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Tim Lee vs. Comcast's hidden discounting

Posted by Jeff Gelles @ 1:29 PM

Tim B. Lee - no, not *that* one - has a story to tell about his experience with Comcast over its broadband prices. Or maybe I should say over *his* broadband prices, because his complaint is that cable companies always seem to play games with the prices they offer, and that Comcast played even more games after he outed them in his first of two recent blog posts, [Why Comcast's Price Discrimination Strategy Makes Me Hate Them](#), on Forbes.com.

Lee, unrelated to Web inventor Tim Berners-Lee, seems to suggest he'd prefer transparent pricing to Comcast's practice of what economists call price discrimination. It's a fascinating tale - absolutely worth reading if you need fortification before your next negotiation. But at the end, I wondered if he was focusing on the wrong problem.

Lee starts by recounting what happened when he was unhappy at a price increase - or the expiration of discounts - that raised his monthly broadband bill from \$52.55 to \$80.51. As he had done with Charter Communications when he lived in St. Louis, he called and threatened to cancel, saying he could choose Verizon's DSL service instead.

Voila! Though he wasn't really about to switch, and after resisting further pitches, he got a new deal from the Comcast rep. "After trying to upsell me to a 'triple play' package and putting me on hold for a minute, she offered me a \$10 discount. I probably should have held out for a bigger discount. But I wasn't actually prepared to have her actually cancel my service, and \$10 is better than nothing. I'll probably call back when I'm better prepared."

Even as he acknowledges the efficiency benefits of Comcast's willingness to bargain, Lee found the process a waste of time and distasteful, though apparently less distasteful than paying \$120 more a year:

By setting prices in proportion to customers' willingness to pay, Comcast is effectively making Internet access available to more people. But this ignores the fact that this kind of haggling is not costless. The price Comcast charges me has been creeping up over time. To make my threat to cancel credible, I'm probably going to have to actually cancel and make them beg for me to come back. That will likely mean either a pointless DSL installation or the purchase of an unnecessary CLEAR modem. Either way, real resources will be wasted for no good reason.

The more significant cost may be the stress and irritation customers feel when they're forced to call Comcast reps and lie to them every few months. While objectively speaking, spending ten minutes on the phone and telling a few white lies isn't a big deal, lying to people grates on me. Every time I go through this process, my dislike for Comcast increases by another notch.

The plot thickened after Lee's initial Forbes posting, when Comcast apparently decided to respond by calling him back to explain and, in the process, offer him a better deal. Lee recounted that conversation in a second post, [Comcast's Pricing Shell Game](#). To make a long story short, Comcast told Lee he had been getting its fast "Blast" service, officially priced at \$80 a month, for a \$25 to \$35 a month discount. But because of rules against back-to-back discounts, that couldn't continue - at least under Comcast's ordinary customer-service rules.

Those rules had already been broken, of course, by the new \$10-a-month break. But now Lee was upset that, as a blogger who had openly recounted his truth-shading bargaining strategy, he was being offered an even better deal:

She told me that if I wanted to downgrade to the regular non-“Blast” service, that would cost \$49, and she could apply the already-granted \$10 discount on top of that. Then she told me I should feel lucky because I’m not taking television service and the real price for standalone, non-Blast Internet service is \$63.

She also suggested that I was only eligible for an extra-special discounted rate because (presumably due to my original Forbes post) my case had been elevated to Comcast’s central office. Ordinary customer service reps, she said “have to follow procedure”—which apparently means no back-to-back discounts. However, in the corporate office, “we can bend the rules a bit.” ...

About an hour later, she called back again and told me that due to some computer problem, she had been unable to give me the regular-service-for-\$39 deal she’d offered me. Instead, she was giving me “Blast” service for \$48 per month with a 12-month contract. We’ll see what my bill says next month.

I assume they called me in an effort at damage control, but I don’t think this makes them look any better. The official story seems to be that there’s a “standard” rate, and that I’ve just been enjoying a variety of discounts over the last three years, which for unspecified reasons had suddenly become (mostly) not available. But given that in the course of a single phone call she quoted me two different “standard” rates—\$63 without cable service, or \$49 with cable service (but which I’m somehow eligible for despite not being a cable subscriber)—and that she offered me several different promotional packages despite their supposed policy of not giving back-to-back discounts, the whole thing looks like an elaborate shell game.

Moreover, I’m bothered by the implication that ordinary Comcast customers have to live with one set of rules, but that the corporate office will “bend the rules a bit” for people like me who are able to catch their attention. If they’re going to offer me a better deal, they should offer the same deal to all of their customers. Of course, a fair and transparent pricing scheme might not be as profitable.

Journalists always walk a fine line in these situations. If this really was an effort at “damage control” by Comcast, perhaps Lee should have said a polite, “No, thanks,” to avoid benefiting from his position. But Lee only alludes to the major, underlying issue here: More than 15 years after the Telecommunications Act of 1996 was supposed to bring a new era of competition, Comcast, Charter and their counterparts still enjoy monopoly or near-monopoly status in their markets. In parts of Philadelphia, Lee could have credibly threatened to jump to Verizon’s high-speed FiOS service, but apparently not where he lives.

The problem isn’t that companies bargain with customers. That’s how the market works, as Lee - an adjunct scholar at the Cato Institute, according to his [bio](#) - surely knows.

The problem is a lack of real competition. Even the small threat of his jumping to Verizon’s DSL service was enough for Comcast to lower its prices repeatedly. Who knows what the price would be if Lee and his neighbors had real and attractive options, or - in the fantasy of [people like Slate’s Matthew Yglesias](#) - we imposed utility-like price regulation?

We’ve abandoned price regulation for a fantasy version of competition, and gotten the worst of both worlds. Would firm and transparent pricing solve anything here? Not really.