



# UNDER PRESSURE AT THE **UNCARRIER**

HOW HARD-SELLING AT T-MOBILE  
HURTS EMPLOYEES AND CUSTOMERS

DECEMBER 2016





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**Calling Out T-Mobile's** mission is to make the country's fastest growing cell service provider live up to the pro-consumer promises it has failed to fulfill.

We are a project of the 5.5 million member **Change to Win** labor federation, which seeks to strengthen consumer protections and workers' rights as part of our efforts to rebuild the middle class.

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## INTRODUCTION:

### Calling Out Unethical Sales Practices

**T**HE WELLS FARGO FAKE ACCOUNT SCANDAL HAS FOCUSED attention on the dangers of intense pressures and overly-aggressive sales quotas for consumers and front-line employees.<sup>1</sup> Regulators uncovered millions of sham accounts at the nation's fourth largest bank and thousands of harmed customers.<sup>2</sup> Unfortunately, these problems are not limited to the banking industry.

Research by consumer and labor watchdog group Change to Win Retail Initiatives (CtW) finds that T-Mobile sales associates also face acute pressure to meet punishing sales targets. These goals not only require T-Mobile employees to use high-pressure sales tactics, but many report that they feel pushed to add unrequested services, phone lines or equipment to customers' accounts in order to hit the company's demanding targets.

T-Mobile's high-pressure sales culture, coupled with low hourly pay for retail workers, puts employees in an untenable position where they have to choose between doing what is right for customers and meeting the strictly-enforced sales metrics needed to safeguard their job and their own financial survival. CtW's data indicate that, as a result, consumers suffer from widespread fraudulent enrollment at the nation's fastest growing cell phone carrier. This fraud can cost consumers hundreds of dollars a year.

An analysis of thousands of consumer complaints aggregated by the Federal Trade Commission (FTC) found that T-Mobile had both the largest number of total complaints per subscriber and the largest number of complaints about fraudulent enrollment per subscriber of the four major wireless carriers. Change to Win's conversations with T-Mobile workers in many states, and online surveys of customers in five states indicate these complaints to regulators may be the tip of the iceberg.

T-Mobile has relied on questionable practices since it launched its Un-Carrier platform in 2013. The wireless provider used deceptive "no contract" claims and misleading early termination fee marketing to fuel its growth. Federal and state regulators have since cracked down on some of the company's deception, and now T-Mobile is under two consent decrees regulating how it can characterize its plans.<sup>3</sup>



Given the company's record of deception and the far-reaching nature of these high-pressure sales tactics, CtW believes the unethical practices at T-Mobile are the product of a corporate culture that puts sales and growth ahead of ethical business practices, and are not the product of dishonest individual sales associates. The research presented in this report makes clear that T-Mobile must overhaul its sales practices to better serve its customers and its employees.

### Data Sources

Change to Win conducted online surveys of both T-Mobile sales associates and customers, interviewed current and former T-Mobile employees, and analyzed consumer complaint data from the FTC. Specifically, Change to Win incorporated data and other information from:

**FTC consumer complaints:** Change to Win analyzed consumer complaints from 2013 through the first half of 2016 compiled by the FTC pursuant to a Freedom of Information Act (FOIA) request. The FTC consumer complaint database includes complaints submitted directly to the FTC, as well as complaints submitted to other agencies, including the Consumer Financial Protection Bureau, some state Attorney General offices, some state Bureaus of Better Business (BBB), and some state Offices of Consumer Protection. There are over 35,000 consumer complaints in the database from 2013 through the first half of 2016 from the four largest wireless companies—Verizon Wireless, AT&T Wireless, T-Mobile, and Sprint.

**Online survey of T-Mobile salespersons:** Change to Win surveyed almost 500 current or recently-separated T-Mobile salespeople in October and November 2016 about T-Mobile's retail sales goals, changes in these metrics over time, and the kinds of practices required to meet these goals.

**In-depth interviews of T-Mobile sales associates:** CtW's online poll results were corroborated through in-depth interviews with 17 T-Mobile retail and call center employees about the pressure sales associates are placed under and the ramifications for T-Mobile customers. These interviews were conducted between June and October 2016 and included workers in six states. Because of fear of retaliation, the workers have asked to remain anonymous.

**Online polls of T-Mobile customers in five states:** Change to Win conducted online polls of over 2,200 T-Mobile customers in five states—Massachusetts, Maryland, Minnesota, Rhode Island and Wisconsin—in July 2016.<sup>4</sup> Among other customer concerns, respondents were asked identical questions about their experience with fraudulent enrollment across the surveys.

## “IT OPENS UP A LOT OF ROOM FOR FRAUD”: T-Mobile workers speak out about sales metrics

**C** TW’S ONLINE POLL OF NEARLY 500 T-Mobile sales associates and in-depth interviews with over a dozen T-Mobile employees uncovered a sales culture that incentivizes questionable sales tactics with threats of discipline or loss of income.

T-Mobile retail workers say pressure permeates the sales floor. Managers monitor sales goals hourly<sup>5</sup> and push workers to add more charges to consumers’ bills—more accessories, more insurance and more lines. Sales staff describe their metrics as “crazy”<sup>6</sup> and “unrealistic,”<sup>7</sup> and one worker told Change to Win that the goals and quotas create so much stress that they could “cause a mental breakdown” because “[e]mployees often feel threatened they’ll lose their jobs if goals are not met.”<sup>8</sup>

Workers report that they have been disciplined or made to attend sales “coaching” meetings on their days off for missing goals.<sup>9</sup> One said: “If you don’t meet your goals you get lower hours, and when you have less hours it becomes harder to meet your goals. It becomes a cycle hard to get out of.”<sup>10</sup>

When workers are in danger of lagging behind, some said managers press them—explicitly or tacitly—to commit fraud.

A full 83 percent of T-Mobile salespeople who responded to CtW’s online survey said that they felt pressure to add products and services that customers did not explicitly request.

“The fact that there is such extraordinary pressure makes it so you can’t do what’s ethically required,” reported a T-Mobile worker. “I will do the best possible job that I can do, but the fact that [T-Mobile’s managers] put me in a compromising position and do unethical things is stressful. There’s so much stress and internalized anguish because we can’t meet our goals. And we know we’re smart and capable, but are made to feel inadequate on a daily basis. That’s why we have people out on FMLA because of stress and such a high turnover in retail.”<sup>11</sup>

When asked about reporting sales floor problems, one worker reported that “you’re seen as a cry baby” if you take issues to corporate human relations. She told us that managers say that they “don’t know why [other sales associates] go to HR, they’re on [management’s] side anyway.” Another worker said, “The culture of the company is you have to be a cheerleader for the company.” This culture makes going against the company’s metrics and sales practices difficult.

## “ THEY AREN'T BAD OR DISHONEST PEOPLE, BUT THERE'S JUST A LOT OF PRESSURE. ”

### Insurance goals exemplify a broken system

Nearly every worker interviewed singled out the company's aggressive quota for device insurance as an example of this high-pressure sales environment.

According to multiple workers in several states, the company requires sales staff to sign up 80 percent of its new accounts with its JUMP!<sup>12</sup> insurance and upgrade program, costing \$9 to \$12 per device per month, or with its \$10 per month premium handset protection service.<sup>13</sup> However, these programs may not be a good value for many T-Mobile customers, and can be a hard sell to consumers who do not want or cannot afford the additional monthly expense.

To get around this, one retail worker said it is standard practice to secretly add the JUMP! insurance and upgrade program on customers' accounts without their consent—to meet the quota—and then remove it a few days later so customers do not catch on. Doing this makes the workers' numbers look good and the “boss will be happy.”<sup>14</sup>

Another worker said T-Mobile management pressed her to add ancillary services like insurance to customers' accounts, even without their consent. Her manager instructed, “Don't give [the customer] the option to say no.”

T-Mobile's call center workers have a bird's eye view of the company's retail

sales practices because they field hundreds of calls from aggrieved consumers every week. One call center worker estimates that every month she gets more than one hundred calls about fraudulent JUMP! program and insurance additions.<sup>15</sup>

She also fields daily calls from T-Mobile customers irate that extra phone lines have been added to their accounts without their consent. The problem is so persistent she mused that “the CEO talks about the company's growth, from my point of view, I wonder how many of those lines added are real.”<sup>16</sup>

Another said that “billing problems are a big source of calls.” She said that many are about “adding lines customers don't need, or telling customers they're going to get something for free but adding it to their bill.” Retail workers say they are backed in a corner. “No one says ‘I want to work at T-Mobile to do fraud,’” an employee said. “But a lot of reps do it because they want to keep their jobs and they want to get the pay they need. They aren't bad or dishonest people, but there's just a lot of pressure.”

In addition to in-store stress, financial necessity piles on pressure for many T-Mobile employees. The company has structured workers' pay so earning money for basics—food, rent, childcare and educational expenses—is dependent on hitting targets many employees say are unachievable.

Commission can double a retail worker's hourly base wage, which is as low as \$10.21 an hour. Erratic scheduling adds to retail workers' financial pressures and makes them even more dependent on commissions. One T-Mobile worker said, "In retail, it's your bonus that pays your bills and your hourly is just extra. I couldn't make it on my hourly alone."<sup>17</sup> Like at Wells Fargo, this combination of unreasonably high goals and low wages has given rise to questionable sales tactics.

### **Metrics harder to meet**

T-Mobile workers say the already high pressure is getting worse. The majority of T-Mobile sales associates who took CtW's online poll said it has become more difficult to reach their sales goals, and 62 percent of respondents found it harder to maintain their commission level. "Goals have become harder to reach," one survey respondent wrote. "It opens up a lot of room for fraud."

T-Mobile workers say that they "are not incentivized to do the best thing for customers"<sup>18</sup> and that the company "always wants more" and "pushes us right up to the line—until our feet are on the line. We're always selling in the grey area."<sup>19</sup> Another worker's manager encouraged her to hit her sales goals by saying, "Don't think about your customers, think about putting your money in your pocket." This sales associate told Change to Win she was uncomfortable working like this because it "makes it feel like I'm stealing."<sup>20</sup>

### **Nickel and diming for big payoff**

T-Mobile's financial reporting gives insight into the company's unethical sales practices. The company has pushed a series of promotional initiatives that have undercut its revenue, and the self-proclaimed Un-Carrier has historically pursued a strategy centered on subscriber additions rather than margin growth.<sup>21</sup> Its discount on wireless plans and promotions mean that it is under pressure to make up that lost revenue in other ways.

Of the four major wireless carriers, T-Mobile has the lowest average revenue per user or ARPU, a key industry financial performance measure.<sup>22</sup> Adding ancillary products and recurring add-on fees to consumers' bills can add up to tens of millions in revenue for T-Mobile, and increase its ARPU.

The company admits the role insurance revenue plays in growing ARPU. In its third quarter 2016 earnings release, the company said "ARPU was up 1.5% year-over-year due primarily to growth in insurance plans, higher data attach rates and the MVNO Transaction."<sup>23</sup>

### **T-Mobile workers raise alarm**

T-Mobile workers report that individual complaints to the company have not produced the necessary changes to the company's sales culture, and they are petitioning T-Mobile CEO John Legere to reform the company's metrics.



## T-MOBILE:

### An industry leader in consumer fraud complaints

**G**IVEN WORKERS' ACCOUNTS OF T-Mobile's high-pressure sales environment, it is no surprise that customers report billing issues from unwanted lines, services or accessories at a much higher rate than at the company's competitors.

A Change to Win analysis of over 35,000 consumer complaints compiled by the FTC from state and federal databases shows that T-Mobile received more complaints per subscriber than its major rivals in the last three and a half years. To allow for comparisons of complaints across carriers, Change to Win created a Complaint Ratio, defined as the ratio of the number of complaints per million subscribers.<sup>24</sup>

As Figure 1 demonstrates, T-Mobile has the highest number of complaints per subscriber in each year analyzed. T-Mobile's complaint ratio was also higher in each year relative to the year that preceded it.

In the last full year, 2015, T-Mobile had 30 percent more complaints per subscriber than the carrier with the second highest ratio – Verizon. T-Mobile's 2015 complaint ratio was more than three times higher than AT&T's and Sprint's ratios. The trend in complaints per subscriber through the first half of 2016 indicates that T-Mobile will likely top all carriers again at this year's end.

CtW also analyzed the FTC consumer complaints by complaint topic,

Figure 1.

Ratio of Total Consumer complaints per million subscribers, by carrier, 2013-2016

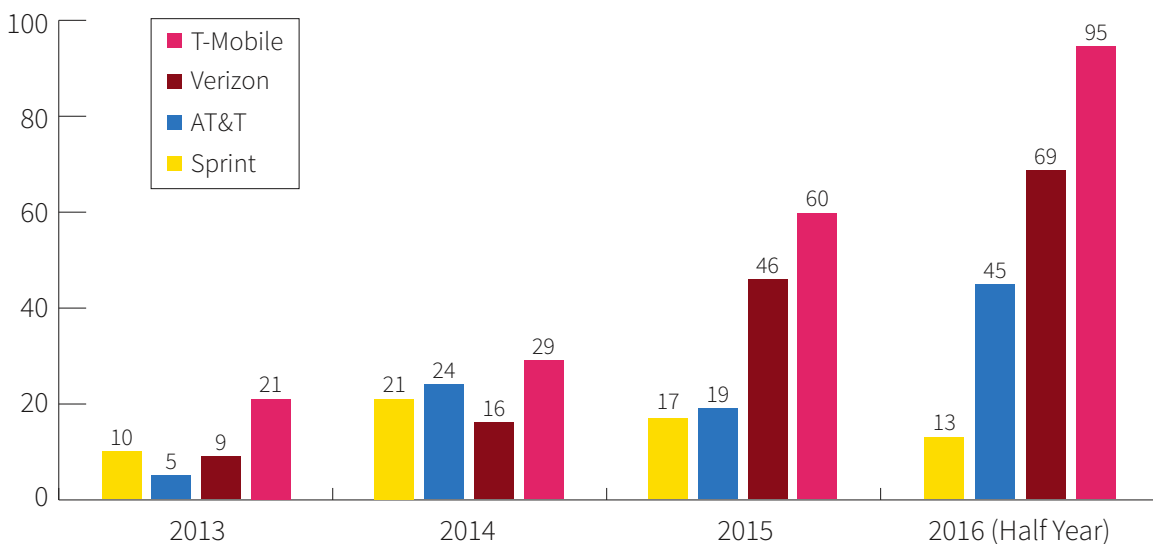
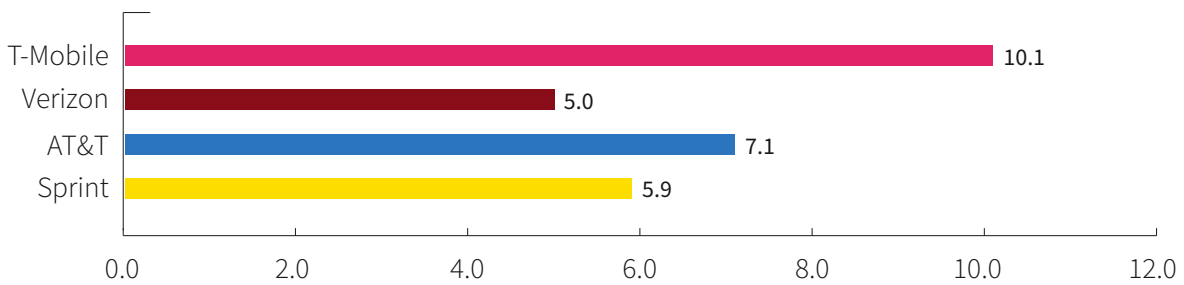


Figure 2.

Ratio of Consumer Complaints about Fraudulent Enrollment per million subscribers by carrier, 2013-2016



including those about fraudulent enrollment, presented in Figure 2 above. T-Mobile's ratio for fraudulent enrollment complaints per million users is substantially higher than any of its competitors. Specifically, T-Mobile's consumer ratio for fraudulent enrollment is 43 and 70 percent higher than AT&T and Sprint's ratios, respectively, and double the ratio of Verizon.

### **More than 1-in-3 T-Mobile consumers report fraudulent enrollment**

In polls of T-Mobile customers conducted in five states in 2016, respondents indicated that fraudulent enrollment was a persistent problem.

Taken together, more than one in three (36%) of respondents in these states indicated that they were enrolled in services that increased their T-Mobile

bill without their consent. This Georgia customer's complaint from the FTC database is common:

*During the account set up at the T-Mobile retailer store, \$12 monthly insurance fee for the iPhone is added to the account by the sales person. No one asked if I wanted to purchase an insurance for my phone. That has been added to the account without my knowledge or approval.<sup>24</sup>*

Of the poll respondents who said T-Mobile enrolled them into services without their permission, phone insurance was the most common service in which respondents indicated they were fraudulently enrolled. Table 1 displays the various types of add-on services that are commonly added to customers' accounts without consent, according to the CtW online polls.



**OF SURVEY RESPONDENTS SAID THEIR MONTHLY BILL WAS MORE EXPENSIVE THAN THEY WERE TOLD IT WOULD BE WHEN THEY SIGNED ON WITH T-MOBILE.**

**Table 1:**

Proportion of online poll respondents who indicated they were fraudulently enrolled, by service, all states combined, 2016.

Add-on Service	%
Phone Insurance	43.5
Unlimited Data	27.7
Additional Lines	12.4
Unlimited Texting	11.9
Other	18.1

*Note:* The proportions above are of respondents that indicated they were fraudulently enrolled.

In fact, of the poll respondents who indicated they had been enrolled in services without their consent, three in seven (43.5%) were enrolled in phone insurance, one in four (27.7%) were enrolled in unlimited data plans and about one in eight were enrolled in additional lines or unlimited texting.

Some consumers have multiple issues. For example, a customer in the FTC database said:

*[W]e were supposed to be on the 2gb plan and the sales guy had added us to a higher gb plan for more \$\$\$\$. . . My bill for last month went up, not by much but it got me thinking that we are paying too much . . . I created a log in to tmobile to look at my plan and thats when i found that we had been added to the JUMP/insurance program. We did not want this for multiple reasons, the biggest being that is sounded like a load of crock. Come to find out, they had added it anyway. The cost is \$12/phone a month adding up to \$288 over the 10 months.<sup>25</sup>*

It is little wonder that a majority of respondents (55.7%) in the same poll indicated that their monthly bill was more expensive than what they were told it would be when they signed on with T-Mobile.



## CONCLUSION:

### T-Mobile Must Fix its Broken Sales Practices



*I compare what's going on with our front end to Wells Fargo. People are under pressure to do things they wouldn't normally do. They are faced with a Titanic life boat situation, where it is either you or them. The company is putting these low income workers in these situations where they have to do the dirty work to get a paycheck, and then when things go badly, they are the ones getting blamed."*

**T**-MOBILE HAS EXPERIENCED rapid growth over the past few years and has marketed itself as a consumer-friendly maverick that is shaking up the mobile industry. However, the seemingly systemic nature of unethical sales practices raises concerns that the Un-Carrier has put sales and growth ahead of ethical business practices and questions about the Un-Carrier's reputation and sustainability going forward.

A troubling number of workers say there is intense pressure at T-Mobile to sell at all costs, and consumers pay the price. Workers are currently petitioning T-Mobile CEO John Legere to reform the company's sales culture. They want input into setting sales metrics and respectful treatment when metrics are not met. Many of the employees interviewed for this report believe that these reforms will be better for workers, customers and ultimately the company's bottom line.

Based on our analysis, CtW believes that changes to T-Mobile's sales culture are needed, and these reforms need to be enforced from Legere down to store management.

#### Reforms should include:

- Giving workers a meaningful voice in setting metrics or eliminating sales goals as a basis for compensation altogether;
- Enforcing a strong "no discipline" policy for employees who raise concerns about metrics;
- Aligning customer service goals with consumers' best interests;
- Improving the pay scale for T-Mobile employees;
- Rewarding sales and managerial staff for long-term customer retention and the long-term revenue these accounts bring;
- Auditing and investigating how reports of fraudulent enrollment are tracked; and
- Publicly reporting how many opened lines are not in service and how many fraudulent enrollment complaints are received.

Until T-Mobile makes these changes, customers will have to remain vigilant against unwanted charges.

## NOTES

<sup>1</sup> <http://www.wsj.com/articles/how-wells-fargos-high-pressure-sales-culture-spiraled-out-of-control-1474053044>; <http://cnfn.cnn.com/2016/09/22/investing/wells-fargo-fake-accounts-banks/index.html>

<sup>2</sup> <http://www.forbes.com/pictures/eehd45egjjk/4-wells-fargo/#698de8146f49>

<sup>3</sup> Federal Communications Commission, In re Matter of T-Mobile USA, Inc., Consent Decree, File No. EB-IHD-15-00018093 (Oct. 19, 2016); Washington State Attorney General's Office, In re T-Mobile USA, Inc., Assurance of Discontinuance, File No. 13-2-17948-2 SEA (King County Sup. Ct. Apr. 13, 2014).

<sup>4</sup> Online surveys were conducted in the following states, time periods and with the total number of respondents who indicated they were current or recently former T-Mobile customers and the total number of those respondents who answered the fraudulent enrollment questions: Maryland: July 8 to July 19, 2016, 507 T-Mobile respondents of which 439 answered the fraudulent enrollment questions; Massachusetts: July 7 to July 22, 699 T-Mobile respondents of which 693 answered the fraudulent enrollment questions; Minnesota: July 7 to July 18, 744 respondents of which 660 answered the fraudulent enrollment questions; Rhode Island: July 7 to July 13, 204 T-Mobile respondents of which 179 answered the fraudulent enrollment questions; Wisconsin: July 7 to July 13, 79 T-Mobile respondents of which 67 answered the fraudulent enrollment questions.

<sup>5</sup> T-Mobile worker interviewed September 2016

<sup>6</sup> T-Mobile workers interviewed, September 2016

<sup>7</sup> T-Mobile worker interviewed October 2016

<sup>8</sup> Poll respondent.

<sup>9</sup> T-Mobile worker interviewed October 2016

<sup>10</sup> Poll respondent

<sup>11</sup> T-Mobile worker interviewed October 2016

<sup>12</sup> JUMP! is a T-Mobile program that pairs device insurance with the ability to upgrade phones or tablets up to two times a year.

<sup>13</sup> <http://www.t-mobile.com/optional-services/premium-handset-protection-plans.html>

<sup>14</sup> T-Mobile worker interviewed September 2016

<sup>15</sup> T-Mobile worker interviewed October 2016

<sup>16</sup> T-Mobile worker interviewed October 2016

<sup>17</sup> T-Mobile worker interviewed September 2016

<sup>18</sup> T-Mobile worker interviewed July 2016

<sup>19</sup> T-Mobile worker interviewed October 2016

<sup>20</sup> T-Mobile worker interviewed July 2016

<sup>21</sup> <http://www.fiercewireless.com/wireless/analyst-verizon-and-at-t-making-17-subscriber-per-month-2015-while-t-mobile-and-sprint-are>

<sup>22</sup> <http://www.fiercewireless.com/wireless/how-verizon-at-t-t-mobile-sprint-and-more-stacked-up-q2-2016-top-7-carriers>

<sup>23</sup> <https://newsroom.t-mobile.com/news-and-blogs/q3-2016-earnings.htm>

<sup>24</sup> Change to Win averaged quarterly data on subscribers to estimate an annual average number of subscribers. The first two quarters of 2016 were used to estimate 2016 numbers. To create the complaint ratio for all of the consumer complaints, the number of consumer complaints by carrier in each year was divided by the number of subscribers by carrier and multiplied by one million.

<sup>25</sup> FTC complaint

<sup>26</sup> FTC complaint

