

How the Bell System Looks to the Public

by Louis Harris

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In recent years, my firm has been doing quite a bit of public opinion research for the Bell System. As a consequence, we have gotten to know the corporation pretty well. Recently, in what we call our Perspective study, we had the opportunity to rate the Bell System against several other industries on some criteria that members of the public think are important in assessing how business performs. These criteria included:

- Providing enough steady jobs.
- The quality of an industry's products and services.
- The quality of an industry's top management.
- Having good labor relations.
- An industry's concern about the communities where it does business.
- Controlling air and water pollution.
- An industry's serious concern about the energy problem.
- The believability of an industry's advertisements.
- The attention an industry pays to customer complaints.
- Whether there is adequate competition among companies within an industry

All of the industries who are clients of our Perspective studies were rated on these counts. The Bell System compared very well with the average for all industries tested on all counts but the last- adequate competition within the industry. You also achieved a particularly high standing on two counts – the believability of your advertising and the attention you pay to customer complaints. That's a record to point to with some pride.

In this same study, we went on to ask some other questions about other aspects of your business. For example, we asked how successful the Bell System, as a regulated monopoly, has been. Slightly over half the American public says that it has been "very successful."

When we asked how well the Bell System, as a regulated monopoly, has been in keeping telephone rates from going up as much as other costs, the answer is not quite as favorable. Nearly a quarter of our public sample said the Bell System has been "very successful." However, about three out of 10 respondents said "not very successful at all." This answer really speaks for itself.

Some clues as to why the public votes this way lie in the answers to two other questions we asked. When asked whether the Bell System's regulated monopoly situation has helped to control the System's profits, three out of 10 respondents said it had not been too successful. Further, when asked about whether the regulators control Bell or Bell controls the regulators, 25 per cent of the respondents in our study said the former and 15 per cent the latter. Of the remainder, 31 per cent said the balance was even and the rest had no opinion.

All this is by way of being a preamble to considering your situation with respect to competition. Here the results from our study are certainly conclusive. We found that seven out of 10 respondents felt that more competition in the telephone industry would

be a good thing. Moreover, 46 per cent felt that telephone service would improve under more competitive conditions and 24 per cent felt that local rates would go down.

In interpreting these results, obtained early this year, it is important to realize they were obtained at a time when the American public was waking up to a growing awareness of inflation.

In saying this, I do not mean to imply that Americans haven't been mindful of inflation up to now. For the past seven years, they have been telling us that it is the most important problem the country faces. What is new is the growing feeling on the part of the American public that you cannot beat inflation as an individual. Evidence of that is the fact that the public is telling us, by a clear majority (54 per cent), that it would opt for lower pay increases. The public now senses that the way, perhaps the only way, to beat inflation is to pull together, not individually.

This feeling on the part of the public, in turn, leads to a growing impatience with companies that are raising their prices with the explanation that their costs are going up and the public must rescue them by paying higher prices. It also leads them to look askance at Bell System profits of a billion dollars or better each quarter. About six out of 10 respondents felt such profits were excessive. The fact that -- because of inflation -- other companies might make such large profits, hardly changes the result at all.

So, the Bell System is faced with a demand for more competition in the telephone industry, spurred by a variety of things that simply will not go away. The implications are serious and appear indelibly clear to me. You must seize the initiative on the competition issue.

You are in an enviable position to do this. As our study demonstrates, you have proved your ability to serve the nation by your current and past performance. Nonetheless, you still have to face up to the fact that the public prefers competition. I feel it is critical that you do not communicate the fact that you are accepting competition because you had no choice in the end.

In my judgment, it would be far better if you said to your customers- the American public - something like this:

"We've had it with monopoly status and we think you have, too. As much as we think being a regulated monopoly may have worked throughout our history, now we think it will not work as well in the future. Thus, we are convinced that competition is better for us and for you, our customers. But, above all, we ask for the chance to prove this point. We think the state of technology now makes competition both possible and desirable, and we welcome it as a way to put us on our mettle."

Louis Harris *heads the very well-known public opinion research firm bearing his name.*