Do External Stakeholder Pressures Influence Customer Service and Complaints Handling Practices in the Australian Internet Service Provider Industry?

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Abstract
Poor customer service (CS) and complaints handling (CH) performance of the Australian Internet Service Provider (ISP) industry has been the subject of intense scrutiny over the past few years. Internet industry stakeholders such as the ombudsman, consumer association, regulator and government authorities have considered tighter regulation as a response to address the industry’s poor CS track record. This paper explores the role of external stakeholder pressures on the very large ISP (vlISP) industry that resulted in significant revisions to the CS/CH sections of Telecommunication Consumer Protection (TCP) Code. Qualitative research using eleven in-depth interviews with senior vlISP industry executives was conducted. Data analysis found that three key pressures (regulatory, customer, competition) influenced the revisions to the TCP code. Very few studies in the Australian context examine personal viewpoints of vlISP industry stakeholders to understand how and why vlISPs respond to such pressures. This is the first study that examines such viewpoints using an institutional theory lens. The study findings are: encourage vlISPs to collaborate with relevant stakeholders to manage expectations regarding CS/CH performance; provide valuable information for regulatory agencies, the consumer association and the complaints authority to develop an understanding of what pressures drive the changes required to enhance service improvements in areas where vlISPs under-perform; and assist external stakeholders to understand the types of pressures to which vlISP managers respond. The study findings will inform future quantitative studies to examine the influence of such pressures on the actual CS/CH performance of vlISPs.

Keywords: customer service; regulatory pressures; TCP code; internet industry; external pressures

Introduction
The past decade has seen a renewed importance in Customer Service (CS) and Complaints Handling (CH) performance of Australian Internet Service Providers (ISPs). Rapid increase in growth of services and complexity of products has made it increasingly difficult for ISPs to deliver consistent CS performance (Australian Communications Consumer Action Network (ACCAN), 2012). In this paper, CS refers to “provision of service to customers before, during and after a purchase” (ACCAN, 2012). CH refers to “an expression of dissatisfaction related to an organization’s products, services or the complaints handling process itself” (Australian Communications & Media Authority (ACMA), 2012). There is a growing body of literature highlighting poor CS/CH performance of Australian very large ISPs (vlISPs) over the period 2008-2011 (Havyatt, 2010; Wood, 2010; Gerrand, 2011; ACMA, 2012; ACCAN, 2012; Telecommunications Industry Ombudsman (TIO), 2012). vlISPs typically have more than 100,000 subscribers (Australian Bureau of Statistics (ABS), 2012). An authoritative source of information on CS/CH performance of vlISPs can be found in the TIO annual complaint reports (complaints recorded between 1 July of the corresponding year to 30 June the following year). An analysis of the complaints data over the period 2006/2007 to 2010/2011 showed a steady increase in CS/CH complaints (consideration was given to the proportion of complaints against the number of subscribers). These TIO reports also contained a number of indications that the industry was falling seriously short in its CS/CH
obligations to its customers, resulting in customer dissatisfaction and frustration. This triggered regulator, ombudsman, consumer association campaigns and inquiry into the CS/CH practices of the industry (ACMA, 2011; TIO, 2012). Further, poor CS/CH performance has several socio-economic implications for consumer protection, customer exodus, industry reputation and business survival. This has serious effects for the whole nation, particularly when the internet is fast becoming an important communication medium for both individuals and businesses. This study focused on the top four viISPs in Australia. Justification for this focus is provided in Table 1.

Service Quality in Internet Industry Context

Service quality in the internet industry refers to “the manner in which services are delivered to customers” (Parasuraman, Zeithaml & Berry, 1988, p.12). In Australia, the customer perception of service quality is influenced by both technical factors (What is delivered?) within a viISP network such as speed, availability, and reliability of a network, and functional factors (How it is delivered?) outside an ISP network such as CS, CH, contracts, billing, and responsiveness (Havyatt 2010b; ACMA, 2012; ACCAN, 2012; TIO, 2012). When a viISP fails to provide good services to customers, a complaint about a problem soon turns out to become a complaint about a company. Poor CH performance can damage the reputation of the company and lead to business losses. In the lifetime of a customer belonging to a viISP, the service is not permanently tied to technical or functional service. Instead, both services are demanded by customers based on the circumstances that surround their service needs. Improved CS/CH performance is crucial for providers to attract new customers and retain their existing customers in a competitive marketplace. Additionally, CS is expected to play a key role for future internet services such as the National Broadband Network (NBN), where absence of monopoly over network necessitates viISPs to compete on service quality differentiation as opposed to infrastructure differentiation (ACMA, 2012). Some key questions to consider are: How are the CS/CH practices developed in the internet industry? Who are the key stakeholders?

In the current co-regulatory regime, section 112 and 113 of the Telecommunications Act 1997 (Cth) states that the consumer codes are to be developed by the peak industry association in consultation with other stakeholders of the internet industry (Communications Alliance, 2013). The consumer protection code governing viISPs is the Telecommunications Consumer Protection (TCP) Code. The code is developed, reviewed and revised by the industry association in consultation with external stakeholders such as the regulator (ACMA), the ombudsman (TIO), the consumer association (ACCAN), the government department for responsible for broadband (Department of Communications) and the top four viISPs. Once the code is developed, it is registered with the regulator and comes into effect. The old TCP code (TCP code 2007) was revised in 2010/11 and the revised TCP code (TCP code 2012) came into effect on 1 September 2012 (Communications Alliance, 2013). Detailed information on the history of co-regulation on consumer protection in Australia is available in Havyatt (2010a).

An Institutional Perspective to Understand External Stakeholder Pressures Influencing CS/CH Practices of the Internet Industry

Institutional theory was used as a theoretical framework to study the role of external stakeholder pressures in influencing CS/CH practices of viISPs. Institutional theory posits that organisations not only compete for technical efficiency but also organisational legitimacy. Legitimacy is defined as “a perception that the actions of an entity are desirable, proper, or appropriate within some socially constructed systems of norms, values, beliefs, and definitions” (Suchman, 1995, p. 574). The main thrust of this theory is that organisational practices are influenced by the external environment in which they operate and the organisational choices are constrained and influenced by social behaviours, values and norms in their external environment (DiMaggio & Powell, 1983).
An increasing number of studies (Gunningham & Rees, 1997; Bjorck, 2004; Major & Hopper, 2005; Hu, Hart & Cooke, 2006; Lee, Ginn & Naylor, 2009) have highlighted the institutional influences on organisational practices. For example, Hu, Hart and Cooke (2006) investigated the role of external influences on organisational Information Security (ISec) practices. They found that the introduction of the Sarbanes-Oxley Act (United States of America) changed the management attitudes towards ISec policies (compliance with regulation was the key driver for the change). Lee, Ginn and Naylor’s (2009) study revealed that regulatory forces stifled service innovation in the services industry. Bjorck (2004) investigated why formal security structures and actual security behaviour differed on ISec practices. His work sheds light on why organisations create and maintain formal ISec policies without implementing them fully. Taken together, these studies revealed that external constituents have an important role to play in influencing industry practices. Detailed information on institutional theory is available in DiMaggio and Powell (1983).

Havyatt (2010b) states that the “industry’s reputation for poor customer service has been much commented on but little analysed” (p. 11.1). Institutional theory was chosen to study the pressures that stakeholders exert on the vlISP industry, understand what pressures influence the attitude of vlISP regulatory managers towards CS/CH improvements, and to critically examine how and why vlISP respond to such pressures. The main research question investigated was: In what ways do external stakeholder pressures influence CS/CH practices of the vlISP industry? A qualitative research methodology using semi-structured interviews was chosen for this study. Table 1 provides further information on study participant recruitment, profiles of organisations, participants and the data analysis approach used.

**Major Findings**

*Why the Old TCP Code Failed to Deliver Acceptable CS/CH Outcomes in the vlISP Industry*

All the participants acknowledged several shortcomings in the old TCP code. The data analysis revealed that the study participants were explicitly involved in the development, review and revision of the TCP code. There was consensus among participants that the old TCP code did not deliver acceptable CS/CH outcomes in the industry. The key reasons were the industry’s failure to enforce code conformance, failure to encourage continuous improvement of CS/CH practices, and inadequate guidance to deal with new/emerging consumer issues. For example, the regulator executive P4 explicitly discussed the need for ongoing collaboration amongst stakeholders to improve the code so it supports delivery of satisfactory outcomes for consumers. Further, P4 described the extensive dialogue, discussion and negotiation that occurred during the code review in 2010/2011 to address the CS/CH shortcomings in the old TCP code.

*How was regulatory compliance assessed in the old TCP code?* Regulatory compliance in the internet industry refers to ISPs acting in accordance with their external obligations (TCP code) and in doing so they reflect their organisational structure, processes, policies and procedures to meet those obligations (Communications Alliance, 2013). The data analysis found that the regulator considers a number of factors when assessing code compliance. First, the TIO complaints data plays an important role in assessing compliance as it provides information about possible code issues, confirmed code breaches and systemic CS/CH issues. Second, the number of individual consumers expressing their frustration about their provider to the regulator is an indication of customer dissatisfaction. Third, repeated complaints about a provider from their customer base triggered interest of the regulator to formally investigate the matter.
Participants were selected based on the information available on websites of vlISPs, industry association and government agencies. Participants had experience ranging between seven and 40 years in dealing with consumer issues, regulatory affairs and were the point of contact between their organisation and the external agencies. Purposive sampling was used as participants in key positions were required for obtaining the right perspective on the topic.

**Type of service**
Internet service issues for Australian residential customers.

**Justification for focus on top four vlISPs**
Collectively, they have close to 80% of the residential internet subscriber base; are board members of the industry association and collaborate with them on industry practices; are board members of various external stakeholders such as the regulator and the ombudsman; are members of broadband policy formulation committees; and interact with the government department responsible for broadband on a frequent basis. Their ‘visibility’ in the market place means their practices are under increased scrutiny by external stakeholders and the media.

**Methodology**
Qualitative research using a semi-structured interview method was used (11 senior executives from key stakeholder agencies were interviewed between November 2011 and October 2012).

### Profile of participants

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<th>O-Organisation</th>
<th>P-Participant</th>
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<tr>
<td>Consumer Association</td>
<td>O1: Senior executive of consumer association representing telecommunication consumers in Australia. Has decades of experience on consumer issues (P1).</td>
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<tr>
<td>Telecommunications Industry Consultant</td>
<td>O2: A telecommunications veteran with more than 30 years’ experience in working for major telecommunication companies in the past. Currently provides advice on regulatory compliance to big players and is involved in industry association code review activities (P2).</td>
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<tr>
<td>Industry Association</td>
<td>O3: Senior executive from ISP industry association responsible for developing the TCP code. Has decades of experience in the telecommunications industry (P3).</td>
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<tr>
<td>Australian Telecommunications Regulator</td>
<td>O4: Regulatory executive involved in TCP code development and enforcement (P4).</td>
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<tr>
<td>Australian Telecommunications Industry Ombudsman</td>
<td>O5: Ombudsman executive with extensive experience in handling CS and CH issues. Manages four functional teams in this organisation (P5).</td>
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<tr>
<td>Very large ISP 1</td>
<td>O6: Regulatory manager of a national ISP based in Melbourne. Has decades of experience in regulatory affairs. Another executive assists him on regulatory compliance matters (Two participants: P6a, P6b)</td>
</tr>
<tr>
<td>Very large ISP 2</td>
<td>O7: Regulatory manager of a national ISP based in Melbourne. Has more than 30 years’ experience in regulatory affairs area (P7).</td>
</tr>
<tr>
<td>Very large ISP 3</td>
<td>O8: Regulatory manager of a national ISP based in Western Australia. Has more than 40 years’ experience in the telecommunications industry (P8).</td>
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<tr>
<td>Very large ISP 4</td>
<td>O9: Customer knowledge manager of a national ISP based in Melbourne. Manages the call centres for this ISP. Has several years of experience in dealing with CS/CH issues (P9).</td>
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<tr>
<td>Australian Government Department for Broadband</td>
<td>O10: Senior executive managing the consumer engagement division of the department with extensive consumer affairs experience (P10).</td>
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**Data analysis**
A thematic data analysis approach was used (Creswell, 2007). Categories and themes that emerged have been detailed in Vilapakkam Nagarajan (2012).

**Table 1 – Research approach used in this study**

How effective was the regulator’s role in code enforcement? P4 confirmed their active role in directing the industry players to comply with the code when they see a spike in complaints. In the old TCP code, the regulator can enforce the code only if they identify an area of non-compliance. This directive occurs when a provider has been reported for systemic CS/CH issues and confirmed code breaches by the ombudsman. The lack of strong enforcement and monitoring mechanisms meant that providers were not truly motivated to demonstrate compliance with the old TCP code as there were no penalties associated with non-compliance. The providers also had no explicit legal obligation as they were not signatories to the code. P10 argues that this has led to a “race to the bottom” on CS.

This raises an interesting question: Did the lack of strong enforcement in the old TCP code lead to vlISPs superficially conforming to the code?
There were differing perspectives from participants on this question. For example, P3 dismisses the view that vISP demonstrated superficial compliance with the old TCP code. While this notion is not applicable to all players as some of them have adopted a ‘beyond compliance’ approach (for example, O8 has won several CS excellence awards), it raises questions as to why there is a contradiction in the actual behaviour of vISPs. P7 openly acknowledged that the industry was inadequately monitoring its own code and compliance measures. This view is also supported by P1, P4 and P5. Another view expressed by P9 describes instances where providers claimed that they were compliant with the code despite an increase in the number of complaints registered with the ombudsman. All these views point to a serious failure of the old TCP code in relation to code compliance and monitoring.

The findings suggest that vISPs adopted the old TCP as they saw fit or on a ceremonial basis to maintain certain outward appearances and demonstrate compliance while their actual behaviour on CS/CH practices differed. Such behaviours raise serious concerns for CS reputation of the vISP industry. If vISPs are not transparent about their compliance mechanisms and fail to demonstrate that their existing CS/CH practices go ‘beyond compliance’ (i.e. the business focuses on doing more than the minimum requirements on CS/CH practices), it raises serious questions about their genuine commitment to CS/CH practices. It is also suggestive that many vISPs see investment in CS as a cost factor as opposed to a profit factor.

**External Pressures in the Australian vISP Industry and its Influence on CS/CH Practices**

Williams, Lueg, Taylor and Cook (2009) studied pressures that influence industry practices in a co-regulatory arrangement. They define: regulatory pressure as “a force, persuasion, or invitation that is applied both implicitly and explicitly by governmental agencies, which is adopted to comply or avoid sanctioning” (p. 608); customer pressure as “a force, persuasion, or invitation that is applied both implicitly and explicitly by customers to which firms must respond” (p. 609); and competitor pressure as “the pressure applied by the competitive marketplace creating the desire to appear similar to others by mimicking structures, practices, or outputs” (p. 609).

To understand external pressures in the vISP industry, the study data was analysed using the framework proposed by Oliver (1991), which focuses on five key questions in analysing pressures:

- Why the pressures were exerted?
- Who was exerting them?
- What these pressures are?
- By what means were they exerted?
- Where did they occur?

These are discussed in detail in Vilapakkam Nagarajan (2012). All participants acknowledged the influential role of external pressures in influencing CS/CH practices of the vISP industry. There were differing perspectives in terms of the level of influence of these pressures. The vISPs and industry association considered external pressures to be secondary drivers in influencing the CS/CH practices, while the external stakeholders such as the ombudsman, consumer association and the regulator consider them as primary drivers in bringing CS/CH improvements within vISPs. A further critical examination of the participant responses revealed that there were both individual and collective responses to pressures by vISPs, providing compelling evidence that regulatory pressure was the primary driver in influencing vISP regulatory manager attitudes towards CS/CH improvements. Table A (see Appendix) analyses pressures based on the study interview participant responses. Sample quotes on pressures in the vISP industry are available in Table B (Appendix). The discussion will now focus on individual participant perspectives on key pressures that they believe influence the CS/CH practices of the vISP industry.

P1 and P8 commented that vISPs who were under-performing in CS/CH areas came under increasing pressure from providers such as O8 who excelled in CS. O8’s reputation for CS, organisation-wide focus
on CS initiatives and mechanisms used for tracking CS drew the attention of the other providers. P8 provided an example of how the CS measurement tool known as Net Promoter Score (NPS) used by his organisation was considered by another viISP O9 to review their CS/CH practices.

P3 regards competition as the primary pressure in influencing the viISP attitude towards CS/CH practices. He acknowledges that other pressures, such as the pressure from the regulator (enforcement/direction to comply) and government agencies (ministerial intervention), also play a role in influencing CS/CH practices of the industry. According to him, the real threat of tighter regulation and ministerial intervention in the recent past played a key role in bringing viISPs together to quickly act in failed areas of the consumer code. He attributes this to the viISPs’ fear of tighter regulation and their preference to be masters of their own destiny rather than allow the regulator to impose stringent regulation.

P2 states that in a co-regulatory environment the regulatory managers of viISPs are keen to satisfy the needs of the external entities such as the regulator, the ombudsman and the consumer association to avoid tighter regulation, seek legitimacy and influence practices. He states that the pressure that will work effectively in such an environment is pressure from the regulator threatening more regulation. P2 recommends that the regulator appreciates and publicises ISPs who excel in CS, rather than publicising bad performers. He argues that, by pointing to good players in the market, the regulator is able to drive and generate competition pressures that are likely to deliver right outcomes for the customers.

P4 is of the view that pressures from the regulator, customers and competitors excelling in CS played influential roles in both making significant improvements to the TCP code and bringing in new CS initiatives within viISPs. The regulator executive shares other participant views that viISPs prefer co-regulation with strong enforcement than direct regulations. She further adds that the real threat of tighter regulation played a dominant role in influencing the attitude of regulatory managers of viISPs in addressing the CS/CH shortcomings in the old TCP code and paying serious attention to various stakeholder concerns related to CS/CH.

The viISP executives P6, P7, P8 and P9 acknowledge customer pressure as a key driver in influencing their CS/CH practices. According to them CS is important for their business success now and for a future NBN environment. All viISPs acknowledged the influential role of the regulator, the ombudsman and consumer advocates in pressuring the viISP industry as a whole to improve their CS reputation. The viISPs responded to such pressures to avoid increase in scrutiny, repair CS/CH legitimacy, avoid excessive regulation and influence practices that suit their collective interests.

In summary, the increased regulatory activities in 2010/2011, and the real threat of tighter regulation combined with customer and competitive pressures in the recent past (2010/2011), led to viISPs paying more attention to stakeholder CS/CH concerns and acceding to stakeholder demands in addressing shortcomings in the old TCP code. The collective pressures exerted by external stakeholders led to increased collaboration and engagement between the viISPs and other industry stakeholders. This led to significant changes in the revised TCP code with a clear focus on achieving better CS/CH outcomes for consumers (Vilapakkam Nagarajan, 2012). The next section discusses the role of pressures in influencing the compliance mechanisms in the revised TCP code.

The Influence of External Pressures on Improvements to the Compliance Mechanisms in the Revised TCP Code

This section focuses on three key questions: What led to the need for new compliance initiatives in the revised TCP code? What are the new compliance initiatives in the revised TCP code? How are the new initiatives likely to drive the desired behaviour in the viISP industry in relation to code compliance?

The data analysis revealed that there were several ‘trigger events’ (Meyer, Gaba & Colwell, 2005; Lampel & Meyer, 2008; Garud, 2008) that led to the introduction of new compliance initiatives in the revised TCP code.
code. Two important trigger events are relevant. The regulator inquiry (Reconnecting the Customer (RTC), known as the RTC inquiry; see ACMA, 2011) was an 18-month investigation into the CS/CH practices of the industry. This inquiry identified systemic CS/CH issues, including absence of clear monitoring, reporting and strong enforcement measures in the old TCP code that led to industry-wide poor attitudes towards CS improvements. As a result the providers used the TIO scheme as a de facto mechanism to handle complaints instead of making a genuine attempt to address the source of the complaints and improve CS experiences. The timing of the code revision (the TCP code was due for review in 2010) along with the regulator’s RTC inquiry, multiple stakeholder concerns regarding systemic CS/CH failures, high media profile of the problem, ministerial intervention and the ombudsman campaign, triggered heated debate among stakeholders on CS/CH practices. Collectively, these events placed increased pressure on vi ISPs to strengthen compliance and enforcement mechanisms during the code revision. The industry believed that they faced a real threat of tighter regulation if they failed to address their stakeholder concerns. As a result, the ISP industry association significantly increased its member education activities in relation to code revision and compliance issues, and sought closer collaboration with external stakeholders to discuss and address the CS/CH concerns.

P3 from the ISP industry association acknowledged that most of the shortcomings in the old TCP code were addressed during the code review process and that a draft code was submitted to the regulator months in advance of the RTC inquiry report being published. He argues that the industry was not simply parroting to the RTC recommendations because they did not exist at the time code revisions occurred. It is acknowledged that the ISP industry association played a key role in making significant changes to the code with input from a number of stakeholders. Twenty out of the 21 RTC initial inquiry recommendations were incorporated by the industry association into the revised TCP code. This re-emphasises the earlier argument that the timing of events, collective pressures from external stakeholders and a real threat of tighter regulation all played a crucial role to increase the vi ISPs’ commitment to the code revision process. The ombudsman executive P5 and consumer association executive P1 acknowledged that the RTC inquiry and its recommendations assisted with securing the commitment from vi ISPs and keeping the discussion regarding code revisions very focused on the central issues.

Several new initiatives related to compliance were addressed in the revised TCP code. The introduction of a Communications Compliance (CC) committee was an important achievement. This committee is an independent committee that has been established under the revised TCP code to monitor code compliance. The revised TCP code specifies that all providers need to submit mandatory compliance statements to CC and demonstrate that they have systems and processes to be able to comply. The providers are also required to submit their compliance activities against a list of metrics developed by the CC. The industry consultant P2 appreciated the strong enforcement power that CC and the regulator now have in relation to compliance. Another key initiative led by the industry association in relation to code compliance is evidenced through the series of compliance workshops that it runs for its members. Such workshops educate providers on how to demonstrate compliance with the revised TCP code.

Will the newly formed independent body CC drive the right behaviour in the industry to demonstrate compliance with the code? Several participant perspectives exist. The government executive P10 believes that the more power and resources CC has for the code enforcement the better it is to drive the right behaviour in the industry. A viISP executive P7 strongly believes that the CC has powers to raise questions and conduct investigations in relation to compliance. According to P7 the revised TCP code with its higher threshold on CS/CH and improved compliance framework will deliver compliant outcomes in CS/CH areas. Further, the new compliance measures in the revised TCP code will lead to better transparency in relation to code compliance. It is also expected that there will be an increased involvement of company senior management in compliance matters due to high threshold/standards within the revised TCP code and the stringent requirements the code places on the providers to demonstrate their compliance (see Appendix, Table C for sample quotes). According to P7 this transparency with compliance is expected to deliver good CS/CH outcomes. Such an argument is consistent with previous findings (Hu et al., 2006; DiMaggio & Powell, 1983; Major & Hopper, 2005) that have shown that organisations thrive
for legal legitimacy and the key drive for change in organisation behaviour and attitude towards industry practices is the compliance with regulation.

Conclusion and Future Work

CS/CH performance of the vlISP industry has important economic, social, financial and business implications for vlISP businesses as well as internet consumers. The study results show that a combination of pressures from external stakeholders resulted in an increase in frequent and fateful interactions and collaboration amongst all the stakeholders. This has resulted in some important revisions to the TCP code particularly in relation to the CS, CH and code compliance sections of the code. The actual CS/CH performance of the vlISP industry following the recent revisions to the code and code implementation remains to be seen. Preliminary results from O7 and an ACMA media release (2013) indicate that the CS/CH performance of providers has improved since the code came into effect in September 2012. Having a strong code monitoring and enforcement mechanism alone is inadequate to securing good CS/CH performance. Ongoing stakeholder collaboration is crucial to address any new and emerging CS issues that may be relevant for current and future CS/CH practices and consumer protection. Future quantitative studies are essential to examine the influence of external stakeholder pressures discussed in this paper on the actual CS/CH performance of the vlISPs.

Acknowledgements

The author thanks all industry participants for their participation in this study.

References


About the Author

Karthik Nagarajan is a telecommunications engineer and holds a research degree in ICT from the University of Wollongong. He has more than 12 years collective experience in research, management, coordination and teaching in ICT and Business at four Australian Universities. In 2011-2012 he was involved in a collaborative research project between University of Wollongong and ACCAN titled ’Accessible Communications: Tapping the Potential in Public ICT Procurement Policy’. His research interests include telecommunications consumer protection policies, institutional theory, technology-based service industries and ICT accessibility. He is pursuing his PhD at the University of Western Sydney. His doctoral thesis investigates the role of institutional pressures in influencing customer service and complaints handling practices of the Australian internet industry. His research work has been published in local and international conferences.
## Appendix

### Table A – Analysis of pressures in the Australian vlISP Industry based on interview participant responses using ideas from Oliver (1991) framework

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<td>Pressure from the regulator</td>
<td>Enforcement action on individual providers who failed to address systemic CS/CH issues and were reported by the ombudsman.</td>
<td>RTC inquiry recommendations incorporated into the revised TCP code. vlISPs acknowledged that the old code had numerous shortcomings and were willing to address those shortcomings during the code revision process. Tighter timeframes for acknowledging complaints and resolution (within two days and resolved within three weeks). The need to inform customers of complaint outcomes. A new definition of ‘complaint’ that requires ISPs, where uncertain, to ask if their customers wish to make a complaint. The need to provide customers a unique complaint reference number that allows them to track a complaint.</td>
<td>Independent compliance committee known as Communications Compliance (CC) to monitor the compliance activities. This includes monitoring individual ISPs on the CS metrics and benchmarking standards developed by this committee. Mandatory submission of code compliance statements. Statement of independent assessment to CC. Compliance report in a format required by CC against a list of CS metrics. Comply with directions from CC consistent with code obligations. The enforcement actions against ISPs who are not complying include the regulator directing the ISP to comply with code; if a direction is breached, the regulator can issue an infringement notice, seek civil penalties up to 250,000 in the federal court or accept enforceable undertakings.</td>
<td>Provision of more and clearer information about products before point of sale - ‘Summary of Offer’ document.</td>
<td>Increased accountability of staff on CS and CH in vlISPs. Bringing in structural changes within organisation to prioritise CS, implement sound evidence-based CS practices and convince diverse stakeholders that their organisation is not a ‘bad apple’. Cultural change by CEO of O7 that embraces the concept that everything the staff does must have customer as focus of what they do. Increased focus on avoiding complaints rather than dealing with them. Appointment of executives to bring new CS initiatives.</td>
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<td>Pressure from minister, government department for broadband</td>
<td>ACMA Reconnecting the Customer (RTC) inquiry on CS/CH practices. Regulator forums and town hall meetings on consumer issues. Media release by the minister calling on the industry to address CS/CH issues as a matter of urgency. Minister appearing on radio/TV channels threatening further regulation if the industry failed to lift their CS/CH performance. Minister’s speech in regulator forums, consumer association annual conference.</td>
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<td>Connect.Resolve campaign in 2009 and 2010 that targeted top ten ISPs to drive down complaint numbers.</td>
<td>Assisted the code review working committee to understand systemic CS/CH issues and work collaboratively to address those issues.</td>
<td>Ombudsman pressuring the industry to develop stringent enforcement measures in the revised TCP code.</td>
<td>The increased complaint numbers on point of sale matters involving internet services published by the ombudsman in its annual report led to increased attention on the pre-sale section of the code.</td>
<td>CEO of vIISPs paying more attention to nature of complaints.</td>
<td>The customer relationship managers of vIISPs who interacted with ombudsman during the Connect.Resolve campaign were able to bring in new CH initiatives within their organisation by reviewing the monthly complaints statistics provided by the ombudsman.</td>
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<td>Ombudsman Resilient Consumer research report that studied consumer resilience in relation to ISP handling of customer complaints.</td>
<td>Boosted seriousness of CS/CH problems.</td>
<td>Ombudsman pressuring industry to incorporate the regulator RTC inquiry recommendations on compliance in the revised TCP code.</td>
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<td>Annual complaint reports, quarterly complaints statistics published in 2008-2011 that highlighted steady increase in complaints involving CS and CH taking into consideration the proportion of complaints against the number of subscribers.</td>
<td>Take a proactive approach to avoiding complaints rather than dealing with them.</td>
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<td><strong>Pressure from consumer association</strong></td>
<td>Consumer research reports that highlighted customer frustration in dealing with their providers to resolve their issues (e.g. independent survey they commissioned through Galaxy research in 2011). Consumer association annual conference that had special CS forums to address rising complaints numbers in the ISP industry. Media releases by consumer association. Increased profile of the problem in the media (consumer association executive publicly criticising the industry for its failure to improve CS experiences in mainstream TV channel).</td>
<td>Unprecedented improvements to various chapters within the code that were driving customer complaints (e.g. CH, bill shock, usage).</td>
<td>Strong enforcement mechanisms in the revised TCP code.</td>
<td>Contributed to significant improvements in relation to product disclosure.</td>
<td>Frequent meetings between regulatory managers of vIlISP that led to increased collaboration, cooperation, dialogue and discussion on CS/CH issues. Cultural change within vIlISP to prioritise CS. See investment in CS as a profit factor rather than a cost factor.</td>
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<td><strong>Pressures from ISPs excelling in CS</strong></td>
<td>Media releases calling on the industry to lift their CS/CH performance. CEO of company excelling in CS calling on other players to lift their game to avoid tighter regulation.</td>
<td>Bring in ‘beyond compliance’ initiatives in the revised TCP code.</td>
<td>-</td>
<td>Standardisation of practices in the revised TCP code (e.g. ‘Summary of Offer’).</td>
<td>Calling on other vIlISP to change their attitude towards CS and view investment in CS as a profit factor rather than a cost factor.</td>
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### Table B – Sample interview quotes on pressures in the Australian vlISP industry

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<th>External pressures</th>
<th>Sample interview participant quotes [P]</th>
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| Pressure from competitors excelling on customer service  | “I’m aware - I have seen a copy of an internal memo that <O9> circulated, which was an analysis of <O8> and what it was doing in relation to its customer service and it’s clear that they, I think, were looking to see if they could learn anything from what we did and the way we operated in order to apply it to their own business. I had a conversation with some <O7> staff who also claim … that they were using NPS as well …. I think there are more and more companies looking at this NPS because we’ve given it a fair bit of publicity. We quite happily will go out there and talk about it and we’re quite happy for the rest of the industry to lift its game” [P8].
“Yeah, I mean, I can’t give specific examples but when you go and talk to them they’re all aware of what [O8] is doing and [O8] now sits on the Ombudsman board and they play an influential role even though they’re not in the whole industry, even though they’re not a very big player compared to like [O9] or [O7]” [P1]. |
<p>| Pressure from ISP customers                              | “It’s important to recognise that we put a considerable amount of effort into talking to and listening to customers ourselves. We have an extensive program of not only analysing complaint data that we receive as well as the &lt;ombudsman&gt; complaint data but also an extensive program of listening to our consultants talking to customers. We go back and talk to our customers after they’ve had a transaction with us and seek their feedback. It’s that voice of the customer that is the key driver of changes to our behaviour. We obviously are very cognisant of the role those agencies have and we listen to what they tell us but I wouldn’t want to suggest that they are the key driver of our behaviour. It’s our customers, our engagement. I spoke about customer satisfaction. That’s all about us listening to our customers, what they’re telling us, what’s working, what’s not working. We put a great deal of effort into doing that” [P7]. |
| Pressure from regulator                                  | “Timing is one word for it, yes. So I went to &lt;regulator executive&gt; right at the outset and I said, well you said you’ve got views and thoughts, please put them on paper and give them to us. There were 21 initial recommendations that the &lt;regulator&gt; put to us, to include in the code. We ended up incorporating 20 of those 21. The 21st, it was impossible to incorporate because it referred to something which didn’t exist. So we have been strongly responsive to the &lt;regulator&gt;. We also implemented elsewhere the recommendations from the RTC inquiry, which I think is a useful sign as well. We have included the &lt;regulator&gt; on the steering group that governs the process. We have consulted regularly with their staff and with their Chair … and with the authority itself. I’ve had several meetings and workshops with staff and authority members as we’ve been thrashing through the detail of recommendations … So the engagement has been sustained and broad and deep” [P3]. |
| Pressure from ombudsman                                  | “What led to the campaign was I think two things, the first was this fairly exponential growth in complaints in absolute numbers terms and the second was the high proportion of customer service and complaint handling issues that we were observing as part of those complaints. Our previous Ombudsman, &lt;name&gt; decided that really a targeted campaign was the best way to firstly try and shed light on the issues but secondly, to try and work with the providers collaboratively to try and bring this ratio of complaints down and particularly try and address those customer service and complaint handling issues that had been picked up. So it was run for a period of six months. The providers concerned that the 10 providers were given advanced briefings of the campaign; this is what we’re going to be measuring. We’re going to be giving you regular updates on the numbers that are coming through our scheme and we’re interested in working with you to help develop any kind of mechanisms that might improve things” [P5]. |
| Competition pressures                                   | “The force that outstrips all of those is the pressure of competition. This is a very competitive market. Customers are mobile in the internet space and they are looking for a better deal. So apart from any of the other factors you mentioned, all of which are important and significant, it’s the power of competition that drives the actions” [P3]. |</p>
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<td>Pressure from consumer association</td>
<td>“There has been just simply the public and media outcry over the rising complaints that industry really are on the nose and they need to do something about it, so that’s been a pressure I think the &lt;regulator&gt; inquiry has been appreciating. I think also having &lt;consumer association&gt; on the actual steering committee has been another pressure because &lt;consumer association&gt; have been quite forceful in trying to push for various things and there’s been a number of heated meetings. You only have to read &lt;industry association&gt; submission to the &lt;consumer association&gt; review to see that, where they’ve complained in fact that they thought that &lt;consumer association&gt; were perhaps too pushy and aggressive in the way in which they carried out their role there. So I think there’s been a number of things there that have put a lot of pressure on industry to do better” [P10].</td>
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<td>Pressure from government department for broadband</td>
<td>“There has been strong and understandable political and regulatory pressure on these topics, as you would expect to happen when you see the sorts of difficulties and issues that have been thrown up and indicated by some of the complaint volumes. So, I mean the minister … has said repeatedly, he’s probably said it more often than he wanted to have to say it. That unless the industry can pull its act together and can put measures in place and self-regulatory and co-regulatory steps in place to address the issues, he will come over the top in a not particularly subtle way and impose legislative or regulatory constraints that serve to generate that type of behaviour. The &lt;regulator&gt; has said similar things. It’s said exactly that when launching its RTC inquiry also in about May last year. So I think that all that pressure from regulators and from politicians is not surprising and I think in most cases, not unhelpful” [P3].</td>
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<td>Pressures on vISP in an NBN environment</td>
<td>“Well I think the TCP Code is a code that would, it’s not technology specific and I mean I think it’s meant to respond to any type of network or service someone might get. I don’t think the NBN changes that in any way. I think the NBN does bring about different pressures and that is, as we’ve discussed, the ubiquity of service offering. So at the moment people can differentiate on technology and they can say, well our service is better than your service because we’ve got better network. I think when the network’s the same, and the pricing is the same, what else do you differentiate other than is it bundling different services, content and so forth or indeed customer service and mere reputation in the market. The other pressure that will be brought to bear there, I suspect is non-telco providers providing services on the NBN and we’re already seeing some signs of that. You might have someone like &lt;supermarket&gt;, or someone who traditionally hasn’t been in the telco space thinking, well, I can provide that role and someone can get a loyalty card and buy groceries from &lt;supermarket&gt; and get an internet service. Now, I think that provides a very strong impetus and threat to industry to pull up their socks, but, and we are starting to see it. I think &lt;O7&gt; someone, again, who has woken up to this and thought, well, gee whiz, at the moment we can back off the fact that we’ve got the fact that we’ve got the ADSL network, the copper network, but when that goes well, what can we bank off. So we’ve got to do more in customer service and consolidate our reputation in the market, otherwise we’re going to have our market share taken away from us” [P10].</td>
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<td>Compliance Mechanism</td>
<td>Sample interview participant quotes [P]</td>
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<td>Independent compliance body in the revised TCP code to monitor code compliance</td>
<td>“This current code - the industry has committed to set up its own monitoring body called Communications Compliance. That body will be empowered to seek reports from all of the industry members about their compliance with that particular code. It will have powers to ask questions and investigate if necessary. Where a participant hasn’t responded to those requests, then they’ll be submitted off to the regulator to take necessary action. So we think that combined with raising the rules of the roads, as I said before and making a higher threshold, together with improved compliance framework, it will, one hopes, drive the right behaviour in the industry to deliver better compliant outcome both in complaint handling and customer service” [P7].</td>
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<td>Increased involvement of senior management on compliance in the revised TCP code</td>
<td>“What we anticipate coming out of the new code and the new code compliance framework is that industry’s compliance with the code would be more transparent. One of the things we’re wanting to do is to have this new communications compliance group get reports from the various participants saying, I’m complying. It’s important to recognize that the bigger players, like us, will have to have a third-party assessment that their statement of compliance is reasonable against the Australian Standard for Compliance Programs. It’s also important to realize that before we submit it, someone like our CEO has to put his name to it. So it’s quite a high threshold before you assert you’re compliant. Communications compliance will then publish that statement of compliance and it will say on a public website that &lt;ISP X&gt; says it’s compliant … So imagine if you’re a supplier and your name is not on that list? The general public will come to the conclusion, oh, I’m not going to deal with that supplier because it’s not on the list” [P7].</td>
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