



Case Study

Sprint Customer Service

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Abstract

Two major carriers in the U.S. cellular telecommunications industry, Sprint the number three carrier and Nextel the number five carrier, merge to form one company, the Sprint Company. This case looks at a brief history of the two companies, examines the merger between the companies and how, after five years, their incompatible infrastructure and different corporate cultures affects customer service and customer value. This case details an actual customer experience in dealing with both sides of the merged Sprint Company.

Key words: Telecommunications, mergers, corporate cultures, and customer service.

Introduction

Sprint Nextel Corporation is a telecommunications company based in Overland Park, Kansas. The company was formed in 2005 when the Sprint Corporation purchased Nextel Communications. Its wireless data communications services include internet access and messaging, email, wireless photo and video services, entertainment applications such as TV mobile, and GPS navigation tools. The Corporation has 40,000 employees and operates in the United States, Puerto Rico, and the U.S. Virgin Islands, and is number sixty-seven on the *Fortune Magazine Fortune 500* list (MSM, 2010).

Sprint Nextel is the third largest wireless telecommunications network in the U. S. in both subscribers and service revenue. It had approximately 48 million subscribers and revenues of approximately \$8.1 billion for the first quarter of 2010. Although it claims to have a customer-focused strategy, it is number three among the top ten in churn, or attrition rate. According to Wikipedia.org:

Churn rate, when applied to a customer base, refers to the proportion of contractual customers or subscribers who leave a supplier during a given time period. It is a possible indicator of customer dissatisfaction, cheaper and/or better offers from the competition,

more successful sales and/or marketing by the competition, or reasons having to do with the customer life cycle.

Background of Sprint Corporation

Brown Telephone, started by Cleyson Leroy Brown in Abilene, Kansas, had established its first long distance circuit by 1900 and in 1950's had become the third-largest independent telephone company. In 1972 the name was changed to United Telecommunications and began a series of acquisitions.

Meanwhile, in 1970 Southern Pacific Communications Company (SPC), a unit of the Southern Pacific Railroad started its own fiber-optic network infrastructure. SPC began laying fiber optic cables along the railroads right of ways. In 1972 it began selling its surplus capacity to corporations for use as private lines, and through an internal contest to rename the company, chose the name Sprint, an acronym for Southern Pacific Railroad Intelligent Network of Telecommunications. (Wikipedia, 2010). In 1983, Sprint was acquired by GTE Corporations and became GTE Sprint Communications Corporation. Sprint GTE became the first common carrier to cover all 50 states. In 1986, US Telecom, a division of United Telecommunications, combined resources with GTE Sprint to form US Sprint. In 1992 United Telecommunications completed its buy out of the GTE Sprint interest in the company and officially changed the company name to Sprint Corporation.

Background of Nextel Communications

Since the 1930's, mobile radio systems allowed first responders and taxi drivers to stay in touch with their dispatch operations. The Federal Communications Commission (FCC) set aside special frequencies for these systems but limited their bandwidth. This limited bandwidth made it practical for mobile fleets to use but was not useful to the average driver.

In the 1970's, AT&T developed a system with the ability to switch a mobile telephone from one antenna to another as it moved from area to area, or what is now know as the cellular system. After the break-up of AT&T local telephone companies gained the right to develop their own networks. At that time, there were a large number of mergers taking place between the small companies and the larger established companies such as BellSouth and GTE. These merged companies controlled the majority of markets in the country.

As the industry matured, the FCC recognized it could open up the markets for competition. Several decades earlier thousands of wavelengths, specialized mobile radio (SMR) networks that used a highly inefficient analog signaling system had been set aside for future mobile radio use. With the advent of new technologies, SMRs had the potential of being converted to use digital signals, which required a fraction of the bandwidth of conventional analog signals.

In 1987 Morgan O'Brien, a telecommunications lawyer in partnership with Brian D. McAuley, an accountant and former executive, formed a company called Fleet Call Inc. The original business model was to buy SMR licenses at a discount price and eventually use these SMR networks to compete with other cellular companies. By mid-1992, the company had a network that operated on a frequency that could accommodate mobile phone service, two-way radio, and paging and messaging, which was beyond the capability of other cellular systems. The

drawback was that Fleet Call's system was incompatible with other cellular networks, and did not have the capability to roam or operated outside their own network area.

In 1993 the company changed its name to Nextel Communications. The idea was to suggest to consumers that "Nextel" was the next thing in telecommunications technologies. By 1996 when Nextel introduced Motorola's new iDen (Integrated Digital Enhanced Network) technology, which combined cellular phone, paging, two-way radio, and data/fax into a single network, they were a major player in the cellular market. In 2002 Nextel had the largest all-digital wireless coverage in the U.S. and more than 70 countries (Sprint, 2010).

Sprint Nextel Merger

On December 15, 2004 Sprint and Nextel released an announcement stating they would merge to form Sprint Nextel Corporation. Although this was announced as a merger of equal, it was actually the purchase of Nextel by Sprint. This set the business world ablaze with questions of how two incompatible companies could make such a merger work for its stockholders and customers. There did appear to be a number of benefits; Sprint had a strong presence in the consumer market and was a leader in wireless data communications, Nextel was the pioneer in the walkie-talkie service and its primary customer base was business customers. Operational efficiencies could be gained in infrastructure, sales, marketing, customer support and in overall administrative cost. On the down side was the incompatibility of the corporate cultures and infrastructure. Nextel had a more aggressive entrepreneurial style while Sprint had a much more bureaucratic approach.

Of more concern was the incompatible network infrastructure. Nextel operates on its proprietary iDEN network system, which is on a spectrum range similar to that used by dispatchers, while Sprint uses code division multiple access (CDMA). CDMA, allows several users to share a bandwidth of different frequencies and is use by Sprint and Verizon. Nextel phones could not be used with the CDMA system and Sprint phones could not be used with the iDEN system.

The honeymoon of the merger ended as soon as it began. Sprint Nextel has been plagued with customers leaving the network due to poor customer service. By 2007, the stock price had dropped more than 30%. By 2008 many of the Nextel executives and managers had left the company and customers, most notably Nextel customers were terminating their contracts to go with another provider. Any internet search of the Sprint Nextel merger will return pages screaming of "Sprint Nextel merger failure", "Sprint Nextel merger problems", one is hard pressed to find a positive article on the merger.

Customer Service - Customer Value

When logging onto the company's website one would expect to find the company's mission statement or their philosophy on the value they place on the customer. The only reference to customer service on the website is on the "contact us" page. By roaming about the site, one can find a reference to the "Customer Experience" that states:

Sprint Nextel: Aiming to be No. 1 in Customer Experience

Two great traditions of bold innovation have come together in a new company with a clear mission: To be No. 1 in providing a simple, instant, enriching and productive customer experience. (Sprint, 2010)

This customer experience statement is located on the “company info history” page. This may leave one with the impression that they view the care and feeding of the customer as ancient history.

As with any company, there will be both good and bad customer reviews. With the third highest churn, or attrition rate of 3.03%, on a monthly average (Dano, 2010), it seems that Sprint Nextel does not subscribe to the four major components of the customer value diamond of service, quality, image, and price (Johnson & Weinstein, 2004). Customer value, as determined by which of the four components the individual values the most can be seen coming into play by the wide variety of comments from various blogs one can read on Sprint Nextel service and by the comments posted on Sprints own web page “suggestions for Sprint”. Customer service representatives are not consistent in their message, knowledge or customer responsiveness.

Sprint Nextel Corporation claim to be one company under the Sprint name. A simple call to the customer service number listed on the website with a question on Nextel will give away that, after five years, they have not completed the transition in either infrastructure or corporate culture and values.

A customer switched from AT&T to Sprint at the recommendation of a friend who was thrilled with Sprints “everything data” plan. Sprint offers the everything data plan for an individual starting at \$69.99 per month with 450 anytime minutes, unlimited mobile to mobile regardless of the carrier, unlimited nights and weekends starting at 7:00 p.m. The plan covers unlimited data usage on the Sprint network for web surfing, email, BlackBerry Internet Services (BIS), GPS Navigation, Sprint TV and Radio, NASCAR Sprint Cup MobileSM, and unlimited text messaging, pictures and video. The same plan for a family starts at \$129.99 with 1500 shared anytime minutes. They also offer the “simply everything” plan for an individual or family with the all of the above features plus unlimited talk time. For individuals or families who use the phone for multi-media purposes, it is the best value for the money on the market.

The customer signed up for the Sprint “everything data family plan” with 1500 shared anytime minutes. Initially it was just the customer and her husband using the service. The service was great: no dropouts, great phones, great phone service, and no complaints or problems. The customer had a sister who preferred texting to calling but could not afford texting services. The customer was not into texting at that time but quickly caught on and decided it was far better in some situations to text instead of getting tied up in a lengthy phone conversation, and had the added convenience of sending a short text from work. After looking into the family plan, she thought this would be a great way for her sister to keep in touch with their mother and herself, if she could only convince her 82-year-old mother to try to learn to text and use a cell phone. The additional two lines would only add \$32.00 per month on her bill after her company discount. An important note here is that her mother had never believed she could learn to use “new technology”. When she brought the idea up with her sister and mother they were both excited and her mother was determined she could learn how to use to use the phone if it would allow her to keep in touch with her daughters more frequently.

Knowing that her mother would need a phone that was easy to use for placing phones calls and texting, she decided on a model with a pull out keyboard that was specifically designed for texting. The sporty little Samsung Rant was chosen, purple for her sister and red for her mother. Her mother loved the phone, learned how to do the minimum of texting and placing basic phone calls.

After a few months, many text messages were going back and forth and her mother had even branched out to texting her brother and other friends, but the 1500 anytime minutes were

not being used at all. Knowing that her mother used the landline to call her friends long distance, she convinced her to use the cell instead. The service worked wonderful for over eight months. And then the letter from Sprint came.

Dear customer: This letter is to inform you that phone number xxx-xxx-xxxx has been exceeding the allowable roaming charges and your account will be terminated if this continues. Please call our customer service number if you have any questions.

Question, you bet. Roaming charges! What roaming charges? The phone service for that number had been in place for eight months and no indication of roaming or roaming violations had shown up on any bill. A look at the coverage map on the Sprint website was not clear if it was in or out of the service area, but was clearly close to the edge. A call to customer service was needed.

The first call to customer services was placed the next business day. The customer representative was pleasant and friendly. After explaining the letter and inquiring if this was a roaming area and if so why nothing had been said prior to this, the customer was informed that Sprint had not been enforcing their roaming policy, but were now beginning to and the same letter was going out to a lot of customers. The policy, which is difficult to find on the website states, "Sprint may terminate service if (1) more than 800 minutes, (2) a majority of minutes or (3) a majority of data kilobytes in a given month are used while roaming" (Sprint, 2010). The customer representative confirmed that this phone was in a roaming area. The representative told the customer that all calls made from that location would be considered roaming.

Customer: What options do I have available for her to be able to use her phone in that area?

Representative: She can use her phone for texting.

Customer: I need her to be able to use the phone for calls as well.

Representative: All calls are roaming so she should not use the phone. You can get her a separate service with Nextel or another carrier. Nextel has coverage in that area.

Customer: I need to keep her on my service. Does Nextel have coverage in the other zip codes listed on my account?

Representative: It doesn't appear to be in all areas. If you want to terminate the service, we can waive the termination fee on her line but not on the others. Let us know what you want to do. Thank you for our call. Goodbye.

After having the customer representative essentially hang up on her, she began looking at other options and carriers. To get coverage in all of the zip codes of the family members on the service the only other option was Verizon. Coverage was spotty in some of the areas but it seemed to be an option, however the same coverage was going to cost \$100 more per month. She decided to call Sprint and see if they would waive the termination fees for all the lines.

A second call was made to customer service explaining that her mother was 82 years old and she needed to keep her on her same service. Getting a separate service just for her was too costly and since she could not use the phone in that area, would they waive the termination fee for the other three lines. The customer representative was more knowledgeable than the previous one and explained that one phone could be on the Nextel network and the other three could remain on the Sprint network and still be on the same family plan she currently had, however a different phone would be needed since the phones were not compatible between networks.

A trip to the local Sprint store to choose a Nextel phone revealed that the Nextel phone options were extremely limited and the same type of phone was not available for use on their network. The customer selected a “blackberry” style phone with a full keyboard that she thought, with some help, her mother would be able to use. Knowing that she had thirty days to try out the phone and service she went with that option.

A call back to the customer service representative to order the new phone and have the service activated revealed just how separate the two companies still are.

Customer: I am calling in reference to phone xxx-xxx-xxxx and have decided to switch this phone to Nextel as you recommended.

Customer representative: I will have to transfer you to a Nextel representative for that. In case I lose the connection, the number is xxx-xxx-xxxx.

After the transfer and going back through the history, the phone was ordered and the customer was instructed to call the technical representative when the phone arrived to activate it. Upon arrival of the phone, a call was made to customer service as instructed, and again the customer had to be transferred to Nextel. (At this point in time there was not a separate number listed for Nextel service. The web site “contact us” page has since been updated, and now has a separate number for Sprint and Nextel.)

With the first use of the phone, it was evident that something was amiss. All calls were dropped within the first two minutes. There were many calls back and forth to customer service, getting transferred to the Nextel representative and having Nextel assure the customer that service was available in that area. A representative from the local Sprint store, after hearing the customer’s dilemma told the customer: Please don’t say I suggested this, but put in a request to have a technician check the tower. It may need servicing or they could put a booster on it to improve the service.

Customer: Thank you. I’m surprised that as many times as I called they didn’t suggest this.

Sales representative: I’m not.

A request ticket was put in as suggested and the customer was assured that someone would be out within forty-eight hours to check the tower and in addition a call would be made both to the customer and the mother when the service check was completed. The customer stressed that this was important since the thirty-day trial was almost up.

Customer representative: Don’t worry I’m sure they will extend the thirty-day trial period while we check it out.

Seventy-two hours later there was no calls informing the customer that the service check had been completed. Another series of calls revealed the ticket was not put in, and there was not a record of the conversation. Another ticket was put in, but at this point it was three days until the trial period would end. With the inconsistencies the customer was getting each time she dealt with a different customer representative she was not feeling assured that they period would be extended.

Another call was made to customer service, in which it was evident that not all of the conversations over the past five weeks, beginning when the letter first arrived from Sprint were noted, or perhaps the representative was not accessing them.

Frustration from the customer was at an all time high.

Customer: I need to verify that the thirty-day trial will be extended while you check out the tower.

Customer representative: It is not the policy to waive the thirty days.

After a forty-five minute, conversation of which both the representative and customer started recording the conversation mid-way through the decision was made to terminate the Nextel service. The customers was once again transferred and after going through three transfers she was finally connected with the correct representative for getting a customer return number (CRN) and return package. Since the customer by this time had been on the phone for almost an hour and was at work, she informed the new representative that she needed to make this quick and just need the CRN and return package information sent to her. The response was: "I'm sorry to hear that" and then proceeded to ask a long series of irrelevant questions. Each time the customer replied and told her she need just get a CRN and return package information, the answer was "I'm sorry to hear that" and the questions continued. It was evident she was reading from a script and did not understand the customer at all. Finally, in frustration the customer hung up on her.

Not knowing if she was going to get the CRN or return package information in the mail, the next day she call sprint again. The customer service representative was friendly, as they all were, but this one was knowledgeable in all areas of Sprint and Nextel, their policies and procedures, and terms and conditions of the contract. After going over the whole issue again, the customer resumed the original phone service with the understanding that nights and weekends were not considered roaming, and by going on the web site and checking the phone usage the customer could keep track of usage and stay within the terms of the contract. The customer is still with Sprint and has had no further complaints.

Conclusion

As of February 2010, the Sprint Nextel merger was still not going well and it was not functioning as one company. Finding customer complaints similar to the incident described above are not unusual. Most of the complaints and problems appear to be with the Nextel side of the operations. The Nextel service representatives were friendly, gave the appearance of helping but the results were either lack of knowledge or lack of follow through on what they told the customer. A recent change to the Sprint website has clearly been more directed toward customer service but still has a long way to go. In the second quarter of 2010, Sprint did not see as much churn, or customer attrition, as they had been seeing in the past, and several recent customer surveys have seen improvement. Although, they are improving and remain at number three for service providers in the US they still have a way to go to convince customers, especially Nextel customers, that they are provided them with not only affordable service but with good customer value. Their overall customer service rating is acceptable, falling short of satisfying or excellent (customerservicescoreboard, 2010).

Case Questions

1. What can Sprint do to reduce its Churn rate? What do you believe is causing the churn?
2. What can Sprint do to improve its customer value image?
3. How can Sprint better merge the two companies and make the merger invisible to its customers?
4. In what ways did customers benefit or not benefit from the merger of the two companies?
5. What marketing strategy could Sprint use to improve customer value?
6. What lessons can be drawn from the merger of the two companies that can assist future mergers or acquisitions?

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