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Review of  
**MCI's PIC Change Process**

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By Authority of  
The State of Florida for  
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ATTACHMENT B

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However, customers can now choose their intraLATA carrier with the intent of introducing competition and lowering rates in this sector. ██████████ percent of MCI's total lines installed to Florida customer's included intraLATA services during the first four months of 1998.

<b>SELECTED MCI PRODUCTS AND SERVICES FOR RESIDENTIAL AND SMALL BUSINESS CUSTOMERS</b>	
<b>Products and Services:</b>	<b>Description</b>
Local Toll Calling	IntraLATA toll calling. Toll calls carried by the LEC in the past.
MCI One Savings	Residential Customers - 10 cents a minute on week nights and Saturdays plus 5 cents a minute toll calling on Sundays and any add-on features (e.g., paging, cellular, Internet) to be provided on one bill.  Small Business Customers - 12 cents a minute toll calling with monthly spending of \$25 or greater plus any add-on features (e.g., paging, cellular, Internet) to be provided on one bill.
MCI One International	MCI's international calling plan
MCI Card with WorldPhone	MCI's calling card available for use in U.S. and other countries.
MCI Personal 800 Number	A personal 800 number is programmed by MCI to ring directly into customer's home phone number. (A free service provided with MCI One Savings Plan.)
MCI Internet	Provides customers with the software needed to access and navigate the Internet.
MCI One Number	Personal 800 number that gives customer ability to program many telephone numbers into one number (i.e., call forwarding, voice mail, paging, and cellular).
MCI Toll Free	MCI's business 800 number calling plan.

**EXHIBIT 5**

*Source: Interviews with MCI staff.*

The company offers its products and services individually and in combinations with the MCI One program. The MCI One program is the premium of products provided to residential and small business customers. An example of a residential toll calling plan under the program is ten cents a minute on week nights and Saturdays plus five cents on Sundays. An example of a calling plan for

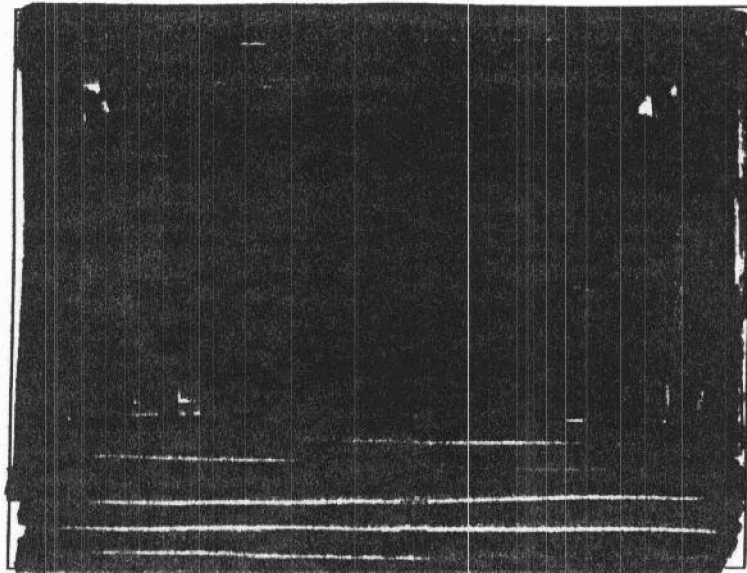
small business customers is 12 cents a minute, with MCI billing of \$25 dollars or more. Additionally, through the program, customers are also offered a single bill for any combination of MCI products and services, hence the name MCI One. The intent is to transition MCI's customer base to "high-value" customers by offering integrated communications services.

To enhance MCI's ability to acquire and retain high value customers in the residential and small business sector, the company uses partner marketing campaigns in conjunction with the products and services listed in **Exhibit 5**. The premier partnership campaign is MCI's Airline and Hotel Bonus Program. Customers can earn frequent flyer miles and bonus points with major airlines and hotels for every dollar spent on MCI services. Another partnership campaign is MCI's Freeflex Video Rental program in conjunction with Blockbuster Video. The program offers MCI customers free Blockbuster video rental certificates with service initiation and one certificate each month for every \$25 dollars spent with MCI.

### 4.3 Sales Channels

Sales of MCI's products and services to residential and small business customers are primarily executed through six different sales channels: outbound telemarketing, inbound telemarketing, direct sales, direct response, customer service sales and LEC sales. Three sales channels (outbound telemarketing, direct sales, and direct response) involve direct marketing efforts initiated by MCI. The other three sales channels (inbound telemarketing, LEC sales and customer service sales) involve customer-initiated calls to MCI or the LEC. Each sales channel is described further in Sections 4.3.1 through 4.3.6.

**Exhibit 6** graphically shows the average percent of total monthly residential installations in



Florida for the period of January through April 1998 by sales channel. As shown, sales of MCI's products and services to residential customers are primarily driven by MCI's telemarketing operations. Outbound and inbound telemarketing combined for [redacted] percent of total installations--- with outbound accounting for [redacted] percent alone. The remainder of MCI's residential sales were driven by sales ordered by the customer through the LEC and MCI's customer service operations, with [redacted] percent and [redacted] percent, respectively.

**EXHIBIT 6**

*Source: MCI's Response to Document Request 1-8.*

Exhibit 7 shows the average percent of total monthly small business installations in Florida by sales channel. From January to April 1998, MCI's telemarketing and LEC sales together accounted for █ percent of small business sales. It should be noted that the telemarketing figure of █ percent reflects both inbound and outbound telemarketing. MCI does not maintain the data separately.

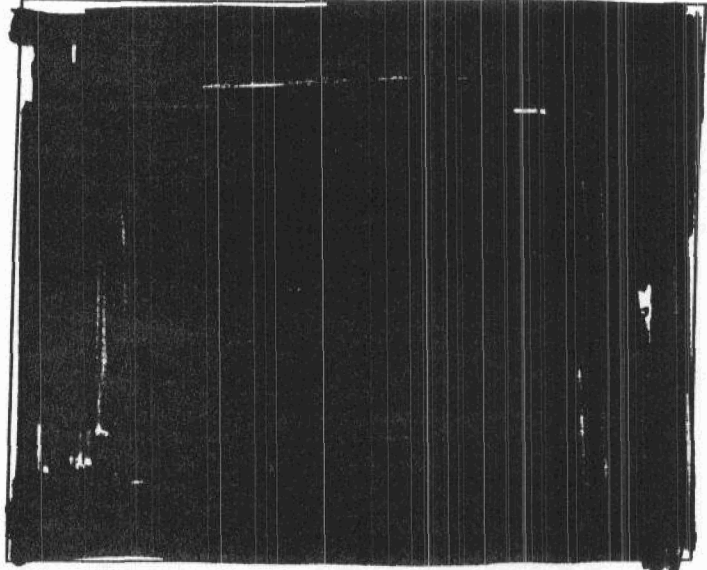


EXHIBIT 7

Source: MCI Response to Document Request 1-8.

#### **4.3.1 Outbound Telemarketing**

As previously mentioned, outbound telemarketing consists of specialized groups of employees in MCI's sales operations under the Mass Markets Organization. MCI's outbound telemarketers must abide by internal procedures outlining the steps for ensuring that consumers understand that they will be switched to MCI. For every telemarketing call, the telemarketer must:

- Identify the prospect/decision maker
- Identify themselves
- Identify MCI
- Identify purpose of the call
- Inquire about domestic long distance usage
- Inquire about international long distance usage
- Guarantee Service (MCI will return customer to former carrier without charge for any reason)
- Obtain correct billing address
- Confirm customer's decision to switch to MCI
- Inquire about any additional lines the customer may want to switch

Numbers to be called are generated through an autodialer. The telemarketer is connected when a prospect answers a call. Telemarketers handle about 50 to 75 calls per hour and are expected to complete between one and two sales an hour. The number of calls and sales may vary with the telemarketer's experience.

#### **4.3.2 Inbound Telemarketing**

MCI's inbound telemarketing, also part of MCI's sales operations, is responsible for sales associated with responses from television and other media advertising aimed at residential and small business customers. Inbound telemarketing sales associates employ the same sales techniques and sales processing guidelines used by MCI's outbound telemarketing operation. Inbound

MCI typically compensates telemarketers on an hourly wage plus commission basis coupled with a variety of incentive programs. The incentive programs vary during any given year and can vary by call center. Commissions and other monetary incentives are awarded for reaching monthly or biweekly sales targets. The sales targets are based on net lines per hour sold (e.g., 1 to 1.5) and vary according to the telemarketers work-shift and particular sales program (e.g., Delta SkyMiles). Sales commissions are only paid after the sale is verified by MCI's TPV process.

Additional commission and one-time payment incentives are provided for selling certain types of MCI products and services, such as international calling plans, MCI Internet, local toll service, etc. Each sales center also has discretion in implementing a wide variety of sales incentive programs. Prizes, such as American Express checks and T-shirts, are awarded for generating sales within fixed periods. Other sales contests award sales representatives with vacations to popular destinations. The incentive list continuously changes with the intention of encouraging telemarketers to generate as many sales as possible.

Given its breadth, scope, and changing nature, MCI was unable to provide the total dollar amount of sales incentive programs. MCI estimated that it pays out in excess of [REDACTED] annually in sales commissions and incentives to its employees for residential and small business activity.

## 5.0 Third Party Verification

### 5.1 Overview

In April of 1991, MCI began using an independent confirmation company to verify all outbound telemarketing sales in Florida. The intent was to ensure that customers were not switched to MCI for their long-distance service without the customers understanding the concept of the switch request. Beginning in August 1996, sales made by any of MCI's sales channels were to be transmitted to TPV for confirmation. This includes sales from MCI's outbound and inbound telemarketing, customer service, direct marketing face-to-face sales, and customer letters of authorization in response to direct mail marketing. In other words, all residential and small business sales for long distance service must now pass through TPV before installation of a PIC change. The only sales excluded are those that come to MCI directly from the customer's LEC. MCI is the first carrier to implement third party verification across all its sales channels in the state of Florida.

MCI's current independent confirmation company began verification operations for MCI in 1996. There is currently four locations in the country serving MCI with third party verification. Each TPV operation consists of approximately 100 full-time customer service representatives headed by a team of supervisors and managers. All TPV employees are paid hourly or on a straight salary. Employees earn no sales commissions or other installation-based incentives.

### 5.2 TPV Process

**Exhibit 8** illustrates the call flow from MCI's sales sectors through the TPV process. As shown, the customer is immediately connected to the TPV customer service representative after a sale is made from one of MCI's sales channels (e.g., outbound and inbound telemarketing). The TPV representative confirms essential information in a short, one to two-minute call as described in Section 5.2.1. The sale order is completed after the sale is verified.

If the customer has questions or the order needs alteration that TPV can not address, the sale is sent to MCI's Quality Service Department, otherwise known as Safety Net (discussed further in Section 5.2.2). After Safety Net has assisted the customer, the order is sent back to TPV for a second time. If the order cannot be processed in TPV or the customer does not want MCI service for some reason, the sale is canceled.

MCI does not track the number of TPV cancellations on a state-by-state basis. On a nationwide basis, during the period November 1996 through June 1998, over ██████████ of MCI's sales orders were canceled in TPV. On average, over ██████████ orders are canceled per month. **Exhibit 9** depicts the percentage of the total cancellations over this period by sales channel. As shown, MCI's residential outbound telemarketing accounted for ██████████ percent of the

# MCI THIRD PARTY VERIFICATION PROCESS

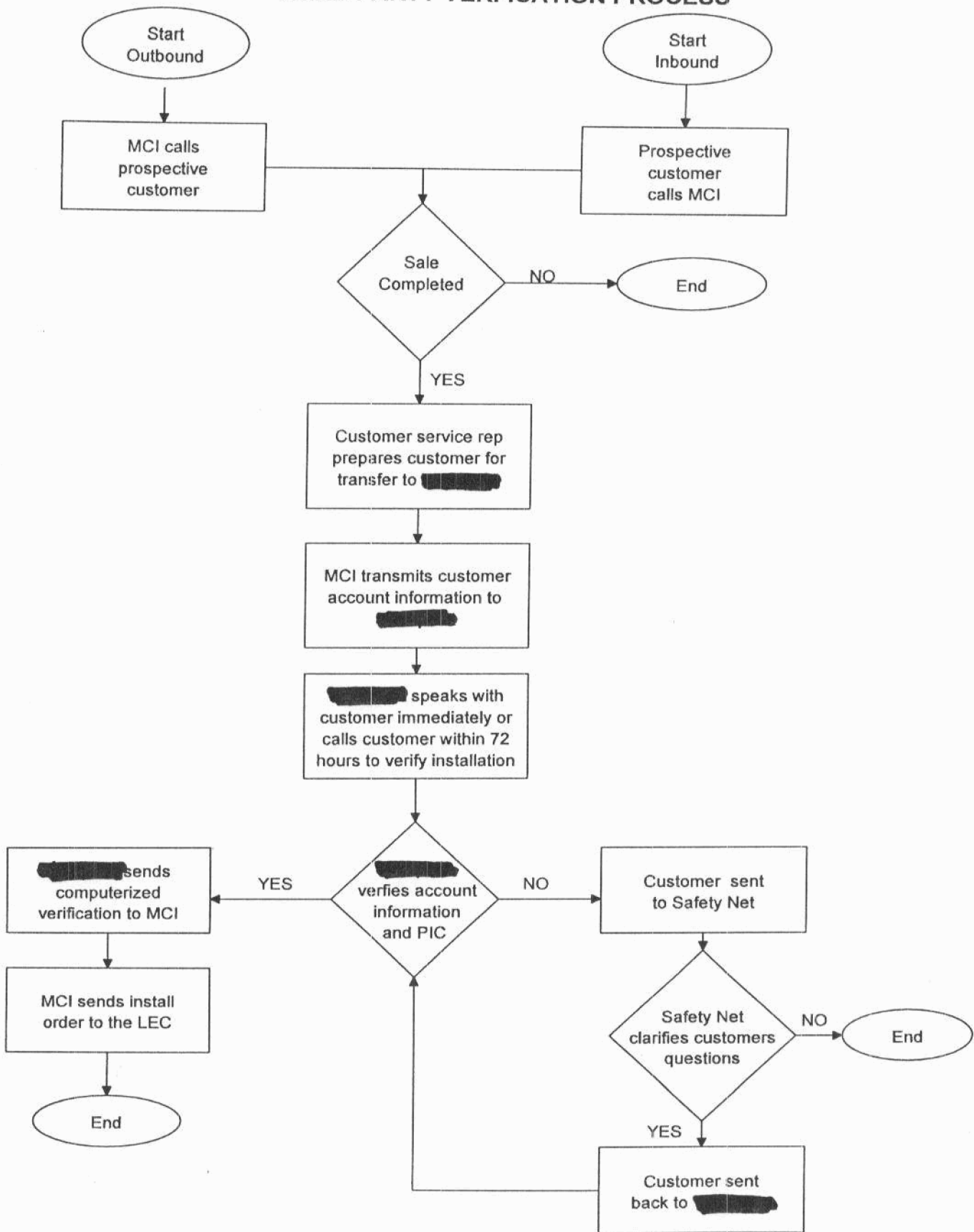
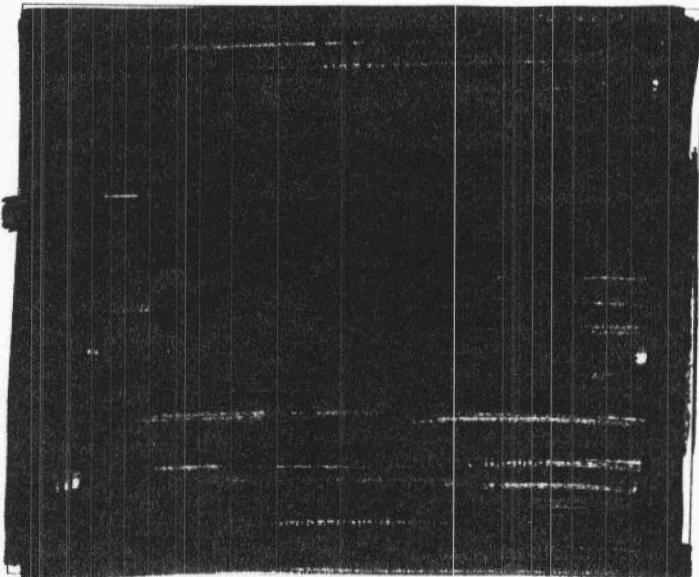


EXHIBIT 8

Source: Interviews with MCI staff.



**EXHIBIT 9**

*Source: MCI's Response to Document Request 3- 6.*

total cancellations. The remainder of MCI sales canceled in TPV were primarily driven by residential customer service and small business outbound telemarketing operations, with 10 percent and 10 percent, respectively.

The monitoring and evaluation of TPV customer service representatives is similar to that of MCI's telemarketers. Monitoring is conducted by both the independent verification firm and MCI's National Quality Monitoring Department. The TPV operations and MCI both have the capability to live-monitor any of the TPV associates involved in the verification process through remote monitoring. TPV and MCI both supply scores and feedback on individual TPV calls to the supervisor

and TPV customer service representative. Additionally in June 1998, as part of MCI's May 12, 1998, settlement agreement with the FPSC, MCI began audio taping all TPV telephone transactions for a three-year period.

Like MCI employees, TPV service representatives are also subject to disciplinary action. Behavioral or procedural concerns, such as rudeness to the customer or not following the TPV scripts described below, may lead to employee suspension or eventual dismissal.

#### **5.2.1 TPV Scripts**

TPV customer service representatives follow precise written scripts and allowable responses per type of call being handled (i.e., sales channel---outbound, inbound, customer service, or direct sale). Slight variations occur from one script to another. As a result, TPV representatives must pay specific attention to the sales channel, the script delivery, and allowable responses to customer's questions. For example, TPV scripts that correspond with MCI sales generated from outbound and residential inbound telemarketing include mentioning of the product sold; whereas, the scripts associated with MCI's customer service department do not include mentioning of the product sold.

At a minimum, for each written script, the TPV service representative must identify all of the following:

- Their name and company (TPV) name
- The customer or caller's name



- The customer or caller is the person authorized to change the service
- The customer or caller is at least 18 years of age or older
- The customer's selection of MCI to become the new long distance carrier
- The phone number(s) being switched to MCI
- The one-time PIC fee charged by the LEC
- The services ordered (e.g., intraLATA toll, interstate toll)
- The social security number or date of birth of the customer or caller

It should be noted that if the customer does not wish to provide either their social security number or date of birth, the TPV representative can still process the order as long as they ask for the customer's permission to process the order.

MCI's Quality Service Department is responsible for developing and writing TPV scripts and allowable responses. New scripts and allowable responses are provided at the beginning of each cycle (every two weeks) to inform TPV of any verbiage changes to coincide with new product promotions, regulatory requirements, or changes in the computer system.

#### **5.2.2 MCI'S Safety Net Operations**

As a safeguard against unauthorized PIC changes, many questions about MCI's products and services cannot be answered and processed by TPV representatives. Examples include questions regarding addition or deletion of phone lines, rates, switching fees, billing information, and requests for add-on features such as calling cards. For these type of situations, customers, via a live transfer, are switched from TPV back to MCI's Safety Net operations. Safety Net can then clarify the customer's questions or correct their order. Once the customer's questions are clarified, the customer is transferred back to a TPV representative for order verification and processing.

During the first six months of 1998, MCI's Safety Net operations handled, on average, over [REDACTED] calls per month. Approximately [REDACTED] percent of the calls handled by Safety Net were a result of outbound telemarketing sales. The most frequent reasons why the calls were sent to Safety Net were customers needing clarification, modification of account information, product questions, local toll calling questions, and billing questions. According to MCI, approximately [REDACTED] percent, on average, of total sales calls are saved through the Safety Net process.

through various databases. The databases allow the NEC to determine the date and time of the actual communication between MCI's service representative and the complainant. The databases also provide the information associated with the origination of any switch order, including the following:

- Identification of the customer or caller initiating the switch
- Name and social security number of service representative initiating the switch
- Date the switch was initiated by the service representative
- Name and social security number of TPV representative processing the switch
- Date of TPV transaction
- Customer's or caller's name, address, social security number, or date of birth

If it is determined that an unauthorized switch occurred and an MCI employee did not follow proper procedures, results are sent to MCI managers alerting them of the complaint and employee involved. The employee is subject to disciplinary action, also known as an escalation, as a result of behavioral or a variety of inappropriate actions such as an unauthorized PIC change. The actions taken in regard to an escalation will vary depending on the specific situation and may eventually result in employee dismissal. During the first six months of 1998, MCI reported [REDACTED] total employee escalations including 13 that resulted from complaints to the FPSC.

PIC disputes are typically subject to the "no fault PIC dispute process" made available to interexchange carriers by LEC tariff. Under this process, MCI pays the costs associated with switching a customer back to their preferred carrier when the customer calls a LEC with an unauthorized conversion complaint. Under this accepted industry practice, no questions are asked of the complaining consumer, and no investigation is typically conducted either by the LEC or by MCI.

In all cases of unauthorized switches, MCI cancels the account and verifies that all fees incurred as a result of the switch are credited to the customer's account. The NEC reports the corrective action back to the originating MCI source for closure with the consumer or agency.

#### **6.2.1 Florida PIC Complaints to MCI, FPSC, and FCC**

Exhibit 10 shows the total number of Florida PIC complaints reported by MCI's NEC for each of the years 1995 through 1998. As previously mentioned, NEC complaints are those received directly by MCI, the FPSC, or the FCC. Over the four-year period shown, the number of complaints increased by 108 percent. From 1996 to 1998, complaints increased by 193 percent from 1,218 to 3,564. Despite the sharp increase in complaints, the ratio of complaints to MCI's total number of Florida installations (lines installed) averages less than one-half of one percent in each year as depicted in Exhibit 11. From 1995 to 1998, complaints represented an average of only .15 percent of total installations; however, the ratio has increased since 1996. Therefore, the problem of PIC change complaints has grown substantially, but represents only a small proportion of the customers.