



Mixed Signals

**How TV Retailers
Mislead Consumers on
the Digital Television
(DTV) Transition**

**February
2008**

TexPIRG Education
Fund

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Acknowledgements

Researched and written by Amina Fazlullah, Staff Attorney and Media and Telecommunications Reform Advocate, TexPIRG Education Fund.



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For a copy of this report, visit our website or send a check for \$20 made payable to TexPIRG Education Fund at the following address:

TexPIRG Education Fund
815 Brazos
Suite 600
Austin, TX 78701
512-479-7287
www.texpirg.org

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Executive Summary

One year from now 22 million Americans who rely on free over-the-air analog broadcasting will be at risk of losing access to TV. On February 17, 2009, analog televisions that receive over-the-air signals will go dark, unless they are retrofitted with digital converter boxes.

For many Americans who are hearing about the transition for the first time, information about the change comes from electronic store retailers, where consumers ask what is necessary to maintain TV reception – a primary source for news, information and entertainment.

In an effort to determine America's preparedness for the transition, the U.S. Public Interest Research Group (PIRG) Education Fund conducted a "secret shopper" survey at 132 locations of five leading national electronics retailers in ten states.

The survey found that retail electronic store staff are largely uninformed and are not adequately preparing consumers for the impending transition to digital television.

Our survey shows that the majority of retailers provide inaccurate or misleading information about the digital transition. Many sales clerks tried to persuade our surveyors to buy new, expensive digital televisions or high-definition televisions rather than explaining the availability of the less expensive option, such as buying converter boxes, discounted by government coupons available to anyone who needs one.

Specifically, staff at these 132 locations provided the following inaccurate or

misleading information about the digital transition.

- 81% of the sales staff did not know about or gave out inaccurate information about converter boxes.
- 78% of the sales staff provided inaccurate information about the federal government's coupon program for converter boxes.
- 42% of sales staff provided inaccurate information about the month of the digital transition deadline date.

To protect consumers against misinformation or consumer fraud, the U.S. PIRG Education Fund makes the following recommendations. Retailers must ensure:

- they adequately educate staff about converter boxes and the coupon program.
- converter boxes are made available at fair prices.
- consumers are informed of the availability of federal coupons.
- analog TV sets remaining on store shelves are properly labeled.

Additionally, the federal government must enforce penalties against companies that mislead consumers in an effort to reap greater profits from the sale of TVs to people who could get by with a low cost converter box, with its price reduced further by a \$40 government coupon.

The congressionally mandated transition to a digital system gave broadcasters one of the largest public giveaways in the history of

our nation. The value of the publicly owned airwaves used by broadcasters increased by billions of dollars, for which broadcasters paid nothing.

The public lost out to powerful broadcasters when the decision to switch systems was made. Now, one year from the switch date, it looks like consumers are in danger of losing out again by unknowingly being steered toward the purchase of unnecessary, expensive equipment by uninformed or dishonest sales clerks.

Introduction

Advances in technology allow for exciting changes to be made in our nation's communications delivery system. Recognizing this, Congress set a date, February 17, 2009, for television broadcasters to switch their remaining analog signals to a digital format. Digital signals are much more efficient than their analog counterparts and the change will make each broadcaster's portion of the publicly owned spectrum – the pathways along which electronic signals travel – much more valuable. It will also free up a valuable portion of the spectrum for public safety uses.

Congress should have taken this opportunity to reclaim from broadcasters more of the newly empty airwaves for public use. While it is auctioning returned spectrum to raise revenue and putting some of that revenue toward meeting public needs (like improving emergency and public safety communications), more should have been saved for community sponsored wireless networks, community broadcasting or new unlicensed uses (wi-fi, for example, was developed in an different unlicensed portion of the spectrum). The airwaves, after all, are public property. Instead, Congress reclaimed only a small portion of the unused airwaves and let broadcasters keep the rest – suddenly worth much more because digital signals take up less space – at no charge.

This stands as one of the largest public giveaways in the history of the nation. The piece of the spectrum broadcasters were allowed to keep is worth billions of dollars. Just the small amount of spectrum reclaimed by the government and being auctioned off is worth an estimated \$10-20 billion.

The public lost out to powerful broadcasters when the decision to switch systems was made. Now, one year from the switch date, it looks like consumers are in danger of losing out again by unknowingly being steered toward the purchase of unnecessary, expensive equipment by uninformed or dishonest sales clerks.

Next year's change does not require any household to purchase a new television set. Consumers who subscribe to cable or satellite (DBS) television do not need to take any action. Their providers will handle the conversion for them.

Households with older sets still receiving analog signals via antenna, estimated to include 22 million Americans,¹ will need to purchase a basic converter box that costs from \$40 to \$70.² The government is offering up to two \$40 coupons per home to offset that cost.

According to Federal Communications Commission Chairman Kevin Martin, households that rely on free over-the-air analog TV broadcasting include a disproportionate number of “the elderly, the disabled, low-income earners, those living in rural areas, minorities and non-English speakers.”³ These households count on their analog TV sets not just for entertainment but for news and emergency information.

Broadcasters and the federal government have pledged to run education campaigns to help the public understand the impact of the transition and what individuals need to do to prepare. The government, however, has pledged what amounts to a paltry 2 ½ cents per person for its outreach efforts. As a result, many consumers will rely on retail

sales clerks for their primary and perhaps most influential source of information.

Electronics retailers have an obligation to be truthful with their customers about what is and is not needed as a result of the change. Individual consumers may choose to take this opportunity to upgrade their equipment, but they should do so by choice, not as a result of false, misleading or incomplete information. Retail stores are further obligated to educate their employees and their customers about the digital TV transition, converter boxes they sell and the government-sponsored coupon program designed to offset the cost of the converter boxes.

The following report details the troubling results of a U.S. PIRG Education Fund survey of leading electronic retailers. Our survey highlights the need for more aggressive policing of what retailers are doing, more education for retail staff, and increased information about the coupon program for consumers.

Survey Results: Retailers Sending Mixed Signals to Consumers

In the fall⁴ of 2007, researchers from the state PIRGs posed as consumers in 10 states at 132 branches of national electronics retail stores that sold TVs.

We asked the sales clerks about the digital transition date, converter boxes and the federal government's coupon program.

We also checked to see if analog TVs were still on store shelves. Below are our key findings.

National Findings – All 132 Stores

Most retail sales personnel we surveyed lack sufficient knowledge on the transition, the converter boxes and the coupon program to adequately inform consumers about their options.

81% of the sales staff provided inaccurate information about converter boxes.

When asking simple questions about the availability and cost of converter boxes our secret shoppers got a wide range of answers.

Regarding the cost, answers ranged from the correct \$40 to \$70 to “maybe \$500.”

In a Chicago RadioShack, a sales clerk claimed that converter boxes would run \$300, but that one can receive a \$125 voucher.

In Fort Collins, Colorado, a Target employee “almost sold” one secret shopper an amplifying antenna, mistaking it for a converter box. This antenna would have been useless after the transition.

And in stores across the country sales clerks who did not have accurate information about converter boxes told our secret shoppers that they would need to purchase a cable or satellite package after the transition.

A clerk working in a San Francisco Best Buy told our shopper that cable or satellite would be necessary, even after acknowledging that converter boxes were available.

78% of the sales staff provided inaccurate information about the coupon program.

The government-issued “TV Converter Box Coupons” cover only “*a stand-alone device that does not contain features or functions except those necessary to enable a consumer to convert any channel broadcast in the digital television service into a format that the consumer can display on television receivers designed to receive and display signals only in the analog television service.*” In instance after instance sales staff pointed to luxury multi-function converter boxes, with no mention of less expensive stand-alone converters. It is the basic boxes that are eligible for the coupon discount in the “TV Converter Box Coupon Program.” By failing to mention the less expensive options the sales clerks not only sell the customer unnecessary gadgets but effectively make their coupons null and void.

Not one of the sales clerks informed our shoppers that the \$40 coupons issued by the

federal government were void on premium converter boxes.

A Boston RadioShack sales clerk went so far as to inform our shopper that there would be no coupon program.

42% of sales staff did not know the digital transition deadline date (February 17, 2009).

In a Denver RadioShack, neither the sales clerk nor the manager were able to provide information on the date. Both were unaware of a conversion happening.

In a Chicago RadioShack, a sales clerk claimed that the transition would happen, "in 2010, if at all."

In a Raleigh, North Carolina, Target, employees did not know when the transition would happen but one offered that "it will probably be soon."

20% of sales staff tried to up-sell our surveyors to digital TVs or upscale converter boxes.

There were examples in every state of salesclerks who attempted to sell our secret shoppers new TVs, and in many cases the clerks wrongly claimed that the TVs would need to be high definition in order to work after the transition.

In a Seattle Target, the sales clerk acknowledged a converter box would be available but said our secret shopper should buy a new VCR/DVD player instead. Price: \$200-\$280.

36% of the stores surveyed still had analog TV on their shelves and 69% of the stores with analog TVs had tags that were hard to read or mislabeled.

At a Raleigh, North Carolina, Target, six analog TVs remained on the shelves, including three that were incorrectly labeled "HD ready."

Analog only TVs still on shelves are required to be labeled with the FCC issued consumer alert tag. *FCC consumer alert tag text: "This television receiver has only an analog broadcast tuner and will require a converter box after Feb. 17, 2009, to receive over the air broadcasts with an antenna because of the Nation's transition to digital broadcasting . . ."*

Many stores did not use the FCC tag and makeshift notices were hard to read.

In Greenville, Wisconsin, tags were small and in the same color as the shelf, making them almost unnoticeable and hard to read.

In Chicago, tags were also small and boxes were not labeled. Our shopper could not tell which tags belonged to which TVs. Even the store employee was unsure.

In one Sacramento Wal-Mart, our secret shopper was told that analog-only TVs were no longer available. In this same store, TVs displayed confusing dual labels, one of which read that a set was digital and the other containing the FCC analog warning.

We found few warning tags in Spanish, even though the FCC has stated that non-English speakers are more likely to be affected by the digital transition.

Local Findings – Texas

In Texas, staff at all five national retailers we surveyed provided inaccurate or misleading information about the digital transition.

80% of sales staff provided inaccurate information about converter boxes.

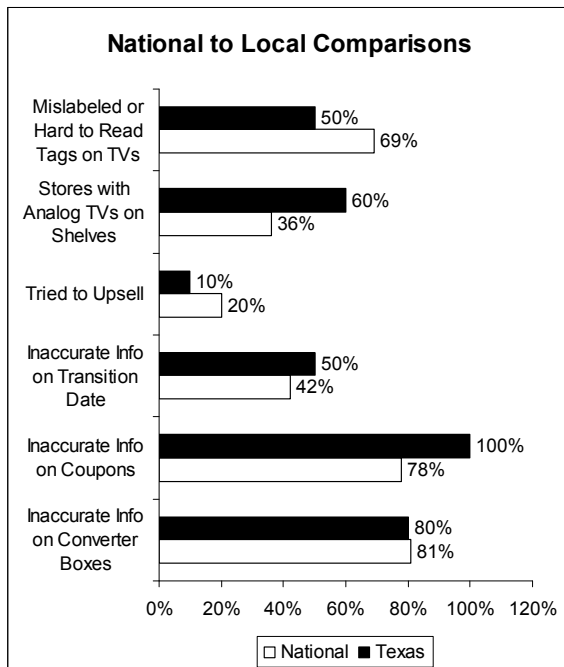
100% of sales staff provided inaccurate information about the coupon program.

50% of sales staff provided inaccurate information about the transition date.

10% of sales staff tried to up-sell us to more expensive, unneeded products.

60% of the stores surveyed still had analog TVs on their shelves.

50% of the stores with analog TVs had tags that were mislabeled or hard to read.



Consumer Tips

Consumers should understand that they need only purchase a digital converter box, not a new TV. Converter boxes are a much more affordable option than buying a new TV or subscribing to cable or satellite TV.

Consumers should purchase and set up their converter boxes prior to February 2009. The boxes are easy to connect. Professionals are not needed to connect the boxes.

Households can save money by using the \$40 converter box coupon.

- Coupons are available on-line at: <https://www.dtv2009.gov/ApplyCoupon.aspx> Or call 1-888-388-2009. Or mail your request for a coupon to: PO Box 2000, Portland, OR 97208-2000.
- **Warning:** Coupons expire after 90 days. Make sure retailers have a supply of converter boxes in stock before you order your coupon.
- Each household is entitled to two coupons.

Consumers should be aware that the government-sponsored \$40 coupons do not apply to multi-function converter boxes.

For a list of Coupon Eligible Converter Boxes go to the National Telecommunications and Information Administration's website: http://www.ntiadtv.gov/cecb_list.cfm

Remember that the basic converter box is all that is needed to receive digital signals on an analog TV set.

Recommendations

Retailers must provide digital TV transition training to adequately educate their staff about the transition date, converter boxes and the coupon program. They must also ensure that their remaining analog TV sets are properly labeled.

Retailers must ensure that:

- They adequately educate their staff about converter boxes and the coupon program.
- Converter boxes are made available at fair prices.
- Consumers are informed of the availability of coupons.

The federal government must provide more resources for educating the public about the transition to digital television.

State Attorneys General should take an active role to enforce state consumer protection laws against misleading sales techniques.

All consumers across the country must be notified of the transition.

- Any retailer that will be carrying the converter boxes must provide DTV transition training to prepare staff.
- The government must enforce penalties against companies that misinform and abuse consumers to reap greater profits from the sale of unnecessary TVs to people who could get by with a low cost converter box.

Cable subscribers must also be protected.

- The government must ensure that cable companies do not use this

opportunity to impose lifetime rate hikes or attempt to use the DTV transition as an excuse to force consumers into higher-cost cable packages.⁵

If retailers and the government fail to educate the public about the transition and converter box coupon program, then consumers will waste money on unneeded digital TVs, cable or satellite systems.

Methodology

The state PIRGs in ten states—Arizona, California, Colorado, Illinois, Maryland, Massachusetts, North Carolina, Texas, Wisconsin and Virginia—surveyed 132 major electronic stores in the fall of 2007* to determine how knowledgeable the sales staff were about the upcoming digital TV transition.

Our surveyors acted as consumers or “secret shoppers.” They asked the sales clerks about the digital transition date, converter boxes and the federal government’s coupon program.

They noted if the stores were still selling analog sets. If they did sell analog sets, we checked to see if the stores were complying with the mandatory warning labels required by the FCC.

Our surveyors also noted if the sales clerks tried to up-sell them to a more expensive converter box or a digital TV.

We surveyed the following retail stores: Best Buy, Circuit City, RadioShack, Target and Wal-Mart.**

We asked the same standardized questions at each store including the following:

When is the digital transition happening?

Is there a converter box that will convert the new digital signals for my analog TV?

Is there a converter box available today?
When can I get it? How much is it?

Will there be any coupons/discounts available on the converter box?

*The PIRGs surveyed stores in Texas and Virginia in January 2008.

**Florida PIRG surveyed Best Buy, Circuit City, Sears, Target and Wal-Mart.
WashPIRG surveyed Best Buy, RadioShack, Sears and Target.

¹ Association of Public Television Stations website,

http://www.pts.org/news/ota_trends.cfm

Downloaded on January 25, 2008.

² “Digital Television Transition: February 17, 2009, Are You Ready?” downloaded on January 15, 2008 from the FCC’s website.

³ Remarks of Chairman Kevin J. Martin, “Digital Television Consumer Education Workshop,” FCC headquarters, Washington, DC, September 26, 2007, downloaded on January 16, 2008 at <http://www.fcc.gov/commissioners/martin/statements2007.html>

⁴ For exact dates see Methodology section.

⁵ Testimony of U.S. PIRG staff attorney Amina Fazlullah before the U.S. House Subcommittee on Telecommunications on October 17, 2007: http://energycommerce.house.gov/cmte_mtgs/110-ti-hrg.101707.Fazlullah-testimony.pdf