Texas Lone Star Connections[1]

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Abstract: *This disguised real-world case addresses managerial issues in a small south Texas company. It highlights integration of outsourcing and human resources issues and uses accounting information for decision-making. Areas of study include management and small business management.*

INTRODUCTION

"This isn't the first time I've taken a major problem to our board," thought Donald Riley, general manager of Texas Lone Star Connections (TLSC). The weather was crisp and clear on that typical South Texas winter day. That afternoon he had once again reviewed the numbers on the company's most recent income statement and determined there had been a 37 percent decrease in DirecTV revenues between 2003 and 2004 (See Exhibit 1). He knew that he had to initiate changes quickly in order to reverse this decline. Thankfully, this year TLSC's investments had provided significant revenues, allowing the company to remain profitable, but he knew he could not rely on investment income in the future.

As he again reviewed the income statements, he knew that a major factor contributing to the decrease in DirecTV revenues was customer loss. He had discussed this issue with Barry Thomas, the marketing manager, who believed the customer retention problem centered on outsourcing DirecTV installation and maintenance services and had researched the possibility of moving the services in-house. Barry Thomas was glad that Riley had asked him to investigate this idea despite the fact that he had a very hectic schedule juggling the responsibilities of his demanding career while studying part-time to complete his MBA degree. Additionally, putting together a report on the feasibility of an in-house installation department and maintenance program had helped him apply several concepts he had learned in his courses. Early that morning, Thomas had walked briskly to Riley's office and handed him his report.

THE COMPANY

TLSC was a small, family-held telecommunications company located in south Texas. The owners established TLSC in 1988 as a subsidiary of Reliable Communications Corporation (RCC), a rural telephone company, to provide services that were outside of the parent company's primary business. As an agent of GTE Mobilnet, one of the first services TLSC provided was cellular telephone service. However, after GTE Mobilnet withdrew from the south Texas market, TLSC became an authorized agent of Cingular Wireless. During its start-up phase, TLSC also offered internet service. Initially, the company offered only dial-up service, but keeping up with technological changes was critical for TLSC. Thomas was quick to remind the company's management team that customers wanted "the latest and the greatest" when it came to technology. By 2003, TLSC was offering other types of internet services, such as high-speed wireless and DSL.

[1] Although this case is factual, the name of the company, selected competitors, individual names and financial information have been disguised.

During the early 1990s, TLSC took advantage of the technological developments in satellite television broadcasting. At that time, DirecTV began selling exclusive rights to investors for programming they would deliver. TLSC invested in and launched DirecTV service in 1994, the year that direct-to-home digital satellite first offered service to U.S. customers. The subsidiary became an exclusive programming provider of DirecTV for three Texas counties. TLSC purchased programming from DirecTV at wholesale and provided it to customers at retail prices. The company also worked with Hughes Electronics, DirecTV's parent company, and with RCA to offer support equipment.

Exhibit 1:
Texas Lone Star Connections
Comparative Income Statements
For Years Ended December 31, 2001 to December 31, 2004

	Year Ended 12/31/2004	Year Ended 12/31/2003	Year Ended 12/31/2002	Year Ended 12/31/2001
Revenue				
Revenues	$301,502	$267,386	$253,714	$197,344
Revenues -- DirecTV	$1,067,587	$1,707,773	$1,702,275	$1,707,856
Equipment Sales	$388,300	$242,385	$193,305	$210,853
Commissions	$534,128	$421,083	$299,167	$298,802
Other Revenues	$87,725	$108,420	$135,787	$55,858
Total Revenue	$2,379,242	$2,747,046	$2,584,248	$2,470,713
Cost of Sales				
Equipment Purchases	$785,573	$519,528	$199,637	$240,505
DirecTV	$604,067	$907,964	$885,526	$818,959
Other	$243,564	$350,670	$369,848	$537,508
Total Cost of Sales	$1,633,204	$1,778,162	$1,455,011	$1,596,972
Gross Profit	$746,038	$968,885	$1,129,237	$873,741
Expenses				
Advertising	$21,332	$24,198	$20,663	$26,048
Amortization & Depreciation	$123,656	$170,882	$244,706	$47,304
Bad Debts	$9,386	$26,372	$57,143	$92,924
Employee Benefits & Education	$53,590	$73,181	$1,990	$4,233
Transportation & Travel	$12,105	$8,083	$5,662	$3,588
Rent	$59,717	$61,078	$57,605	$49,432
Repairs & Maintenance	$16,104	$11,806	$13,413	$3,148
*Salary, Labor & Professional Services	$485,892	$439,616	$353,109	$353,049
Taxes	$45,919	$25,477	$22,053	$9,622
Telephone & Utilities	$57,768	$42,990	$33,724	$39,805
Other Administrative	$73,309	$56,497	$42,162	$45,053
Total Expenses	$958,778	$940,180	$852,231	$674,206
Operating Income (Loss)	($212,740)	$28,705	$277,006	$199,535
Investment Income (Loss)	$612,634	$258,535	($93,339)	($156,701)
Net Income (Loss)	$399,894	$287,240	$183,668	$42,834
***Total Direct TV installation costs**	$45,149	$37,193	$37,428	$39,360

Source: Data provided by Joyce Layhill*, vice president of RCC and senior manager responsible for TLSC's financial performance*

TLSC's EXTERNAL ENVIRONMENT

The satellite television market—particularly in rural areas—was comprised of hundreds of providers, many of which were small businesses, similar to TLSC. TLSC served three rural counties in south Texas with a total population of approximately 86,000. The cost of living in these counties was low, per capita income was just over $15,000, and the median value of a house in the three counties varied from $46,500 to $84,700. The area offered an abundant supply of low-wage laborers. Although one of the counties had not experienced significant growth between 2000 and 2003, the other two had grown about six percent during that time and were expecting to have a higher growth rate in the near future. These two counties currently accounted for about 62 percent of the population that the company serviced.

The three counties lacked recreational attractions and facilities, forcing the residents to travel to one of two cities, each as far as 50 miles away in opposite directions, to take advantage of the recreational opportunities each city offered. The primary employers in these counties included small manufacturers and several Wal-Marts. Agriculture and oil production also represented a significant part of the rural community's employment opportunities.

Nineteen hundred ninety four was a revolutionary year for direct-to-home television services. Recent technological developments made it possible to use a small 18-inch satellite dish to transmit programs directly to homes throughout the country. The small dishes were very different from the large TVRO satellite dishes. In addition to offering digital transmission, they operated in a closed system that required special reception equipment and received all their programming from one specific satellite. Two companies introduced satellite subscriptions using the new dish; Hughes Electronics with 30 cable channels and United States Satellite Broadcasting (USSB) with 14 channels (Boyd, 1994). In addition to a monthly subscription fee, customers needed to buy the dish, decoder, and remote control that cost approximately $600.

DirecTV was able to expand its services quickly to different regions of the U.S. through resellers, such as the National Rural Telecommunications Cooperative. By the end of 1998, DirecTV purchased USSB. During this time, however, DirecTV was facing major competition from Dish Network, owned by Echo Star. When it initially offered services in 1996, it sold its own dish and components for $500; however, within a few months, the company lowered the price to $199 (Pargh, 1996), forcing DirecTV to lower its price as well. As Dish Network continued to expand its television services, it sought customers in rural areas, including the region where TLSC offered DirecTV.

In addition to Dish Network, TLSC competed with Trace Direct Cable (Trace), an independently owned and operated cable company. Trace served about twice the number of customers as TLSC and focused on serving small communities in TLSC's tri-county area as well as several other counties in the region.

Due to Trace being private, obtaining competitive information was virtually impossible. Consequently, some TLSC employees subscribed to Trace's cable service in order to obtain customer notifications and newsletters. They also maintained close relationships with customers who subscribed to both services. They were aware that Trace outsourced all customer service requirements and, because of their own subscriptions with Trace, had first-hand knowledge of customer treatment, which they considered haphazard and unreliable. Additionally, like TLSC, Trace currently offered no maintenance program for its customers.

Riley often described the disparity in quality of customer service between Trace and TLSC as “a night–and-day difference.” TLSC employees who subscribed to Trace’s services knew first-hand the irritation customers suffered when they waited in vain for the arrival of a promised service technician. Consequently, they often asked themselves “What would WE expect when we call an organization for service?”

TLSC’s INTERNAL ENVIRONMENT

TLSC’S parent company, RCC, had been in operation for over 70 years and was one of the most thriving businesses in its community. Riley was aware that RCC had always maintained an excellent reputation by providing a superior level of customer service, which led to the development of strong customer relationships. This was especially important in the small town, where everyone knew everyone else. Employees often saw customers at the grocery store, the dry cleaners, the movie theatre or the local diner. Thus, when TLSC began offering its services, one of Riley’s key objectives was to provide customer service that exemplified the parent company’s excellent reputation.

He knew that as a small family business, the value of neighborly service was a key part of the company’s culture and that this focus had produced an exceptional level of customer satisfaction. Riley had heard that many customers were willing to travel to one of TLSC’S locations to receive what they considered incomparable service, even though they might be able to buy the same product closer to home. Additionally, he was personally aware of the commitment to customer service that the company expected of all TLSC employees.

For example, Riley had once found himself making modifications to customers’ cellular telephones during a local Little League baseball game. It was also common practice for a customer to call a TLSC employee at home to request immediate repair service. Often, employees could make certain repairs in their own home and they certainly accommodated these customer requests. All employees, including those at TLSC, accepted the parent company’s values, especially the emphasis on commitment to superior customer service.

Riley, RCC’s and TLSC’s management also firmly believed in a strong commitment to the community and often allowed organizations to use their facilities in the evening to hold meetings. The local Girl Scout troop met there regularly. Further, in 2001 RCC created a foundation to provide college and vocational scholarships to deserving local students. Riley knew that giving back to the community was another opportunity to cement customer relationships.

He also felt that TLSC’s culture was one of inclusiveness, because he treated all employees as if they were family members. Additionally, TLSC provided excess fringe benefits compared to other companies. Riley knew that Mary Lynn Perkins, the subsidiary operations manager, was had been offered a position with another company at a higher salary. However, she had turned them down. Her fringe benefits at TLSC included full payment for health care premiums for her entire family, complimentary services provided by the company, use of a company car and a sizeable Christmas bonus each year. Non-management personnel enjoyed many of these additional benefits. In addition, consistent with TLSC’s goal of continuous improvement, it recently started offering college tuition reimbursement. Consequently, TLSC’s turnover rate was very low.

Riley was aware that another determinant of TLSC’S success was its support for continued employee education. All team members attended regular meetings and departmental training, and Riley believed these successful efforts helped TLSC’s service stand out from its competition. For example, customers rarely were required to go through long warranty processes or have products shipped out for weeks for repair. TLSC's employees repaired most items immediately in the office and provided solutions to customer problems over the telephone.

The company's customer service approach was to try to resolve problems over the telephone when a customer called. The service representative would troubleshoot by offering help and advice but if unable to immediately resolve the problem, would turn the customer over to a subject matter expert. If the problem was still not resolved, the subject matter expert might suggest a service upgrade or suggest that the customer exchange the box for a newer one. TLSC's goal was always one of building a personal relationship with the customer, which they hoped would lead to increased customer satisfaction and retention. One additional advantage of handling service calls in-house was that customers were able to speak to the same person whenever they called, thus maintaining an important link between the customer and the service troubleshooter.

Riley was proud of the company's accomplishments and his long association with TLSC. He had worked with TLSC for over 12 years and based on his experience and technical background, believed that the company's future was dependent on its ability to grow and evolve with the technology that it offered. He further believed he had a solid management team he could count on in helping him manage the company's products and services.

The Management Team

Riley's management team included Mary Lynn Perkins, the subsidiary operations manager, who handled TLSC's day-to-day business processes and understood the interaction between sales and customer service. She began her employment with TLSC as a sales associate, had been promoted rapidly, and after nine years with the company, worked daily with the current sales associates and still often interacted with the customers herself.

As TLSC's marketing manager, Barry Thomas' responsibilities included analyzing the company's products and services and assessing the company's effectiveness in achieving its marketing objectives. Although Thomas reported directly to Perkins, he would often work closely with Riley on specific projects.

Riley also had a close working relationship with Robert Bennett, a relative newcomer to the organization who had moved from a large city two years ago. Bennett was the parent company's information technology manager and had recently suggested increasing TLSC's revenues by offering additional internet-related services, such as home networking. His strong technical knowledge and willingness to assist customers on a 24/7 basis made him a valuable member of TLSC's team. Moreover, his special interest in raising his children in this small town made his personal success with the organization of primary importance to him. Exhibit 2 on the following page shows the formal and informal reporting lines of the members of the management team.

RECENT CONCERNS

TLSC'S new subscriber activations first increased and then remained steady, but gradually it became apparent that the number of disconnecting subscribers was increasing. Eventually, the number of customers who were disconnecting accounts began to exceed the number who were activating. Exhibit 3 on the following page shows the number of TLSC's DirecTV subscribers at the end of each year, 2001 to 2004.

Because of these problems, the management team became concerned with TLSC'S DirecTV department. Due to its small size, and a service area covering three large counties and 1,872 square miles, TLSC did not usually have the necessary number of staff to provide the high level of service that customers expected. Consequently, the company used an independent contractor, James Smith, to provide installation and other services. The monthly contract installer fees ranged from $5,600 to $7,200 and the cost per installation varied, based on the type required. The installer charged $175 for a typical installation, although the costs could climb to $250 for more complex installations.

Exhibit 2
Reporting Lines
Management Team, TLSC

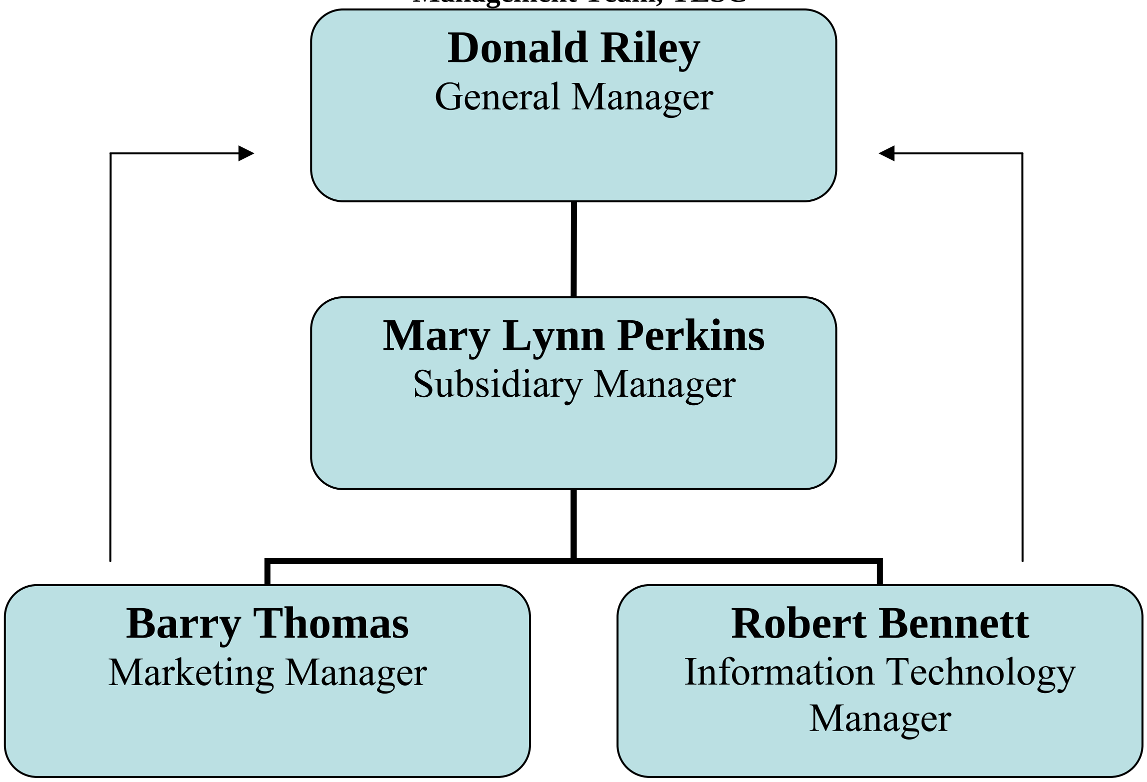

Exhibit 3
Number of DirecTV Subscribers
As of December 31 Each Year 2001 through 2004

Year	Subscribers	Net Change	Percentage Change
2001	2,626	n/a	n/a
2002	2,527	-99	-4%
2003	2,462	-65	-3%
2004	2,443	-19	-1%
Total Subscriber Reduction, 2001 to 2004		-183	-7%

Source: Data provided by Donald Riley, general manager

Smith, who was in his early sixties, received per installation pay and went fishing when no work was available. He set his own hours and agreed to be available for installations from 6 a.m. to 8 p.m., Monday through Saturday. Moreover, the installer was exceptionally reliable and offered very timely service. He could complete a maximum of three installations per day, and a customer usually had to wait only a day or two for installation, once requested. The installer was very accommodating in terms of scheduling the installation at a time of day convenient for the customer. Hence, Riley was extremely pleased with the quality of Smith's job performance and his willingness to accommodate customer-scheduling requests.

According to Perkins, some customers were under the impression that Smith was a TLSC employee and if a customer had problems with the equipment, the customer usually contacted someone at TLSC and expected that person to solve the problem. However, TLSC had no responsibility for equipment repairs. Unfortunately, this created a great deal of confusion, oftentimes leading to customer dissatisfaction to the point where they would discontinue DirecTV services with TLSC. Customers who understood that the installer was an independent contractor would contact the installer directly for maintenance and repair services. In these cases, the contractor would repair the system satisfactorily, but would charge fees ranging between $100 and $200. Sometimes, the high cost of repairs led customers to switch to one of TLSC's competitors.

Perkins was very concerned about these DirecTV installation and maintenance issues and had expressed her concerns to Riley and Thomas. She knew that despite carefully informing new customers about the exact services that the installer would provide, sometimes customers' expectations differed from what the installer understood he was to offer Perkins was in charge of soothing the customers in these instances. These issues led Thomas to suggest adding an in-house installation department and the feasibility of a maintenance program with in-house technicians. According to Thomas, TLSC could not only eliminate the contract installer fees, but also create opportunities for additional revenues for advanced DirecTV, Internet, and network installation services. Further, TLSC had rights to sell these services in several other geographic areas, but had been unable to because it could not locate area installers. Thomas had thought of the idea of creating a monthly service package that would cover needed repairs. The program could give TLSC a competitive advantage because competitors did not currently offer a similar maintenance program.

Riley believed the investigation of hiring permanent installers and maintenance employees was worthwhile and that this type of change had the potential to improve customer service and revenues. He recalled his conversation with Joyce Layhill, vice president of RCC and the senior manager responsible for TLSC's financial performance, who reminded him that although the company was still profitable, the decrease in its operating income was troublesome. Riley wondered whether an in-house installation department and service protection plan would be cost effective and whether it would help increase revenues. Unlike the arrangement with the current contract installer, who was paid per installation, new employees would be paid on an hourly basis, would work at least 40 hours per week and would most likely be paid overtime for weekends if they were called out for maintenance services. Currently, if no installations were scheduled, there was no cost to TLSC.

Further, this would mean that Riley would be responsible for insuring the two new employees would always have work to do. Cross training into other service areas would probably be necessary in order to minimize their idle time. Of course, the hoped-for growth in DirecTV customers could mean that the employees would have enough work for them without having much downtime.

These preoccupations led Riley to ask Thomas to obtain information that would aid in determining whether an in-house installation department and maintenance program would prove feasible. He also wanted to know whether such a program would reduce the number of disconnecting DirecTV customers and whether it could become a selling point leading to an enlarged customer base. Riley perceived that installation and maintenance would be the final stage of the "sale" and it would be important to keep this final stage clean, professional, and with a lasting positive impression of TLSC.

Riley believed the number of DirecTV customers might increase if a maintenance program became available, and that would certainly help their bottom line. However, above all, he wanted to be sure that the company provided outstanding service to all customers. This latter point was not only important to him but also to the company's board.

Barry Thomas' Three-Pronged Marketing Approach

Thomas used a three-pronged approach to obtain the information necessary for his report to Riley. First, he interviewed key managers to obtain information regarding market demand and to obtain information necessary for a feasibility study for an in-house installation and maintenance program. Riley, Bennett, and Perkins provided Thomas with information on the daily operations of the organization and on customer needs regarding the products and services offered. Perkins and Layhill assisted him by providing relevant accounting information. Exhibits 1 and 4, respectively, present four-year comparative income statements and balance sheets for TLSC.

Second, Thomas prepared a customer survey to mail to all 2,443 current DirecTV customers. The objectives of gathering information were to: (1) notify current customers that TLSC was considering a service protection program to provide installation and maintenance for the entire DirecTV system, (2) get the customers' views and preferences regarding TLSC offering in-house installer(s) and maintenance employee(s), and (3) obtain information regarding a monthly fee that customers perceived as reasonable for the maintenance service. Because of the low per capita income in the three counties TLSC serviced, Thomas believed cost was an important component of their customers' decision. Four hundred and five customers returned completed questionnaires.

Third, Thomas held two focus groups at TLSC's offices. Each focus group consisted of ten new subscribers to DirecTV services, residing in one of two different Texas counties. The third county was too far away to justify asking customers to make the trip to TLSC. He asked the customers in both of the focus groups the same questions from the written survey while a moderator documented the responses. The entire process took about two months.

Survey and Focus Group Results. (Exhibit 5 presents the survey instrument). Upon analyzing the survey data, Thomas found that respondents expressed some interest in a service protection program if they perceived the price to be reasonable Moreover, respondents seemed to have a preference, although not a strong one, for TLSC to have in-house technicians. A majority of respondents indicated they would at least "maybe" consider the availability of a service protection plan as a factor when deciding whether to remain with DirecTV and that offering the maintenance program would make TLSC at least somewhat more competitive. There was greater difference, however, in what respondents considered a "fair" monthly rate. Although the average was $4.20 a month, the responses ranged from $0 to $20. There were no responses to question number 6, the last question on the survey.

As with the survey findings, the results of the two focus groups were encouraging. Half of the participants in one focus group and 60 percent in the other group indicated a strong preference for an in-house service protection program. On average, the focus group participants considered a service fee of $5.00 a month as fair. Exhibit 6 provides a summary of the survey and focus group results.

After Thomas reviewed all of the data he gathered, he developed the information presented in Exhibit 7. His analysis determined that only two new employees would be necessary to fulfill installation and repair requests. Therefore, he determined the total cost for an in-house technician and a technician's assistant. He estimated that the training period required for each employee would be two weeks.

Exhibit 4
Texas Lone Star Connections
Comparative Balance Sheets
December 31, 2001 through December 31, 2004

Assets	**12/31/04**	**12/31/03**	**12/31/02**	**12/31/01**
Current Assets				
Cash	$1,077,766	$1,002,670	$1,258,362	$1,190,167
Accounts Receivable -- Employees	($906)	$0	$0	$0
Accounts Receivable -- Trade	$38,111	$37,999	$31,861	$35,839
Accounts Receivable – Inter-company	$25,060	$13,794	$43,350	$56,976
Inventory	$16,294	$35,206	$20,621	$67,715
Investments	$6,421,975	$5,892,083	$5,038,822	$4,913,929
Total Current Assets	$7,578,299	$6,981,752	$6,393,016	$6,264,626
Property, Plant and Equipment				
Land, Land Improvements and Buildings	$104,449	$93,219	$81,838	$64,288
Telephone Equipment and Cable	$665,139	$664,858	$664,284	$284,427
Internet Equipment	$244,343	$223,390	$172,104	$203,959
Office Equipment	$50,261	$46,932	$37,022	$61,560
Less Accumulated Depreciation	($450,132)	($368,708)	($422,625)	($264,295)
Total Property, Plant and Equipment	$614,059	$659,691	$532,624	$349,939
Other Assets				
Licenses and Investments	$597,801	$618,160	$211,940	$211,972
Total Assets	$8,790,159	$8,259,603	$7,137,580	$6,826,537
Liabilities and Stockholders' Equity	**12/31/04**	**12/31/03**	**12/31/02**	**12/31/01**
Current Liabilities				
Accounts Payable -- Trade	$168,784	$168,783	$149,178	$19,488
Accounts Payable – Inter-company	$214,695	$97,328	$69,494	$113,512
Accounts Payable -- Other	$0	$0	$0	$285,322
Payroll Taxes Payable	($336)	$158	$408	$170
Sales Taxes Payable	($6,061)	$11,645	$10,568	$11,219
Franchise Tax Payable	$0	$0	$0	$0
Accumulated Post-Retirement Benefits	$80,748	$41,714	$0	$0
Total Current Liabilities	$457,830	$319,628	$229,648	$429,712
Stockholders' Equity				
Common Stock	$1,368,000	$1,368,000	$1,368,000	$1,368,000
Retained Earnings	$6,534,410	$6,142,056	$5,722,516	$4,943,449
Other Comprehensive Income	$429,918	$429,919	($182,585)	$85,376
Total Stockholders' Equity	$8,332,329	$7,939,975	$6,907,931	$6,396,826
Total Liabilities and Stockholders' Equity	$8,790,159	$8,259,603	$7,137,580	$6,826,537

Source: Data provided by Joyce Layhill, *vice president of RCC and senior manager responsible for TLSC's financial performance*

Exhibit 5
Survey Instrument

Texas Lone Star Connections (TLSC) is developing a Service Protection Program where we would install and maintain the entire DirecTV system. If you experienced any problems excluding misuse or abuse, we would repair or repair the system at no cost to you. (A typical service call is $80. With the Service Protection Program you would not be charged a service call.) There would be a small monthly charge for this maintenance and repair service.

1) If the price were reasonable, would you subscribe to a Service Protection Program?

❑ Yes ❑ No ❑ Maybe

2) If TLSC offered a Service Protection Program, and Dish Network and cable TV did not, would this be a factor in future decision to remain with DirecTV versus choosing another provider?

❑ Yes ❑ No ❑ Maybe

3) In regards to providing maintenance support on your DirecTV system, which of the following best describes your preference regarding TLSC using their own technicians versus using contract technicians?

❑ I strongly prefer that TLSC would have their own technicians.
❑ I somewhat prefer that TLSC would have their own technicians.
❑ It doesn't matter to me whether the technician is a TLSC employee or a contract employee.
❑ I prefer TLSC contract with outside firm(s) for technicians.

4) What do you feel would be a fair monthly rate for a Service Protection Program? $_______ per month

5) How much more competitive would this program make TLSC compared to Dish Network and Cable TV?

❑ Much more competitive ❑ Somewhat more competitive
❑ Same ❑ Less competitive

6) Do you have any other comments regarding this potential service offering?

Source: Questionnaire provided by Barry Thomas, marketing manager

The Upcoming Board Meeting

Riley liked the three-pronged marketing approach that Thomas had used and now that he had the report, he could begin to decide what his recommendation should be. He also wanted to be well prepared for the questions he would get at the upcoming quarterly board meeting. All five board members, including the one member not employed with either RCC or TLC would be present. He knew board members would question him extensively concerning his plans for not only retaining current DirecTV customers but also attracting new ones. Was the information contained in the report enough to help Riley determine his recommendation to the board? Would he be prepared to address board members' questions?

Exhibit 6
Survey and Focus Group Results

		Original Survey Results	Focus Group 1 Results	Focus Group 2 Results
Question 1	Yes	35%	50%	40%
	Maybe	41%	30%	40%
	No	24%	20%	20%
Question 2	Yes	33%	40%	20%
	Maybe	29%	30%	30%
	No	38%	30%	50%
Question 3	A	45%	60%	50%
	B	14%	0%	10%
	C	38%	40%	40%
	D	1%	0%	0%
Question 4*		$4.20	$5.00	$5.00
Question 5	A	21%	30%	40%
	B	46%	50%	40%
	C	25%	20%	20%
	D	3%	0%	0%

Source: Data provided by Barry Thomas, marketing manager

Question 1: If the price were reasonable, would you subscribe to a Service Protection Program?
Question 2: If Texas Lone Star Connections (TLSC) offered a Service Protection Program, and Dish Network and cable TV did not, would this be a factor in future decision to remain with DirecTV versus choosing another provider?
Question 3: In regards to providing maintenance support on your DirecTV system, which of the following best describes your preference regarding TLSC using their own technicians? A=strongly prefer, B= somewhat prefer, C=doesn't matter, D=prefer contract with outside firm(s)
Question 4: What do you feel would be a fair monthly rate for a Service Protection Program?
Question 5: How much more competitive would this program make TLSC compared to Dish Network and Cable TV? A=much more competitive, B=somewhat more competitive, C=same, D=less competitive

*Note: The maximum amount indicated was $20 and the minimum amount was $0.

Exhibit 7
Annual Cost of In-House Technician and Assistant

Annual Cost of	
In-house Technician	
Salary	$37,430
*Payroll Taxes	$3,297
**Benefits	$13,152
Communications Equipment/Service	$400
Company Provided Vehicle	$2,125
Vehicle Maintenance	$775
Total	**$57,179**
In-house Technician's Assistant	
Salary	$24,000
*Payroll Taxes	$2,270
**Benefits	$13,152
Communications Equipment/Service	$400
Total	**$39,822**
Combined Total	**$97,001**

Source: Data provided by Barry Thomas

* Payroll taxes were based on FICA plus Medicare (7.65%) on the full salary and unemployment taxes (6.2%) on the first $7,000 of wages

** Benefits (health insurance, life insurance, pension plan, etc.) were estimated using the costs associated with a multiple-family member employee

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