

Can't Afford to Lose Pricey Set-tops

So Operators Are Taking Steps, Like Requiring Deposits and Making Credit Checks

By Linda Moss -- **Multichannel News**,
3/21/2005

In this story:

[ONE LOST BOX
ELIGIBLE FOR A
DVR?
SOCIAL INSECURITY
CREDIT-CARD
BACKUP
HARDSHIP
EXCEPTIONS](#)

Like many other cable companies, Massillon Cable TV Inc. used to consider the loss of unreturned set-tops to be just an unfortunate cost of doing business.

But as the price of equipment began to skyrocket — with digital video recorder boxes hitting \$500 apiece — the Midwestern operator decided it was time to nip those losses in the bud.

Massillon Cable, with 45,000 subscribers in Ohio, started running identity verification and credit checks on would-be subscribers back in August of 2003. It has also become more aggressive about collecting bad debt, and earlier this year brought its first criminal prosecution in such a case.

ONE LOST BOX

“Prior to starting this program, we were probably losing in excess of \$150,000 a year in equipment. We’re \$30 million a year in sales,” said Massillon Cable president Bob Gessner. “Since we started in August of ’03, we have now lost one digital converter.”

Several operators, including officials from Bright House Networks and USA Cos., have come to Ohio to visit Massillon Cable and talk about its program with credit manager David Howe.

Now, Gessner may offer his company’s expertise for hire, to help other cable operators set up similar prequalification programs.

“Five hundred bucks for those big boys [DVR set-tops]: It suddenly makes a lot of sense to pay attention to credit,” said Chris Hilliard, president of USA Cos., with 18,000 subscribers. Hilliard visited Massillon Cable, and said he owes Gessner a debt of gratitude for the tips he got about setting up subscriber prequalification at his operation.

Massillon Cable and USA Cos. aren't the only cable companies taking steps to avoid or cut down their losses from unreturned equipment.

In some markets, Comcast Corp. requires customers who want DVR set-tops to leave a deposit or subject themselves to a credit check, said an MSO spokeswoman.

Cable One Inc. now requires credit-card numbers from subscribers who order DVR set-tops. And Mediacom Communications Corp. has started to prequalify customers who order advanced digital DVRs, or seek their credit-card numbers.

"We just can't afford to have those unreturned," said Mediacom senior vice president of customer operations Charlie Bartolotta.

ELIGIBLE FOR A DVR?

Mediacom's prequalification process for DVRs means that existing customers must have six months of good payment history, while new ones must reach a certain credit-verification score. If that score isn't satisfactory, the customer must either permit an electronic fund transfer from a checking account or credit card; pay three months in advance; or complete six months of good-payment history

And anyone who requests a DVR must give Mediacom their credit-card number, according to Bartolotta.

"Even if you're an existing customer with a good payment history, and we didn't run a credit check on you, we still want your credit card," he said. "It's hopefully kind of innocuous to the customer, but it's the kind of protection that we need."

Back at Massillon Cable, Gessner credited Howe with first suggesting that the way to limit losses from unreturned equipment was to be more careful about who received that gear from the get-go.

"We realized we needed to identify and prequalify the subscriber first so that we could limit these losses, find the high-risk subscribers, and set deposits or restrictions and establish a payment history so they would then be eligible for equipment," Howe said.

When Massillon Cable began to train its customer-service reps — and told them they would now have to ask would-be subscribers for their phone number, date of birth and Social Security number — it was "a leap of faith," according to Gessner.

"They all went pale," he said. "They were used to saying, 'You want cable? OK. We'll be right out with your \$1,000 worth of equipment and unlimited credit.' "

SOCIAL INSECURITY

That's why in the past, bad-debt customers — whose service had been turned off — had nonetheless been able to call in and order cable again under someone else's Social Security number.

“Most egregious are people who are disconnected for nonpayment and call in literally the next day, and [who] will use a 5- or 6-year-old child's Social Security number to apply for service, when we know they're going to do the same thing [ring up bad debt] again,” Gessner said.

Massillon Cable's program is two-pronged. Using a Web-based identity-verification tool from the LexisNexis Group (sister company to *Multichannel News*), Massillon Cable CSRs get a “risk score” for a would-be subscriber.

If the person comes up as a high risk, Howe will use additional tracing tools to quickly run a more thorough check of the person's credit history and identity.

In some of these high-risk cases, Massillon Cable will then require a \$250 deposit for the customer to get the \$500 DVR set-top. Generally, though, the operator asks for a \$100 deposit.

“We'll get a call from person who wants two digital boxes, all the premiums — that's over \$100 a month in recurring payments,” Gessner said. “Then you say to them, 'You are just moving to the area, and have no established patterns, so there's going to be a \$50 deposit per converter.' And they'll say, 'I don't have \$100 to give you.' Then how are they going to pay \$100 a month for service?’ ”

At first, Hilliard said, he was worried customers that came up with spotty credit would balk at having to leave deposits for set-tops. But he was wrong.

“And I was scared to death we were going to lose sales from that,” he said. “But to this point, every person we've required a deposit from who've asked for our services has given us a deposit.

The Dish is asking for deposits. The phone company asks for a deposit. ... The people who call us have already been hit up for deposits on everything else.”

CREDIT-CARD BACKUP

Roughly a year ago, Cable One began requiring subscribers who wanted DVR set-tops — or who signed up for one of the MSO's 12-month promotional deals, which also require a contract — to provide their credit-card number with authorization to bill for nonpayment of bills or unreturned equipment, according to central division vice president Tom Basinger.

“Well over 10% of our customers have credit-card numbers on file with us now,” he said. “Every month, when we run nonpays or non-returned equipment, then some portion of those get picked up by the credit cards that are on file. It seems to be working pretty well.

“The credit-card side was spurred by a couple of things — one, that the equipment is expensive; and second, that we just wanted to keep our bad-debt expenses under control and reduce our truck rolls related to bad debt.”

Now, according to Basinger, “Some of our bad debt is hitting credit cards and never turning into bad debt.”

In addition, even Cable One customers that don’t want a DVR are offered incentives to provide their credit-card number, such as a lower installation fee, Basinger said.

Along the lines of reducing bad debt, Massillon Cable has also become more aggressive about collecting money subscribers owe.

Several months ago, the operator brought criminal charges of attempted theft and identity fraud against a woman who owed \$150 and was disconnected, and then tried to sign up for service again under a relative’s name. The woman paid up the \$150 before her case went to court and was ultimately fined \$100 and sentenced to a suspended 90-day jail term for attempted theft, according to Gessner.

In another recent instance, during a check on a household’s service request, Howe uncovered a history of bad debt with Massillon Cable. “It uncovered five other accounts,” Howe said. “It went back 10 years. I told the father, ‘I know what’s happened here. I’m going to prosecute you if you don’t come in here.’”

The man came in with \$860 and paid off five 10-year-old accounts.

HARDSHIP EXCEPTIONS

Massillon Cable’s policy is to be more lenient with some subscribers, such as those who have lost their jobs and can’t pay their cable bills, for example.

“If a person is truly having a hardship, we really treat them with kid gloves,” Howe said. “We’re using these more aggressive tactics and the threats of criminal and civil prosecution mostly when people are trying to deceive us, when they are making an attempt to defraud the company.”

As for Massillon’s unreturned set-top, Howe hasn’t given up on retrieving it.

“I know where the converter is,” he said. “I’m really still working to get that back.”

The ex-subscriber who has it moved three hours away, to Toledo, Ohio.

“She promised to return it,” Howe said. “I’ve contacted the person she’s renting from, as well as her parents. It’s really just a matter of time.”