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BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Complaint and request for emergency relief) Docket No. 070691-TP
against Verizon Florida LLC for anticompetitive)
behavior in violation of Sections 364.01(4), 364.3381,)
and 364.10, F.S., and for failure to facilitate transfer)
of customers' numbers to Bright House Networks)
Information Services (Florida), LLC and its affiliate,)
Bright House Networks, LLC)

In re: Complaint and request for emergency relief) Docket No. 080036-TP
against Verizon Florida LLC for anticompetitive)
behavior in violation of Sections 364.01(4), 364.3381,)
and 364.10, F.S., and for failure to facilitate transfer)
of customers' numbers to Comcast Phone of)
Florida, LLC d/b/a Comcast Digital Phone)

DIRECT TESTIMONY OF BETTE J. SMITH
ON BEHALF OF VERIZON FLORIDA LLC

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MAY 30, 2008

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1 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

2 A. My name is Bette J. Smith. My business address is 65 Franklin Street,
3 Buffalo, New York.

4
5 **Q. BY WHOM ARE YOU EMPLOYED AND WHAT IS YOUR POSITION?**

6 A. I have been employed by affiliates of Verizon Communications Inc. and
7 its predecessors since 1979. I am the Group Manager – Winback
8 Marketing Communications and Implementation of Sales Assurance
9 Support, and my responsibilities include implementation,
10 communication, training, and process and performance assurance for
11 winback and retention initiatives such as the retention program
12 discussed in my testimony.

13
14 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

15 A. The purpose of my testimony is to describe Verizon's retention
16 marketing program and explain how it benefits consumers. (In my
17 testimony I use "Verizon" as shorthand for Verizon Florida LLC.) My
18 testimony relates to Issues 1, 3 and 4 in this case.

19
20 **Q. PLEASE PROVIDE AN OVERVIEW OF THE RETENTION
21 MARKETING PROGRAM THAT IS AT ISSUE IN THIS CASE.**

22 A. That retention marketing program was developed as one aspect of
23 Verizon's efforts to compete effectively against rival providers of voice
24 and other services, particularly cable operators. An order to disconnect
25 a customer's retail service is frequently received by Verizon's retail

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1 operations several days in advance of the disconnect date. Verizon
2 attempts to reach out to customers who have not already spoken with a
3 Verizon retail representative by sending an overnight letter alerting them
4 to Verizon's competitive offers and asking them to call if they want to
5 learn more.

6

7 **Q. HOW DOES VERIZON SELECT CUSTOMERS FOR RETENTION**
8 **MARKETING?**

9 A. To generate a lead list for its retention marketing program, Verizon's
10 retail organization begins with the universe of disconnect orders and
11 then eliminates customers from the list that it will not seek to reach with
12 its program. First, Verizon excludes customers who are purchasing
13 service from a Verizon wholesale customer – for example, customers
14 who are switching service to a reseller of Verizon service or a customer
15 of Verizon's Wholesale Advantage product – or from a Verizon affiliate
16 (*i.e.*, Verizon Wireless). To that end, Verizon eliminates customers from
17 the lead list who are not porting their telephone numbers from Verizon to
18 another service provider. Second, Verizon excludes customers who
19 have disconnected service after speaking with a Verizon retail
20 representative and thus have been informed about Verizon's competitive
21 bundle pricing and retention offers. (This is because, when a customer
22 calls Verizon directly to disconnect service, the representative has the
23 opportunity to try to retain the customer at that time.) Third, Verizon
24 excludes customers who are on do-not-call, do-not-solicit, do-not-mail,
25 or do-not-email lists. Verizon updates the lead list on a daily basis.

1 **Q. WHAT INFORMATION DOES VERIZON COMPILE FOR EACH**
2 **CUSTOMER ON THE LEAD LIST AND HOW IS OBTAINED?**

3 A. Verizon uses an automated process that compiles five pieces of
4 information about each customer on the lead list: the name, address,
5 telephone number, disconnect order number and disconnect due date.
6 This information is compiled from the retail service orders generated in
7 the Service Order Processor, and not from the Local Service Requests
8 (“LSRs”) that Verizon receives from competing providers.

9

10 **Q. WHAT METHODS DOES VERIZON USE TO REACH OUT TO**
11 **CUSTOMERS ON THE LEAD LIST?**

12 A. Verizon has tried different methods of contacting customers who intend
13 to disconnect, but the predominant approach has been the use of direct
14 mail that urges the customer to contact Verizon. Verizon also has used
15 an outbound recorded telephone message (known as an Automated
16 Notification Announcement) and, in the small percentage of cases
17 where Verizon has an e-mail address on file, an e-mail message.

18

19 **Q. WHEN CUSTOMERS CALL VERIZON IN RESPONSE TO A**
20 **RETENTION MARKETING MESSAGE, WHAT INFORMATION DO**
21 **VERIZON REPRESENTATIVES SEE ON THEIR COMPUTER**
22 **MONITORS?**

23 A. The information from the lead list is loaded into a database (known as
24 NRI Console) and can be automatically retrieved by a Verizon retail
25 customer service representative from a separate system (known as LEC

1 Retain) when a customer calls Verizon's retention centers in response to
2 the direct mail. The first screen a representative sees indicates whether
3 the disconnect date is at least two days away. If this is not the case, the
4 representative is instructed to inform the customer that it is too late to
5 stop the port. (Verizon still attempts to win back the customer.) The
6 representative also can see the disconnect order number and the
7 disconnect due date.

8

9 **Q. HOW DO VERIZON REPRESENTATIVES RESPOND WHEN**
10 **CUSTOMERS CALL IN RESPONSE TO RETENTION MARKETING**
11 **MESSAGES?**

12 A. When the customer calls Verizon in response to a retention campaign
13 letter, the retention representative asks the customer why he or she is
14 disconnecting service. The representative informs a customer who is
15 migrating to another provider about Verizon's available service
16 packages and promotional offers, in an attempt to persuade the
17 customer to stay. If the customer decides to remain with Verizon, a
18 third-party verification process is used to confirm the customer's choice.
19 Verizon uses this same process – including the same retention pitch
20 from the same retention representatives – for other customers seeking
21 to disconnect their Verizon service and who did not receive a retention
22 campaign letter. As discussed in the Direct Testimony of Patrick
23 Stevens, when Verizon retains a customer, it sends the other provider a
24 jeopardy notice informing it that the customer has canceled the LNP
25 request.

1 **Q. HOW DOES VERIZON HANDLE SITUATIONS IN WHICH THE**
2 **CUSTOMER RESPONDS TO A RETENTION MARKETING LETTER**
3 **AFTER THE CUSTOMER'S SERVICE HAS BEEN PORTED?**

4 A. If the customer decides to return to Verizon, after third-party verification,
5 Verizon will submit an order to port the customer's number back.

6
7 **Q. DO VERIZON'S RETENTION REPRESENTATIVES HAVE ACCESS**
8 **TO OR REASON TO ACCESS THE NEW PROVIDER'S IDENTITY**
9 **FROM THE LSR THAT THE NEW PROVIDER SUBMITTED?**

10 A. No. Verizon's retention representatives do not have access to or reason
11 to access the new provider's identity from the LSR that the new provider
12 submitted. Retention representatives have been trained to review billed
13 telephone number, bill name, address, disconnect order number, and
14 due date in LEC Retain. Only after a customer decides to stay with
15 Verizon and that decision is third-party verified, are agents permitted to
16 cancel the disconnect order. Cancellation of the disconnect request is
17 processed by clicking an icon within LEC Retain. LEC Retain then
18 communicates with the order entry system to issue the cancellation.
19 Only when a failure occurs does the retention representative issue the
20 cancelation in the order entry system. In most cases, the disconnect
21 requests are canceled via LEC Retain and do not fail.

22
23 **Q. HAVE CUSTOMERS RESPONDED TO VERIZON'S RETENTION**
24 **MARKETING PROGRAM?**

25 A. Yes. Verizon's retention marketing program has been successful. For

1 the Southeast region, which includes Florida, South Carolina and North
2 Carolina, in 2007 there were XXXXX customers in 2007 who elected to
3 stay with or switch back to Verizon in response to a retention marketing
4 offer. From January 1, 2008 to April 15, 2008, there were XXXXX
5 customers in the Southeast region who elected to stay with or switch
6 back to Verizon in response to a retention marketing offer.

7

8 **Q. WHY HAS VERIZON'S RETENTION MARKETING PROGRAM BEEN**
9 **SUCCESSFUL?**

10 A. Verizon's retention marketing efforts have been successful for two basic
11 reasons. First, Verizon provides consumers with information about
12 Verizon's services that they may not have had at the time that they
13 initially decided to switch providers. For example, some consumers who
14 switch to a cable operator offering a bundle of voice, video, and high-
15 speed Internet services are not aware that Verizon offers comparable
16 bundles. Verizon's retention letters inform customers about this fact and
17 ensure that consumers have all the information they need to make the
18 best decision. Moreover, Verizon provides consumers information at the
19 time they are likely to be most focused on their choice of provider, given
20 their recent decision to switch, and often before they experience any
21 inconvenience associated with making a switch (such as taking time off
22 from work to wait for a service call).

23

24 **Q. WHAT IS THE SECOND REASON THE PROGRAM HAS BEEN**
25 **SUCCESSFUL?**

1 A. Verizon's retention marketing program provides consumers substantial
2 benefits in the form of monetary incentives to remain with Verizon.
3 Verizon's bundles are priced very competitively in comparison to cable
4 providers' bundles. In addition, Verizon has offered customers a \$10
5 monthly discount off a bundle of voice, video, and high-speed Internet
6 services, and also has offered between \$50 and \$200 in American
7 Express-branded reward cards. These are direct savings to consumers.

8

9 **Q. DOES VERIZON'S RETENTION MARKETING PROGRAM BENEFIT**
10 **CONSUMERS?**

11 A. Yes. Verizon's retention marketing practices not only benefit consumers
12 directly, but also promote competition that provides consumers with
13 further benefits. As I noted above, in the event that a consumer decides
14 to reverse its decision to switch providers and instead to remain with
15 Verizon, Verizon will send a jeopardy notice or an LNP request,
16 depending on when the customer makes his or her decision. Once the
17 competitor receives that notice, it has the same opportunity that Verizon
18 had to try to convince the customer to change his or her mind. The
19 competitive provider could "sweeten the pot" by offering greater
20 discounts or other incentives that redound to the consumer's benefit.

21

22 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

23 A. Yes.

24

25