

## **Cost of Quality -- AT&T's Customer Service**

*Catherine Gaharan, Midwestern State University*

*Karen Foust, Tulane University*

### **SYNOPSIS**

This descriptive case detailing a consumer's ordeal with AT&T culminating in a change to another service provider gives an opportunity to discuss cost of quality in terms of a service industry rather than a manufacturing environment. Students can also be asked to examine the financial statements of telecommunications companies to assess customer service expenses and to get a picture of the relative size of industry participants. (Selected financial statement information is provided in appendices to the teaching note.)

### **LEARNING OBJECTIVES**

The objectives of this case are to:

1. Discuss costs of quality with respect to providing customer service.
2. Analyze relevant information from the financial statements with respect to treatment of customers.
3. Assess industry structure by comparing financial statements of industry participants.
4. Identify the potential advantages and disadvantages to customers and to companies of e-billing, e-payments, and e-communications.

### **APPLICATION**

The case is appropriate for managerial accounting, financial statement analysis and e-business courses.

### **KEY WORDS**

quality costs, financial statement analysis

### **CONTACT**

Dr. Karen Foust, Tulane University, 7 McAlister Drive, New Orleans LA 70118-5669,  
phone: (504) 865-5548, Fax: (504) 865-6751, email: [kfoust@tulane.edu](mailto:kfoust@tulane.edu)