anticipate that will happen. If the same FCC survey approach to these and many other categories of expenses was taken and people were only asked whether such bills had increased, similar results would be found. It would be nonsensical, on that basis alone, to interpret any of these increases as "bill shock." The fact that only 1 in 6 respondents reported a sudden increase indicates, to the contrary, that the vast majority of customers are successfully managing their charges as well as choosing effectively among an array of cell phone plans. The FCC report also offers little support for any claim implying customer dissatisfaction.

- There is tremendous inconsistency throughout the report regarding how similar questions are asked. While some questions are open-ended, allowing people to provide their own best recall, other times interviewers read lists providing ranges of responses that respondents may never have considered.

- The survey's methodology for determining eligibility to answer specific questions was tremendously flawed. Typically, survey practices ensure only participants with knowledge of a particular issue (or exposure to information about that issue) answer questions related to that issue. This survey, however, does not consistently use sensible eligibility criteria (such as confirmed familiarity with bills they are asked about). And when any eligibility criteria (beyond the mere use of a cell phone) are used, they are minimal and subjective. This approach draws into question the accuracy of the FCC's conclusions based on the survey.

- It is fundamental survey research procedure to allow people to say that they have no opinion about an area of inquiry rather than lead people to think they should have an opinion or know something they do not know. In the FCC survey researchers did not inform participants that it is fine to say they don't know or have no opinion about any subject they are asked about. When such answers actually appeared on the questionnaire, researchers were instructed NOT to read those options to respondents. The survey data therefore is likely to be contaminated by guesses.

- In addition to failing to qualify participants to answer detailed questions regarding early termination fees (ETFs), the survey's ETF questions reflect a number of problems. For example, the survey's question regarding the importance of ETFs to participants when deciding whether to switch carriers is asked only after a number of other questions are asked about ETFs, thereby communicating the fact that ETFs are important.

Consumers Did Not Report "Bill Shock".

The FCC left the impression that one in six cell phone users—which they quantify as 30 million Americans—reported "bill shock" on the survey. I can find no question used in this survey that asks people if they ever experienced "bill shock" or even whether they were surprised by any increase in their cell phone bill.

Instead, the 2463 survey respondents who had a cell phone for personal use were asked:

> Q. 52 Has your cell phone bill ever increased suddenly, from one month to the next, even if you did not change the calling or texting plan for your phone?

A total of 16 percent answered "yes."

But "bill shock" implies an unexpected or surprisingly larger bill, and respondents were never asked whether any bill they received was higher than they expected. There are a number of reasons why a bill can be higher from one month to the next, including a greater use of services or a different mix of services used. In fact, the 16 percent figure seems low, considering how much cell phone costs might vary depending on travel or reasons for increased texting or internet use. Another way to interpret the rather low 16 percent response is that most people may have done well anticipating their month to month variations in cell phone use and chosen an appropriate cell phone plan. The FCC survey failed to follow up question 52 by asking people who said "yes" whether the increase was anticipated and whether they knew they were incurring higher charges. There is no appropriate way to discuss these findings in terms of "shock" or "surprise" without asking people those types of questions.

The FCC's analysis of the survey's other questions on "bill shock" similarly suffers from flaws. The FCC press release stated that, "The amount of bill shock varies widely but is often sizeable. In the survey, more than a third of people who experienced bill shock said their bills jumped by at least $50, and 23 percent said the increase was $100 or more." These data are taken from those who answered "yes" to question 52, who then were asked:

Q. 53 Do you happen to remember how big the most recent increase was? Was it…**(READ)**

1 $1 to $24
2 $25 to $49
3 $50 to $74
4 $75 to $99, OR
5 $100 or more?
8 **(DO NOT READ)** Don't know
9 **(DO NOT READ)** Refused"

Only 391 respondents were eligible to answer this question. The two largest categories of answers were at the opposite ends of the answers read to respondents: 35.5 percent choosing $1 to $24, and 23 percent choosing $100 or more. This pattern (the highest number of responses in the first and last categories read to respondents) fits the primacy and recency pattern of results that occurs when people's answers are influenced by what they hear first and last in a list, rather than on what they are actually recalling based on their own personal experience. For that reason, many survey researchers prefer to leave such a question open-ended, allowing people to answer it on their own, rather than suggesting particular answers or even an expected range of answers, especially if response categories that are higher than people anticipate are read to them. To do otherwise biases participants toward specific answer categories and may lead people to alter their own answers so as to appear more in step with the range supplied by the experts who designed the survey, since presumably this is what cell phone users have experienced. The researchers' failure to leave this question open-ended is likely to have biased some participants' answers.

There is a surprising amount of inconsistency in how related questions are put to respondents. For reasons that are not made clear, during the first part of this lengthy interview (dealing with internet service), questions similar to Q53 were asked differently, in that the questions were left open-ended, and response categories were not read to respondents:

Q10. Do you happen to know what the speed of your Internet service at home is according to the company that provides your service? This is sometimes referred to as the download or downstream speed of your connection per second. **[DO NOT READ CATEGORIES; PRECODED OPEN-END] [INTERVIEWER:** KBPS = kilobits per second; MBPS = Megabits per second**]**

Q26. Do you know how much those fees would be? **[IF YES, ASK:** About how much would the termination fees be?**] [DO NOT READ CATEGORIES; PRECODED OPEN-END]**

There is also inconsistency within the cell phone portion of the survey, and the procedure of not reading response categories is observed for Q50 (but not, as previously shown) for Q 53:

> Q50. Do you know how much those fees would be? **[If YES, ASK:** About how much would the termination fees be?**] [DO NOT READ CATEGORIES; PRECODED OPEN-END]**

To make matters even more inconsistent with established survey procedures, at one point the researchers appear to have left the procedure up to the interviewer in the field by letting them decide whether it is necessary to read the answer categories, something that is almost never done:

> Q60. What was the total of the termination fees you had to pay your old cell phone company to end service? **[IF NECESSARY: READ ANSWER CATEGORIES]**
> 1 $1 to $49
> 2 $50 to $99
> 3 $100 to $149
> 4 $150 to $199
> 5 $200 or more
> 8 Do not know or remember how much fees were
> 9 **(DO NOT READ)** Refused

Thus, the survey departs both from accepted survey research procedure and from the approach followed in the first half of the questioning as well as Q50 by having the cost increase answer categories read to respondents in Q53 (and some of the time in Q60), potentially altering their answers.

Pushing further on the "bill shock" issue, the FCC press release and summary of the survey findings reported that:

> "The survey finds that of the 30 million Americans who have experienced bill shock:
>
> · 84 percent said their mobile carrier did not contact them when they were about to exceed their allowed minutes, text messages, or data downloads.
>
> · 88 percent said their carrier did not contact them after their bill suddenly increased."

This statement is based on Question 54:

> **ASK IF BILL JUMPED SUDDENLY**
> Q54. Now please tell me if your cell phone company has ever contacted you… **[INSERT; READ AND ROTATE]**? Have they ever contacted you… **[INSERT NEXT ITEM]**?
> a. When you were about to exceed your allotted minutes, text messages, or data downloads
> b. After your bill suddenly increased

Despite the reference to "30 million Americans," only 391 people were asked these questions. There was no effort to qualify these 391 people for eligibility. They merely had to own a cell phone for personal use and to have reported a sudden, month-to-month increase. They were not restricted to being bill payers (or even being familiar with the bill), and so even if the bill payer had been contacted by the cell phone company, there is no particular reason everyone in the household would know that. In addition, as discussed further herein, respondents were not advised that it was fine to say they did not know.

Further, the survey found that 93 percent of consumers are very or somewhat satisfied overall with their wireless service, and that only 8 percent are not satisfied with their cell phone carrier's customer service. If such contact from the cell phone company were important to consumers and did not occur when people thought it should, considerably more than 8 percent of consumers would likely report being not satisfied with cell phone customer service.

<u>The FCC Survey, Particularly its Approach to Eligibility, Is Inconsistent with Established Survey Practices</u>.

The survey significantly departs from well-established survey practices in a number of ways. Most important, standard survey practices ensure participants are only asked questions for which they have sufficient knowledge to respond. It is unrealistic to expect people to provide knowledgeable answers to questions about issues that they have not thought about. When people have not thought about an issue (possibly because it is not relevant or important to them) they are likely to guess or use information gleaned from the interviewer to formulate a response. The survey's departure from these established procedures draws into question the accuracy of the FCC's conclusions based on the survey.

First, adequate eligibility restrictions are not used throughout the survey, and the FCC approach is both flawed and inconsistent. In both portions of the survey (internet and cell phone questions), the researchers included questions to determine which of the people they were speaking with actually paid these two bills or might otherwise be familiar with them.

Specifically, Questions 14 and 15 from the internet portion of the survey and questions 41 and 42 from the cell phone portion of the survey are designed to gather this information:

Q14. Do you usually pay the monthly bill for the internet service at home… does someone else usually pay the bill… or in some months you pay it and some months someone else does so?

1 I pay internet bill
2 Someone else pays bill
3 Some months I pay bill, some months others pay it
4 Other **(SPECIFY)**
8 **(DO NOT READ)** Don't know
9 **(DO NOT READ)** Refused

Q15. **[IF R DOES NOT PAY BILL (Q14=2,8,9), ASK:** Even if you do not personally pay the bill…**]** How familiar would you say you are with the monthly bill for your internet service at home… very familiar, somewhat familiar, not too familiar or not familiar at all?

1 Very familiar
2 Somewhat familiar
3 Not too familiar
4 Not familiar at all
8 **(DO NOT READ)** Don't know
9 **(DO NOT READ)** Refused

Q41. **[IF HAVE PERSONAL USE CELL PHONE AND HAVE TWO OR MORE CELL PHONES (Q35=2), ASK:** Still thinking about the cell phone you have for your personal use…**]** Who usually pays the bill each month for your cell phone? Do you pay the bill, or does someone else in your household or family pay the bill…**[IF HAVE PERSONAL USE CELL PHONE AND EMPLOYED (EMPL=1,2,5), ASK:** or does your employer pay the bill**]**?

1 R pays bill
2 Someone else in household/family pays bill
3 Employer pays bill
4 Other **[SPECIFY]**
8 **(DO NOT READ)** Don't know
9 **(DO NOT READ)** Refused

Q42. **[IF R DOES NOT PAY BILL (Q41=2-9), ASK:** Even if you do not personally pay the bill…] How familiar would you say you are with the monthly bill for your cell phone service… very familiar, somewhat familiar, not too familiar or not familiar at all?

1 Very familiar
2 Somewhat familiar
3 Not too familiar
4 Not familiar at all
8 **(DO NOT READ)** Don't know
9 **(DO NOT READ)** Refused

These questions, as phrased, raise a number of concerns. The first point to be made is that the researchers switched from an objective criterion to determine eligibility to answer questions about bills and fees to a subjective one. The validity of survey data depends on clear and unambiguous communication between those designing the survey and those answering the questions. Therefore, asking a factual question about who pays the cell phone bill is far superior to using a subjective standard (judged familiarity) since the latter depends on the respondent's interpretation of what the interviewer means by "very" and particularly "somewhat" familiar as well as what the respondent considers each to mean. These answers are sufficiently subjective that the respondent does not know what the interviewer means. For example, when a survey respondent hears the words "very familiar" does the respondent believe that the interviewer means that a person carefully reviews the charges on a bill or only that the person typically sees the bill when it comes in and knows what types of information it contains? "Somewhat familiar" is far more ambiguous and lacks any reliable reference point. People may assume it means nothing more than the most general level of awareness.

Also, these researchers changed the typical subjective scale used to assess familiarity and knowledge when more objective measures are difficult to develop. The typical categories would be headed by "very familiar" and then "familiar." "Somewhat familiar" is further down the subjective scale of familiarity. It thereby invites people to choose that answer to avoid appearing uninformed by indicating a lack of familiarity (since remaining response categories are all on the "not familiar" side of the scale).

Finally, it is not clear why the researchers failed to follow-up the objective criterion (who pays the bill) in questions 14 and 41 with a straightforward objective question such as, "Do you personally look over the charges and fees on the bill?" Subjective criteria can differ a great deal from person to person, so an additional objective question like the above could have yielded more accurate results when used to determine who was eligible to answer questions.

In addition to adopting very loose and, in my view, inappropriate subjective criteria to determine eligibility to answer questions about cell phone bills and fees, the FCC's application of these criteria to the remaining questions raises concerns. Under the present circumstances, when asking about aspects of the household bill for these services, clearly those who pay the respective bills are appropriate people to ask, and a case could be made to include those who claim to be <u>very</u> familiar with the respective bills. Because "somewhat familiar" lacks any clear point of reference and could mean almost anything beyond "I don't pay much attention to it," it was not appropriate to designate people giving this response as eligible to answer questions about aspects of the bill. Instead, in my view, only those who pay the bill or who report being very familiar with it should be asked questions about details of the bill, including month-to-month changes and fees. None of the results reported by FCC are based on this appropriate combination of responses.

These criteria also are used inconsistently or dropped entirely during the survey. In the internet portion of the survey, the eligibility criteria for Q 16 are set forth below:

> **ASK IF Pays bill (Q14=1,3) or Familiar with bills (Q15=1,2)**
> Q16. Now I would like to ask you specifically about the bills you receive for YOUR INTERNET SERVICE at home.

So, when question 16 d asks about "Any fees you would have to pay if you switched to another internet company" only those who paid the internet bill or who report being very familiar or somewhat familiar with this bill are eligible to answer this question.

However, in the cell phone portion of the survey the eligibility criteria are inexplicably changed for some of the questions dealing with the bill or fees. They are the same as in the internet portion only for Q47:

> **ASK IF Pays bill (Q41=1) or Familiar (Q42=1,2)**
> Q47. Now I would like to ask you specifically about the bills you receive for YOUR CELL PHONE SERVICE. How clear is…[**INSERT; READ AND RANDOMIZE**] on your bill?
> a. How much you are paying for cell phone service
> b. How to contact the company if you have a question about the bill or the service
> c. Any fees you would have to pay if you switched to another cell phone company
> d. Whether there are any limits on your access to the internet using your cell phone

No such eligibility criteria are used for the following questions:

> **ASK IF R HAS PERSONAL USE CELL PHONE**
> Q49. Do you happen to know if you would have to pay your cell phone company a termination fee or penalty if you cancelled your current cell phone service?
>
> **ASK IF WOULD HAVE TO PAY TERMINATION FEE (Q49=1)**
> Q50. Do you know how much those fees would be? **[If YES, ASK:** About how much would the termination fees be?**]**
>
> **ASK IF R HAS PERSONAL USE CELL PHONE**
> Q52. Has your cell phone bill ever increased suddenly, from one month to the next, even if you did not change the calling or texting plan for your phone?
>
> **ASK IF BILL JUMPED SUDDENLY (Q52=1)**
> Q53. Do you happen to remember how big the most recent increase was?
>
> **ASK IF BILL JUMPED SUDDENLY (Q52=1)**
> Q54. Now please tell me if your cell phone company has ever contacted you… **[INSERT; READ AND ROTATE]**? Have they ever contacted you… After your bill suddenly increased**?**

Instead, the only eligibility criterion for these questions is whether the person has a personal use cell phone.

The "bottom line" with respect to eligibility criteria in this survey can be expressed as follows. First, relying on data regarding increases in cell phone bills or aspects of those bills (including fees) from everyone who owns a personal cell phone, regardless of whether they are sufficiently familiar with their household cell phone bills, is inappropriate. Second, when eligibility criteria are narrowed at all they are far too inclusive, allowing people who only report being "somewhat familiar" (perhaps so as not to appear uninformed) with their cell phone bills to be included. This makes the data from questions purporting to establish some type of "bill shock" (shown earlier not to assess shock or surprise) even more inappropriate, since they were asked of people who might not have much interest in or knowledge about the household's monthly cell phone bills. Many of the "EARLY TERMINATION FEE" questions use the same "relaxed" eligibility criteria and hence suffer from the same problems.

Second, in most surveys, respondents would be told that it is fine to say they don't know or have no opinion about any subject they are asked about. I have carefully examined the questionnaire made available by the FCC, and I cannot find any instruction to respondents that tells them it is acceptable to say they have no opinion or don't know the answer to any question. Further, though the category "don't know" appears on the questionnaire for data coding purposes for many questions, the interviewer is instructed <u>not</u> to read that possible response to survey respondents.

Some baseline indication of the amount of guessing throughout the survey might be gleaned from Question 50:

ASK IF WOULD HAVE TO PAY TERMINATION FEE (Q49=1)
Q50. Do you know how much those fees would be? **[If YES, ASK:** About how much would the termination fees be?**]**

When given the express opportunity to say they didn't know the answer (which unfortunately was not the case for most questions), 51 percent said they did not know. By not making it seem appropriate or easy for respondents to indicate that they have no opinion or don't know (in virtually all questions), the data is likely to be contaminated by guesses.

<u>The Survey's Approach to Questions about Early Termination Fees and Bills Is Badly Flawed</u>.

The FCC press release reported that, "nearly half of cell phone users who have plans with early termination fees (ETFs) …. don't know the amount of the fees they're accountable for." The summary added, "Among those who stated affirmatively that they would incur a fee if they tried to terminate service, many did not know what the fee would be…. For those with personal cell phones, 54% said they would have to pay an ETF and 18% did not know whether they would have to pay a fee." The summary of the survey prepared by FCC staff appears to conclude that this lack of knowledge may be due to a lack of bill clarity. "As noted, many cell phone users do not know if they have to pay an ETF and many, if they are aware that an ETF applies, do not know its level. One possible reason for this: consumers' cell phone bill may not be clear enough, to some people at least, so they can acquire and understand information about ETFs." This analysis, however, has a number of flaws.

As an initial matter, valid surveys typically ask a lead-in question that establishes the relevance of a line of questioning to each respondent (*i.e.*, qualifying the respondent). Doing so would be standard procedure. As noted above, most of the questions dealing with ETFs were asked of everyone who happened to own a cell phone and not of the subset of people who paid the bill or reported being very familiar with the bill or the subset of people who had knowledge about such fees. Only question 47 (presented above) restricts eligibility in any meaningful way, but unfortunately it includes those saying they were only "somewhat familiar" with their cell phone bill (in addition to those who either paid the bill or said they were "very familiar" with it). With respect to the other questions, there was no attempt to screen out people who had little knowledge about their bills or such fees. Oddly, in my opinion, the two questions that could have been used to identify a subset of people who <u>were</u> interested in ETFs appear near the end of the section dealing with ETFs and were never used for this purpose:

ASK IF R HAS PERSONAL USE CELL PHONE
Q55. Now thinking about the past three years, have you switched your cell phone service from one company to another?

ASK IF have not switched
Q56. In the past three years, how seriously have you considered switching cell phone companies? Would you say… **(READ)**

1 Very seriously,
2 Somewhat seriously,
3 Not too seriously, OR
4 Not at all seriously? **(INTERVIEWER:** if R volunteers "Have not considered", code as Punch 4**)**
8 **(DO NOT READ)** Don't know/Someone else makes those decisions
9 **(DO NOT READ)** Refused

As I indicated, it is unrealistic to expect people to provide knowledgeable answers to questions about issues that they have not thought about, and so the value of qualifying respondents (as in Q56) is obvious. When people have not thought about an issue (possibly because it is not relevant or important to them) they are likely to guess or use information gleaned from the interviewer to formulate a response. For example, if a set of questions about some issue were asked, and they were followed by a question asking whether that issue was important, respondents, particularly those who have no real knowledge or opinions about that issue, are likely to answer that the issue is important—simply because the interviewer wouldn't be asking so many questions about it unless it was important. As I will point out a bit later, that problem exists in the present survey.

Further, whether cell phone customers do or should expect to see such non-incurred fees on their monthly bills seems to be an open question. People were not asked whether they expected to see such information or thought it was necessary to include ETFs on their bills as long as that information was easily available to them in material describing their plan/contract. Only 4 percent said that it was not clear how to contact the company if they had a question about the bill or service. This strikes me as exceptionally good communication from wireless companies, and people should feel comfortable about obtaining information when it is relevant to their decisions.

In addition, there are a number of flaws associated with specific ETF questions and the FCC's interpretation of those questions. First, flawed procedures can be seen in question 48 that asks participants how easy it would be to switch wireless carriers.

ASK IF R HAS PERSONAL USE CELL PHONE

Q48. If you wanted to do so NOW, how easy do you think it would be to switch from your current cell phone company to another company… very easy, somewhat easy, somewhat difficult, very difficult or could you not do it at all? *{new}*

1 Very easy
2 Somewhat easy
3 Somewhat difficult
4 Very difficult
5 Could not do it/It is impossible/Not available
6 **(DO NOT READ)** Would not do it
8 **(DO NOT READ)** Don't know
9 **(DO NOT READ)** Refused

In addition to failing to tell respondents that if they have no opinion they should say that (see discussion above), the interviewer does not read two relevant answers ("Don't know" and "Would not do it"), making it much less likely that respondents would provide those answers. This leads people to make a choice from among the four answers that were read to them even if they really had no opinion or knowledge about this issue. Consider the accepted survey approach in which people are first qualified by asking them something like: "Have you ever thought about switching from your current cell phone company to another company?" Those who respond "yes" presumably have devoted at least a minimal amount of thought to how easy or difficult they expected such a switch to be. They should have been the only ones asked a follow-up question.

Question 49 displays a flaw in question design as well as the previously discussed failure to properly qualify people:

ASK IF R HAS PERSONAL USE CELL PHONE

Q49. Do you happen to know if you would have to pay your cell phone company a termination fee or penalty if you cancelled your current cell phone service?

1 Yes, would have to pay fees
2 No, would NOT have to pay fees
8 **(DO NOT READ)** Don't know
9 **(DO NOT READ)** Refused

This question is poorly worded and the answers are ambiguous. Consider what the response "no" means given the wording of the question ("Do you happen to know if……..”). "No" would seem to mean "I don't know," but it is coded as meaning "No, would NOT have to pay fees."

As pointed out earlier, anyone having a personal cell phone was deemed eligible to answer this question, even if they paid no attention at all to their cell phone bills or fees, possibly because someone else in the household had accepted that responsibility. There is no attempt to qualify people by asking them something like, "Have you ever thought about whether there are any fees associated with cancelling your current cell phone service?" The interviewer does not tell them that it is fine to say "I don't know" or "I have no opinion" about this issue, despite the fact that these may be the most accurate responses.

As already demonstrated, failure to properly qualify people to be sure they had the knowledge to answer bill-specific questions combined with the failure to indicate that it was fine for them to say they had no opinion or did not know the answer, leads to both guessing and answers based on question wording and question order. Question 50 asks participants to indicate whether they know how much their ETF will be and, if so, to identify that amount. 51 percent said they did not know. My own assessment is that even this figure is unrealistically low because it would be unusual for consumers to walk around with such detailed information in their heads, ready to be retrieved. Based on my 40 plus years as a consumer behavior researcher, including the design of a major national study to determine how familiar smokers were with the tar levels of the cigarette they currently smoked (presumably an important and relevant piece of information—and where 79 percent did not know the answer despite its appearance on packages and in advertising), I doubt that even 20 percent of people would actually know how much these fees were prior to revisiting the written information about their plans. As long as people know where to find such information at the time they wanted to think about it, that would seem sufficient to making good decisions. And, that would be a far more realistic standard than expecting most cell phone users to walk around with that information in their minds. In that regard, I noted earlier that only 4 percent said that it was not clear how to contact the company if they had a question about the bill or service.

Question 51 asks about the importance of ETFs in people's decisions to refrain from leaving their current cell phone company.

ASK IF R HAS PERSONAL USE CELL PHONE
Q51. What are some reasons you would KEEP your current cell phone company, even though you might have seriously considered switching companies? Would **[INSERT ITEM AND RANDOMIZE]** be a major reason, a minor reason, or not a reason at all for keeping your current cell phone company? How about **[INSERT NEXT ITEM]**?

[READ IF NECESSARY: Was this a major reason, a minor reason, or not a reason you would keep your current cell phone company?**]**

ASK ITEM A FIRST, THEN RANDOMIZE
a. Paying termination fees to your current cell phone company

The structure of the questionnaire is likely to produce a bias in the direction of people saying that ETFs are important. A set of questions in the initial, internet portion of the survey conveyed the importance of ETFs by repeated questions about them (e.g., Q16d, 25, 26, 27a, 31, 32, 33), with Q 27 being identical to Q51a except for the substitution of cell phone company for internet provider. Then, in the cell phone portion of the survey, people had already been asked up to two questions (Q49, shown above, and Q50, which attempts to quantify how much those fees would be) prior to being asked Q51 to assess whether such fees are important (*i.e.*, a reason to keep your current cell phone company). It is not reasonable to expect the drumbeat of prior questions about ETFs to have no impact on how people will answer Q51. The repetitive questioning about such fees in the survey has communicated that such fees must be important, hence biasing the answers to Q51. In addition, those respondents who indicated that ETFs were important enough to be reasons to keep their current internet providers would likely have the added motivation to appear consistent in how they regarded similar fees for keeping/switching cell phone providers.