

## MEDIA RELEASE...MEDIA RELEASE...MEDIA RELEASE...

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### NEW RESEARCH DEMONSTRATES IMPACT OF CONVERGENCE ON PHONE-PAID SERVICES

**PhonepayPlus (previously known as ICSTIS) today published research that shows the effect of new technology and changing consumer demand on the UK phone-paid services industry – a mature, sophisticated market which generated £1.08 billion in revenues in 2007.**

The UK public continues to use phone-paid services in their millions and there is strong growth in many areas, especially in mobile where providers are benefiting from developments in handset technology and a transition from fixed-line to mobile devices.

The use of premium rate text messages to pay for services is now as widely used as voice call payment (45% each of premium rate use), but its users are younger. Of phone-paid service users aged 18-34, over 60% use premium rate text messages as payment whereas just 37% of that age group use voice calls to pay. This indicates a shift away from premium rate voice calls on landlines and establishes mobile as a key platform for phone-paid services.

Directory enquiries has the largest share of the phone-paid services market with revenues of £207 million (19%). Adult services account for £153 million (14%), closely followed by TV voting and competitions with £139 million (13%). The latter was the subject of controversy in 2007 with a number of allegations made against providers which resulted in several fines and a loss of trust among viewers. It is the industry's ability to regain that trust that will to a large degree decide whether participation TV services will grow in 2008.

#### Consumers

Over 18 million people (38% of the adult population) used a phone-paid service in a six month period leading up to November 2007. 25-34 year olds are the most avid users, with 46% of this group having used a service as opposed to 30% of those 65 and older.

Across all age groups the most popular services were competitions – 46% of phone-paid services users had taken part once or more.

TV voting, competitions and quizzes are most popular among the young with two thirds of 25-34 year old phone-paid service users having taken part. Mobile personalisation and entertainment are also popular among young people with 25% of 25-34 year old users having downloaded premium rate content. Information services are of most interest to older users: for example, 41% of phone-paid users over 65 used directory enquiries as opposed to 29% of 18-24 year olds.

The research also revealed that providers must do more to build trust in, and demand for, their services. Of the majority of UK adults that had not used a phone-paid service, most (69%) explained it was because they had no interest in them. Twenty-six percent cited a lack of trust as a reason why they had not engaged with services.

Of the 38% of UK adults that had used a phone-paid service, only 40% of these had done so more than twice, though gambling services were 'stickier' with almost 50% of customers using them once a month or more.

## **The future**

The use of premium rate calls and texts charged to a phone bill offers many advantages to both consumers and service providers. It is extremely easy to use as a payment mechanism and the ubiquity of landline and, increasingly, mobile phones means services can be purchased and enjoyed spontaneously and immediately.

However, advances in technology – and in particular, convergence of platforms, content and devices – will affect consumer behaviour and, consequently, the phone-paid services market.

Content and services – whether it be ringtones, weather information or the ability to vote on a TV programme – will increasingly become available across multiple platforms. Though they may be tailored to a particular device the payment mechanism is likely to be the same across all platforms. Premium rate will therefore face increasing competition from credit card and other payment processes on mobile and landline networks.

Furthermore, premium rate service providers will need to provide a valuable proposition to a generation of consumers accustomed to high-speed access to mostly free content delivered over the internet.

Convergence also presents opportunities. Phone-paid services will benefit from the increasing availability of high-speed mobile networks and feature-rich devices, especially where these services are specific to the mobile platform or where the initial content download is delivered to a mobile device.

“This research paints a picture of a vibrant, lucrative market full of opportunities for providers and their customers,” said George Kidd, Chief Executive of PhonepayPlus.

“There are, however, a number of challenges to be faced. If phone-paid services are to remain relevant in a converged age it is absolutely crucial that the industry builds trust, ensuring consumers can use these services with complete confidence,” he continued.

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For further information, please contact:

**PhonepayPlus press office on (020) 7940 7415 or (020) 7940 7447.**

## **NOTES TO EDITORS**

PhonepayPlus is the organisation (previously known as ICSTIS) that regulates phone-paid services – the goods and services that you can buy by charging the cost to your phone bills and mobile pre-pay accounts. Further details of its work can be found at [www.phonepayplus.org.uk](http://www.phonepayplus.org.uk).

Under the Communications Act 2003, Ofcom has responsibility for the regulation of premium rate services. In December 2007 Ofcom confirmed that PhonepayPlus will act as the agency which carries out the day-to-day regulation of the PRS market on its behalf.

### **About Fathom**

Fathom Partners is a strategic innovation firm, focusing on media, telecoms and technology. They help clients develop new products and services, solve business problems and improve operations. More information is available at <http://www.fathompartners.com>

The report - “Phone-paid Services: Today and tomorrow” - was undertaken by Fathom Partners on behalf of PhonepayPlus. The primary aims of the research were to characterize and provide insight into the current market for phone-paid services and forecast market developments over the next 12-24 months.

The research was originally commissioned in September 2007 and conducted using a combination of information sources including face-to-face and telephone interviews and an online survey with industry members. Fathom analysed published information, data and research from PhonepayPlus and carried out an online consumer survey of the use of phone-paid services.