

FORUM

One System's Fight Against Cable Theft

Signal theft costs the cable industry about \$5.1 billion in revenues per year, according to the most recent National Cable Television Association figures. The following article describes how one cable operator developed a program to tackle its piracy problem.

By ROBERT TROTT

Imagine attending your next meeting with fellow general managers and announcing to your boss that you managed to increase the number of customers by 5 percent, and to increase revenues and cash flow proportionally.

This dream can be turned into reality by taking control of cable theft and by converting unauthorized viewers into paying customers.

In conjunction with Telecommunications Inc.'s launch of its National Audit Program in 1996 — during which TCI audited 7.1 million homes, yielding 330,000 unauthorized viewers — we at TCI Cable of Brookhaven (N.Y.) started our own comprehensive theft program in an effort to change our business practices and our approach to the challenges posed by cable theft.

PRESUMPTIONS

In our "born-again" fight against cable theft, we examined a few presumptions that were identified as the origins of the theft problem. First, we had to replace our approach of the past, in which we would conduct a theft campaign, achieve results, then sit back and allow, through our apparent indifference, many homes to again receive unauthorized services. To this end, we developed an ongoing, comprehensive program involving every department and every associate at the cable system.

Second, considering that TCI studies have shown that up to 70 percent of revenue losses due to signal theft are from what we call systematic theft, or theft that is not necessarily attributable to the outright compromise of the system, we have concentrated our efforts toward converting homes into paying customers, rather than treating the situation as a law-enforcement problem.

Third, we have operated under the assumption that given the opportunity, the vast majority of customers receiving unauthorized services are honest and law-abiding. Here, our goal is customer education. When customers are made aware that cable theft is a crime and that there are se-

rious penalties, they are far less likely to receive services without paying for them.

BUILDING AN AUDIT PROGRAM

One of the first things that we did was to create the position of audit manager, which reports directly to the general manager. The audit manager attends weekly management meetings and works as one of the leaders at the system. A natural extension of this position was to include warehouse and inventory supervision. With a high priority placed on this aspect of our business, we began working to change the behavior of all of our associates.

In order for our efforts to be successful, not only all supervisors, but every customer-service representative and field associate, had to look upon auditing and internal security as a basic component of their job.

Further, both marketing and public relations were utilized to convert customers and to increase awareness. Over time, we began to see changes in associate behavior. Through these behavioral changes and the implementation of our comprehensive plan, we began to realize synergy, as a result of each department working together.

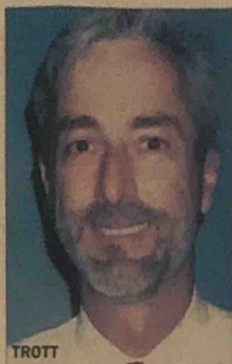
Having established the in-house program, we "jump-started" our efforts by contracting for an audit of our noncustomer homes passed. Between the contractor and blind audits, 43,293 audits were performed in 1996, in a system numbering 85,000 homes passed. This yielded 1,788 unauthorized full-service viewers. Of these, 753, or 42.1 percent, were converted into paying customers.

For the year, our basic-customer count grew by 1.155 units. This was achieved during a year in which system rates increased by over 17 percent, direct-marketing expenditures were cut precipitously and satellite competition and marketing bloomed. It is easy to see that it was the audit program that allowed us to show substantial customer growth, while many other systems experienced customer losses.

During this period, we also launched our 800-number theft hot line and worked with our customer-sales-and-service representatives to better identify cable-theft situations. The 800 number has consistently resulted in 15 to 20 calls per week.

THE BLIND AUDIT

At the core of our plan was the implementation of the blind-audit program. Each



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technician and installer must audit a minimum of four addresses per day without knowledge of services subscribed to. The audit provides a record of services observable at the tap, and it includes replacement of the drop-tag identifier.

In addition, plant discrepancies (e.g., broken tap ports) are reported. Blind audits are submitted to the audit department on a daily basis in order to identify discrepancies between field observation and billing records. By design, it takes only a few extra moments each day for our field associates to accomplish this task. The benefits are enormous.

Every 18 months, our system will be fully audited. This program not only results in eliminating the systematic problem and outright theft, but, through the identification of plant problems, it prepares the system for deployment of additional technologies.

Although change is tough, persistence and clear communication with our field associates has paid off. Initially, only a handful of field personnel completed their blind audits — there was considerable resistance. Since then, and as a team effort, our field personnel have adjusted their approach, and they now regard the blind audits as an integral part of the daily work routine.

It is common for all personnel to complete their audits, with many exceeding their quotas in order to insure that their requirements are met. We have implemented a time-management-oriented behavioral change that is allowing us to accomplish our goals without placing an additional burden on expenses.

When theft of service is found through our audit efforts, our overriding goal is to turn nonpaying customers into paying customers. When a nonpaying customer is disconnected, he or she is given the opportunity to become a customer. If he or she does not

become a customer, the house is routinely checked by the audit team. If theft is repeated, law-enforcement and civil action is taken.

ILLEGAL DECODERS

In the fight against illegal decoders, we have concentrated our efforts on the utilization of leads created by the 800-number theft hot line; associate awareness and recognition of clues indicating possible illegal decoders; and the use of private investigators to substantiate box distributors. We have also initiated creative usage of stings, such as contests during pay-per-view events, designed to prompt unauthorized viewers into revealing their names. We are currently initiating a number of lawsuits designed to prevent distribution and to obtain civil settlements.

Revenue obtained from customer settlements or suits is allocated to the system, to be used for additional security measures. This provides a profit incentive for members of the audit department, since their future is linked to the success of current efforts.

PUBLIC RELATIONS AND CUSTOMER AWARENESS

Public-relations and marketing efforts are a key component to increasing customer awareness. We have taken efforts to publicize our 800-number hot line and to remind our customers that cable theft is a crime. We have concentrated on the utilization of our internal resources, such as cross-channel avails and the use of our photo- and character-generated TCI Community Connection. In addition, we developed relationships with the Suffolk County (N.Y.) District Attorney's office and the Suffolk County Police Department to implement Cable

Theft Awareness Month during the month of April 1997.

To kick off the month, we linked up with Cablevision Systems Corp. of Long Island (N.Y.) in a televised press conference to crush over 1,000 seized illegal cable boxes with a steamroller. At the same time, we provided special recognition to members of the Suffolk County Police Department who had been helpful to us in our enforcement efforts. This event was heavily carried by Long Island's media. The system also provided coverage by including the event on our photo-news program and by using one of our local-origination channels to constantly loop the press conference.

The latter effort created significant customer interest and discussion. Taking the project further, we initiated plans to feature the district attorney in a cable-theft-awareness spot. Thanks to these efforts, I am confident that all of our customers not only realize that cable theft is a crime, but that they know that we are serious about enforcing our rights.

At TCI Cable of Brookhaven, we have certainly come a long way in attacking this problem. However, much of our success is due to our failures of the past. In the present market, we cannot afford to lose even one customer to cable theft. As we work to bring digital video, Internet and telephone services to our customers and to provide real competition in these areas, we must develop a system that is secure. If our system is not secure, our efforts will ultimately fail. Enforcing cable theft is one of the basics. Simply stated, we must call upon our most precious resource — our associates — in order to be successful.

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