



**Testimony of**

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**on**

**“Customer Service and Billing Practices in the Cable and Satellite Television Industry”**

**before the**

**United States Senate Permanent Subcommittee on Investigations**

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## **I. Introduction**

My name is Kathy Schneider, and I am the Senior Vice President of Operations for DISH Network L.L.C. (DISH). I work out of the company's headquarters in Englewood, Colorado. On behalf of DISH, I would like to thank Chairman Portman, Ranking Member McCaskill, and members of the Subcommittee for the invitation to discuss DISH's award-winning satellite television service.

In the 1980s, DISH's three founders decided that customers should have an affordable alternative to cable. DISH started with two large C-band satellite dishes delivered by the founders themselves in a pickup truck. One day, while hauling one of those two dishes to a customer in rural Colorado, a strong wind blew the dish off its trailer and into a roadside ditch. There went half of the company. Summed up as a bad day in the infancy of DISH, our founders overcame this setback to build what is now a Fortune 200 company that employs thousands and serves millions throughout the nation – a seemingly unlikely future on that particularly eventful day.

Since launching its Direct Broadcast Satellite (“DBS”) service in early 1996, DISH has worked to reinvent television distribution and provide meaningful competition within the pay-TV industry. We have introduced some of the market's best, most innovative products while leading the industry in providing customers the best value. Fundamentally, our success depends on satisfied customers, and we have spent the last two decades working tirelessly to make the customer experience better.

Today, DISH is the nation's fourth largest pay-TV provider with nearly 14 million subscribers and 18,000 employees. Throughout the U.S., we have twelve call centers, two large service locations and dozens of other staffed facilities. We have thousands of staff dedicated to

servicing our customers. We also have relationships with over 6,000 independent retailers (providing storefront options for our customers), including 146 retailers in Ohio and 167 retailers in Missouri. We are proud that DISH is the *only* provider of local broadcast television service in all 210 U.S. TV markets, ensuring that even the most rural customers receive the same high-quality television service as customers in urban areas.

Without a doubt, DISH's success relies on our commitment to customer service. We work hard every hour of the day, every day of the year to provide a great entertainment experience and make our customers happy. Happy customers are created by combining the best technology available with transparent billing, ease of installation, and efficient, effective service. Our customer service scores continue to top our competitors because of our commitment to these goals.

We are also committed to continued improvement. We constantly ask ourselves: what can we do better? We keep innovating and coming up with the best technology on the market to meet customer demands of TV anywhere, anytime.<sup>1</sup> We diligently track issues that impact our customers' experience. We address these customer "pain points" by adjusting our policies, procedures and training materials and retooling our subscriber offerings. We also hire top talent

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<sup>1</sup> Third parties have consistently recognized DISH for its industry-leading technology. This year, DISH was awarded Best of the Consumer Electronics Show ("CES"), the annual conference put on by the Consumer Technology Association (formerly known as the Consumer Electronics Association). DISH also received CES Editors' Choice for its Hopper 3, the third generation of DISH's Hopper digital video recorder ("DVR"). The Hopper is the only set-top-box on the market that, among other things, uses advanced built-in technology so customers can view *all* of their live programming and DVR content from anywhere over the Internet. In 2015, DISH launched *Sling TV*, becoming the first to market with a live TV Internet streaming product (an over-the-top "OTT" service). For just \$20 per month, consumers can watch the best of live TV, including ESPN, as well as other core video programming like CNN, AMC, HGTV and TNT. There is no installation appointment for customer to deal with, and customers can cancel the service at any time without penalty.

to ensure that our agents represent DISH's values and have the tools necessary to match each customer with the best programming, technology and value for his or her needs.

As the person responsible for overseeing customer service for DISH, I live and breathe these complex issues each day while managing DISH's call centers and business process improvement operations. I am proud of all that my fellow DISH employees have done over the years to make our customer service best in class, but we are not content to rest on our accomplishments. We are not perfect and make mistakes; but we do our best to fix and learn from those mistakes. And despite our best efforts to train all of our customer service agents, there are times when an agent fails to provide a good customer experience. In those cases, we address that particular employee and train others to not make the same error. How we provide customer service is an ever-evolving process, and we welcome feedback from the Subcommittee on ways that the overall service experience can be made better for our subscribers.

## **II. DISH Strives to Make Its Customers Happy and Keep Them Happy**

### **A. Without Happy Customers, DISH Loses Money**

DISH spends around \$800 dollars to acquire a single subscriber. If a subscriber leaves within a span of four years, DISH loses money. To recoup our up-front subscriber acquisition costs, we endeavor to keep our customers from "churning," an industry term that describes when a customer leaves a pay-TV service. The key to preventing churn is offering a better product with better service than our competitors, and the competition is tough. There is at least one other cable, telco, or satellite TV provider everywhere DISH offers service. And most of the time, DISH actually faces two or three competitors, one or more of which is a cable or telco company that can offer the compelling trifecta of TV, Internet, and phone service—the "triple-play" package. As a satellite television provider that does not widely or directly offer wired broadband

or phone products, DISH principally competes not on the mix of services we can provide, but on the quality and pricing of our pay-TV packages. As a result, DISH has built its business on offering the most innovative pay-TV experience with industry-leading customer service, at an affordable price.

**B. DISH Meets and Exceeds Our Customers' Expectations Through Continuous Monitoring and Improvement**

What makes a happy customer? In my experience, customers are happy when they:

- Understand and see the value of the products and services they are getting;
- Understand their bill;
- Receive timely and seamless installation of reliable products; and
- Receive responsive and speedy repairs and service upgrades.

Our sales, installation, customer service, billing, product development and programming teams are constantly working together to make sure that DISH satisfies all of these expectations. We do this by focusing on those points in the customer life cycle that are most likely to disrupt, disappoint or confuse a customer. These “events” are: 1) account initiation; 2) installation; 3) price changes; 4) service calls and repairs; and 5) changes to programming, including broadcaster-imposed blackouts of key content.

DISH has created two extensive interfaces that walk our agents through customer service issues, step-by-step. One interface handles technology issues, and the other interface handles just about everything else. We also operate a “community portal” from which agents can access the latest training materials and customer service tips, including analysis of recent customer pain points and how to address them. These tools attempt to cover every issue a customer could think of to bring up with an agent, and they empower our agents to clearly and concisely give customers a resolution to the problem at hand. When a call comes in, DISH’s customer service

policy is to “resolve, prevent, promote”—in that order. This motto of our customer service is displayed prominently all over our call centers. Our agents’ first priority is find a solution to the customer’s issue, whatever it might be. Again, only by keeping customers happy can we keep customers with us and ultimately succeed as a business.

We also work hard to prevent issues *before* they happen. At the time of sale, we focus on trying to ensure that the customer understands the products and services they are receiving and all of the associated costs. After installation, to make pricing and billing easy to understand and readily accessible, our bills are clear and concise, and customers can access their account information via phone, text, paper bills, and the DISH website. We pride ourselves on transparency. While network and sports programming content both account for a disproportionately large share of our costs, we do not itemize “local channels” or “retransmission” fees on our bills, and no “regional sport network” (“RSN”) fees appear.

### **C. DISH’s Commitment to Customer Service Is Well-Recognized**

DISH’s internal metrics show that calls to us are promptly answered and our agents consistently resolve our customers’ issues quickly and efficiently. For example, in May 2016, approximately 89 percent of customers calling DISH got an agent on the line within 60 seconds of the call coming through, and the vast majority of these customers had their needs met on that initial call. By handling customer issues on the first call and minimizing callbacks, DISH serves both its customers and its shareholders, since fewer calls mean fewer resources and expenses devoted to fielding them.

DISH out-performs its competitors in customer service, and in doing so, we provide a high-quality pay-TV alternative to consumers nationwide. Highly regarded third-party customer service survey firms have recognized DISH’s achievements. DISH has an A+ rating from the

Better Business Bureau and, for four years running, we've won a J.D. Power award for customer satisfaction. DISH also is ranked number one in several categories by the American Customer Satisfaction Index: Highest Call Center Satisfaction; Highest Website Satisfaction; Clearest Bill to Understand; and Lowest Customers Complaint Rate.

### **Comparison of Customer Service Practices of Largest Pay-TV Providers<sup>1</sup>**

	DISH	Comcast	TWC	Charter	DirecTV
Call center satisfaction ranking 2010-2015	#1	#8	#7	#6	#2
Clearest bill to understand ranking 2010-2015	#1	#7	#8	#3	#2
Website satisfaction ranking 2010-2015	#1	#7	#8	#6	#2
Lowest customer complaint rate ranking 2010-2015	#1	#8	#6	#7	#3

<sup>1</sup>Based on the average American Customer Satisfaction Index comparison of major TV providers (2010-2015)

### **Comparison of Basic Packages Among Largest Pay-TV Providers<sup>1</sup>**

	DISH	Comcast <sup>2</sup>	TWC <sup>3</sup>	Charter <sup>4</sup>	DirecTV <sup>5</sup>
Package name	AT120+	Digital Starter	Standard	Select	Choice
Channel count	190+	140+	70+	125+	175+
Advertised price/month	\$49.99	\$44.99	\$49.99	\$59.99	\$60.00
Additional fee for local channels <sup>6</sup>	\$0	\$3.75	\$3.75	\$6.05	\$0.00
Additional fee for regional sports <sup>6</sup>	\$0	\$3.00	\$5.00	\$0.00	\$6.39
Additional fee for HD programming	\$0	\$10.00	\$0.00	\$0.00	\$0.00
Contract period	2 Years	1 year	No contract	No contract	2 years
Price protection	2 Years	1 Year	1 Year	1 Year	1 year
Package price increase at end of first year	\$0	\$26.00	\$24.00	\$0	\$51.00
Free standard professional installation	Yes	No	No	No	Yes
Record up to 16 shows at once	Yes	No	No	No	No
Hours of HD recording storage	500	60	150	75	200
Watch 100% of your live TV channels anywhere	Yes	No	No	No	No
Watch 100% of your DVR recordings anywhere	Yes	Yes	No	No	No
Opt-in to record primetime content from ABC, CBS, NBC & FOX and skip commercials while watching those recordings	Yes	No	No	No	No
Built-in Netflix app	Yes	No	No	No	No
Wireless receivers	Yes	No	No	No	Yes
Bluetooth audio	Yes	No	No	No	Yes
Remote locator	Yes	No	No	No	No
Available nationwide	Yes	No	No	No	Yes

<sup>1</sup>All information based on stand-alone video service, not bundled products

<sup>2</sup>Data found on 6/20/16 for Comcast Denver

<sup>3</sup>Data found on 6/20/16 for TWC New York City

<sup>4</sup>Data found on 6/20/16 for Charter New Orleans

<sup>5</sup>Data found on 6/20/16 for DirecTV national offer

<sup>6</sup>Maximum fee, amount varies by geographic location

### **III. Programming Costs and Other External Forces Substantially Affect the Experience of DISH Customers**

One of the main areas of inquiry by the Subcommittee has involved customer “pain points.” In overseeing all of customer service for DISH and having listened to thousands of customer calls, I can say this: the issues that have most consistently come up over the last several years involve the price of programming, and the lack of options that customers have in selecting which channels they receive. No matter how many call center representatives we have or how much training we provide those representatives, DISH cannot address this core complaint on its own.

This is because the number one source of rising pay-TV rates is the dramatically increasing cost of acquiring programming content. DISH, like every other pay-TV provider, must ultimately ask its customers to shoulder at least some of the costs that have resulted from the sky-rocketing price demands from our programming partners.

Even so, DISH still leads its competitors in providing high-quality programming for the lowest everyday prices. DISH offers various introductory pricing packages, which allow customers to receive discounted service, free premiums, or other benefits for a period of time after joining DISH. Even though this is an effective tool to attract customers, and DISH is best-in-class in providing notifications on the termination of a discount period, customers often have questions or concerns when the promotion ends. For this reason, we now offer a two-year-price-lock option that gives customers a prolonged discount in exchange for their commitment to DISH. Yet, despite our efforts to curb the overall costs of our service, there are two key practices abused by programmers that keep driving price increases: (i) demands for exorbitant retransmission consent fees and (ii) an insistence on channel bundling.



### **A. Rising Retransmission Consent Fees**

Regarding the first tactic, DISH must negotiate with local broadcast stations to retransmit their signals to consumers, even though these same consumers are supposed to be able to receive the broadcast signal for free over-the-air. The fee for this right is called the “retransmission consent” fee. When the retransmission consent system was first implemented by Congress as part of the 1992 Cable Act, satellite TV was not yet a competitive choice for consumers, and cable operators had monopolies on pay-TV programming. It was mutually assured destruction for a broadcaster and a cable provider not to reach an agreement on carriage rights. The cable company needed the programmer’s content to have a compelling service to offer consumers; the broadcaster needed the cable company, as the one distributor in town, to reach the largest audience possible.

In the years since the 1992 Cable Act, the laws governing retransmission consent remain largely unchanged, but the market itself is decidedly different. There are now two satellite companies offering service in every domestic TV market and competing with the incumbent cable providers. In many of the country’s largest markets, there are also traditional telephone companies, like Verizon, AT&T, and CenturyLink, that offer competition to both satellite and cable providers. Additionally, emerging internet streaming services (“over-the-top” services like Netflix, Amazon Prime, Hulu, etc.) are becoming more and more popular. In contrast, the local broadcast stations still enjoy a government-sanctioned monopoly within each Designated Market Area (“DMA”). For example, there is only one ABC in Denver; one NBC in Cleveland; and one CBS in St. Louis.

Broadcasters have taken advantage of these changes in the video services marketplace to play video distribution companies against one another and demand exorbitant increases in

retransmission consent fees. We are often seeing fee demands increasing by several hundred percent every 3-year retransmission consent cycle. Between 2005 and 2015, retransmission consent fees climbed an astounding *22,400 percent*. If the price of other consumer goods rose that fast, consumers would be priced out of almost everything—a dozen eggs would be nearly \$350, a large coffee would be over \$400, and a gallon of milk would be over \$700. SNL Kagan, one of the most respected firms providing analysis of the TV industry, estimates that retransmission consent fees will reach \$10.3 billion by 2021, up from just over \$1 billion in 2010.<sup>2</sup> And all of these fees are for TV that is supposed to be “free” to consumers over-the-air.

The broadcasters’ disproportionate leverage is proven by the rising number of programming “blackouts” in which programmers take down their signal on the cable or satellite provider’s network. In 2010, there were only 12 such blackouts. Just five years later, in 2015, there were more than 180 of these blackouts. This translated into 12 million households—1 in 8 pay TV subscribers—that were affected by a TV blackout in 2015. These statistics do not even include all of the near-misses, which are almost equally disruptive to our business since, as a contract expiration approaches, the networks increasingly engage in the practice of “crawling” misleading notices at the bottom of their channel feeds. These “crawl messages” intimate that the distributor (not the broadcaster) is about to discontinue carriage and customers are encouraged to call the distributor (not the broadcaster) to complain.

Blackouts inflict real injury on distributors, while barely leaving a mark on the broadcasters. Of course, broadcasters know this. Calls to DISH service centers can double or

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<sup>2</sup> See Joe Flint, *Retransmission Consent Fees to Hit \$3.6 Billion in 2017*, LA Times (May 25, 2011), <http://latimesblogs.latimes.com/entertainmentnewsbuzz/2011/05/retransmission-consent-fees-to-hit-36-billion-in-2017.html>.

even triple leading up to and during a blackout, causing major disruption to our call centers and regular customer service operations. And all of this happens because of a broadcaster-driven “call to action” that is entirely based upon a false premise: DISH does not “take down” programming. Rather, it is the broadcaster that withholds its consent for carriage, despite the fact that DISH and other distributors offer to compensate the programmer for interim carriage at whatever rates are ultimately agreed upon.

In short, broadcasters are 100% responsible for blackouts, and they unfortunately use consumers as pawns in their negotiations with pay-TV companies. Worsening the harm to consumers, broadcasters often time their expiration of retransmission consent agreements to coincide with marquee programming events, such as the Super Bowl, NBA Finals, Oscars, etc. At those times, of course, programmers have the most leverage to threaten consumer disruption. If the broadcaster does not consent to carriage, DISH cannot legally provide that programming to its customers.

Ultimately, the real victims in these one-sided retransmission consent contests are the consumers who have had their programming pulled by the broadcasters. Even when deals are reached, retransmission consent fees are often several times what they were in the prior cycle. This drives up the cost of providing TV service and, therefore, drives up customers’ bills.

## **B. Channel Bundling**

Bundling demands by programmers are also causing higher prices for consumers. “Bundling” in this context means programmers requiring a pay-TV provider to purchase, and sell, groups of channels together, often including marquee programming together with less-popular or niche channels. This is done whether or not a consumer actually wants everything in that bundle. So, DISH has a choice: decline purchasing the bundles and fail to offer the

programming that most customers desire, or purchase unwanted cable channels from a programmer in order to access that programmer's major network content and/or other highly-rated channels. DISH often must choose the latter to offer a competitive programming lineup to our customers, and it costs us. In conjunction with programmers' common corollary demand that their programming be carried on DISH's most popular programming package, bundling causes consumers to pay for programming that they simply do not want. Sports programming, in particular, drives costs in this way. While sports are "must have" programming for some customers, other customers neither watch sports nor want to pay for them.

The practices detailed above collectively prevent DISH from creating the type of tailored packages that best meet our customers' needs and budgets and, in general, cause an enormous amount of customer pain. We have called on Congress and the FCC to update the broken retransmission consent system to, among other things, stop blackouts, and address the anti-consumer effect of forced bundling. These reforms would go a long way in moderating prices for consumers and perhaps even lowering them.

## **V. Conclusion**

DISH relentlessly pursues the best customer service practices possible to stay competitive in today's pay-TV market. Customer satisfaction directly drives the success of our business, and we are always working to improve our systems and processes to provide a better overall experience to our customers. On behalf of DISH's 18,000 employees and millions of subscribers across the nation, I thank the Subcommittee for this opportunity to discuss DISH's customer service program and the actions we take daily to deliver the best value to our subscribers.