Rogers Communications Inc. and BCE Inc. Are Ditching Ethics for Profits: Time to Sell Both?

Description

Rogers Communications Inc. (TSX:RCI.B)(NYSE:RCI) and **BCE Inc.** (TSX:BCE)(NYSE:BCE) have both been enjoying a great deal of subscriber growth momentum of late, but with the Canadian telecom scene set to experience a rise in competition over the next few years, investors have to be asking themselves whether or not the momentum can continue, as **Shaw Communications Inc.** (TSX:SJR.B)(NYSE:SJR) continues to gain traction with its up-and-coming wireless business Freedom Mobile.

The limited-time discount for 10 GB of data for $60/month recently offered by the Big Three is a definite sign that there's a weakness in their armour, and it looks like each incumbent may appear to be doing everything in their power to minimize the imminent pricing pressures that are on the horizon — including the use of aggressive and unethical sales tactics.

In many previous pieces, I've noted that the Big Three have enjoyed cartel-like pricing practices for a ridiculously long time, and that these days would likely be coming to an end as pricing pressures mount courtesy of Freedom Mobile. While every player has a tough road ahead of it, it appears that Rogers and BCE may be taking a page out of the Big Five banks' playbook by pressuring of front-line employees to upsell customers for services they probably don't need.

According to CBC, Rogers is the latest telecom that's guilty of such unethical sales tactics, following in the tracks of BCE, which has also been ditching ethics in favour of higher APRUs.

Call centre employees working for Rogers have been pressured by their managers to try to upsell customers on every call, even if it's not in the customer's best interest to purchase additional services. Rogers call centre employees stated that they're under "extreme pressure" to hit aggressive sales targets. And if they don't want to compromise their morals? Well, they'll be fired.

A whistleblower and anonymous call centre employee at Rogers stated that he's "desperate" to rack up sales points, including "giving internet service to customers who actually do not have a computer."

Who are the victims of the upselling? It's mostly the elderly, according to the employee, who "feels really bad" for being forced to take advantage of the vulnerable in order to keep his job.

It's not a mystery that Rogers and BCE both have an extremely poor track record for customer service, and with such disgusting sales practices, I think morally conscious investors should avoid both Rogers and BCE, both of which deserve to be penalized by regulators.

I'm already extremely bearish on BCE in particular, so I wouldn't advise any investor to touch the stock with a barge pole, since not only is the company slated to offer a below-average total return over the next few years, but it's also operating in an unethical fashion.

Bottom line

Rogers and BCE are down ~10% and ~8%, respectively, from their 52-week highs. While the dip may seem like an opportunity for income investors, I wouldn't advise pulling the trigger on either stock because of longer-term headwinds that will result in sub-par returns going forward.

Both Rogers and BCE appear to be sacrificing morals for some extra short-term profit, but I think these practices will exacerbate subscriber losses over the long term, as their wireless subscribers have yet another reason to switch to the fast-rising Freedom Mobile. I think morally conscious investors should be making the switch from Rogers and BCE to Shaw as well.

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