

Mobile phone-paid services and their Marketing

**Under embargo
until 17 July 2008**

Agenda

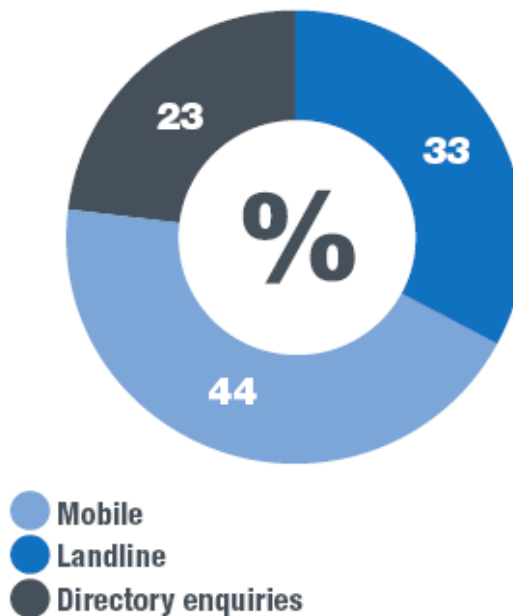
- Highlights from the 2007/8 Annual Report
- The premium mobile content market
 - Consumer harm
 - Proposed solutions
- Questions



The big picture

- **£1.07billion** – size of 2007/8 market
- Mobile now the biggest earner - **£464million**

PHONE-PAID SERVICES MARKET:
PUBLIC SPEND BY SECTOR[^]

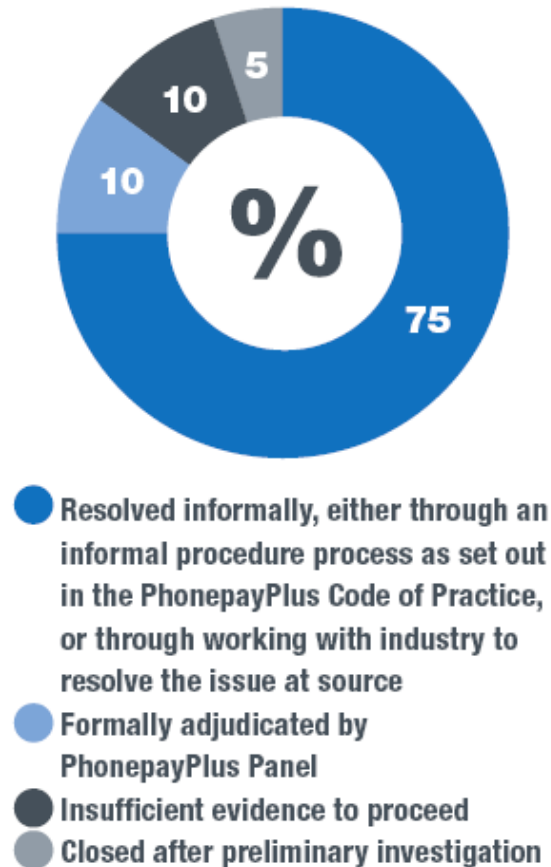


Consumer protection

1,047 cases of possible consumer harm

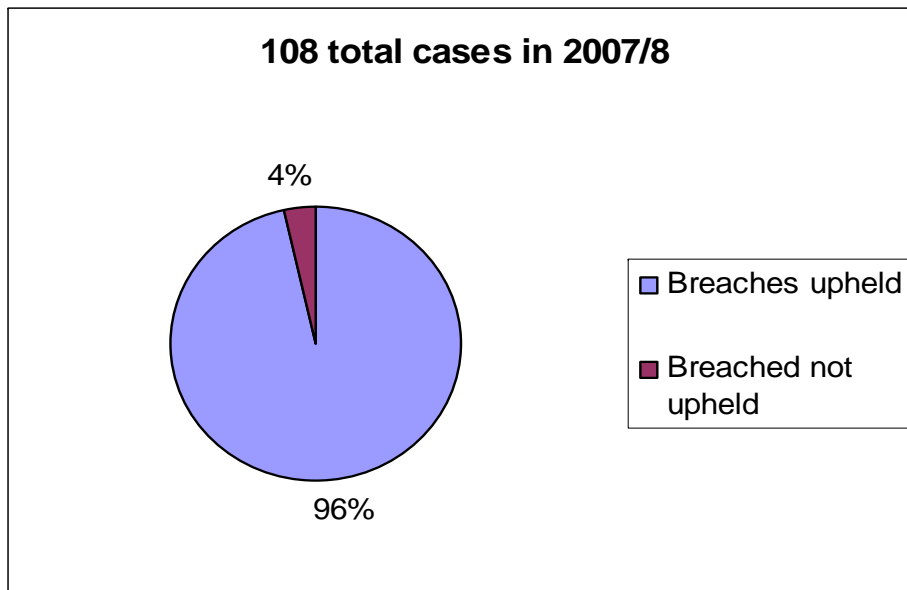
75% of problems resolved at source by working with industry

2007/8 INVESTIGATIONS BREAKDOWN



Consumer protection (cont.)


- **108** cases went to Tribunal
- **87** companies fined (including £250,000 maximum)
- Total fines of more than **£2m** (89% recovered)
- **49** services barred or restricted
- **11** Emergency Procedures (incl. immediate bar on service)

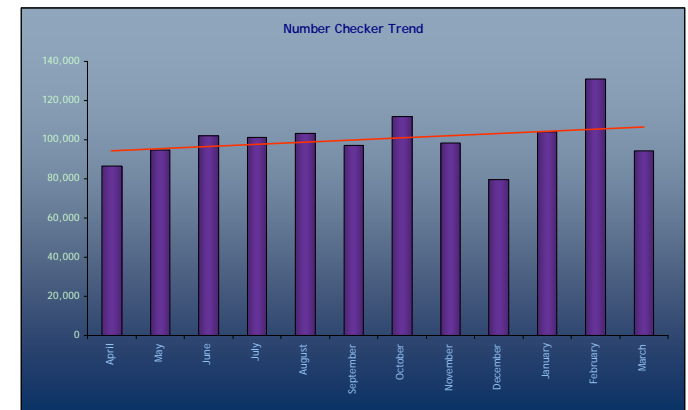




PhonepayPlus

More user interaction

- Industry Support team:
 - **Five-fold increase** in compliance advice (2,308)
- Helping more consumers:
 - **60% increase** in web traffic
 - **1.2million** checks on number checker
 - Introduction of  **60,000+** consumer queries



The 2008/9 Agenda

- Consumer education
- 0871
- Code Compliance Panel
- New Board members
- Code review



A problem in mobile

- 8,000 complaints (80% of total), up 108%
- 4,500 in Jan-Mar alone, up 40%
- Evidence of aggressive marketing
 - Number of individual complaints per service up from between 5-10 to as many as 270
- 25 mobile adjudications so far in 2008 with fines of £390k (more than the whole of 2007)

Month	Mobile
October	1446
November	1685
December	1187
January	2095
February	1690
March	2059
April	2184
May	2137
June	2122



And we're not alone

- Ofcom complaints about Mobile phone-paid services rising
- Similar pattern across Europe
 - Increased consumer complaints
 - Same causes
 - EC report (published today) says 80% of ringtone websites across 27 countries should be investigated



Consumer harm

- Three main areas of concern
 - Promotional texts and the use of marketing lists
 - Lack of transparency and clarity in pricing
 - Subscription services



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Promotional texts

Issue

- Consumers receive promotional messages – and are sometimes charged for them - with no recollection of having asked them to be sent.
- Users are immediately ‘pushed’ to a mobile internet website and either charged for access or join a subscription service
- It is not made obvious how users can opt-out of receiving messages in the future.
- Some texts have no shortcode attached to allow users to opt-out
- Some promotional texts arrive as late as two years after the original opt-in

Proposal – Statement of Expectations

- All promotional texts must make it clear how to opt-out of future marketing promotions.
- Binary texts must provide a separate shortcode to which users can send a message to stop future messages. Or, there must be clear opt-out information on the first page of the website.
- Companies sending promotional texts must now provide evidence of each recipient’s opt-in, and show that the promotion is relevant to the consumer’s original purchase or reason to opt-in..
- Consumers must receive their first promotional text within 2 weeks of the original opt-in.



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Price transparency

Issue

- When consumers buy or view content from a website they are often not provided with the price information necessary to make an informed decision
- Consumers have received texts from what appears to be another mobile number inviting them to chat. In fact, the texts are from a phone-paid service and replying to them subscribes the user to a chargeable service.

Proposal – Statement of Expectations

- The price of phone-paid services, including mobile internet pages, must be clearly signaled before the user is charged
 - If necessary, the price of all images must be aggregated per page and made clear to the user in advance.
 - The user must click a button to confirm they are comfortable with the price of the following page before they can move on.
 - Services must not charge users for backtracking through the site in order to exit.
- Information must be provided prominently alongside the description of the service. Not elsewhere on the website, nor buried within the Ts & Cs.
- Promotional messages must not mislead consumers into thinking that they are engaging with another individual.



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Ringtone/music download services with subscription/fees

Issue

- Some services are mis-using the word 'free' or other similar words
- Consumers claim to have been signed up to subscription services with neither their knowledge nor consent
- Chargeable texts sometimes follow immediately after a free message with price information. This gives consumers no chance to opt-out before they are charged.
- Consumers continue to receive chargeable messages after they send the 'STOP' command
- After using the 'STOP' command, consumers are told they have unused credit. If they reply they are re-subscribed to the same service they were looking to leave.

Proposal – Prior permission

- Once a consumer has selected a subscription service, they must be told the full cost and then actively confirm they wish to subscribe.
- No use of the word 'free' or similar words to be in promotional material;
- No free service can link to promotions for paid content.
- Where there is evidence of the failure of the STOP command, PhonepayPlus will look to place an immediate bar on the service while it investigates complaints.
- Consumers cannot re-subscribe to a service without replying 'RE-SUBSCRIBE'.



The STOP Command

- A number of complainants tell us they cant STOP a service
- Some evidence that the STOP command is not effective
- We see this as a serious Code breach requiring urgent remedy
- For this reason we are issuing a Notice making clear that a STOP failure will usually result in an Emergency Procedure



The consultation

- Formally published on **17 July**
- **8 week** consultation
- Informal dialogue with stakeholders
- Closing date: **11 September 2008**

- Statement of outcome expected by end of the year



In summary

- With immediate effect, any subscription service that does not allow customers to stop it easily and quickly will be barred from operation.
- Additional proposals – which could come into force by the Winter - are designed to ensure that consumers:
 - receive fewer and more targeted promotional text messages;
 - are able to make informed purchase decisions; and
 - must be told the full cost of a service and then actively confirm they wish to subscribe.





10 Golden Rules

1. The public should not be charged for promotional text messages
2. It should be as easy to get out of marketing messages as it was to get in
3. Bought and traded lists are highly problematic. If you cannot get supporting proof of the opt-ins then you face enforcement action
4. You cannot assume people who opted-in to something some time ago still welcome messaging months later if you have not engaged with them in the meantime. If you have an opt-in list “use it or bin it”
5. A web-registration alone is not adequate proof someone has opted-in to receive marketing. Text or some other form of validation is needed
6. Pricing clarity is absolutely essential. People should not have to work to understand the deal being put to them. There should be no hidden surprises like “joining fees” or other similar charges. Set out all costs before people are asked to make a purchase
7. Text chat and WAP/Web sites charging for every page, text or screenshot can rack up cost. Users need to know how the pricing works at the outset. They should have the running cost on screen with per page billing. And it should never cost to quit a WAP billed (or any other) service.
8. A service which has premium costs cannot be presented as Free – and that goes, in particular for paid-for subscription services.
9. Subscription services have a high potential cost. A purchase verification stage is needed to make sure the prospective subscriber understands the deal and wants to make the purchase
10. It should be as easy and clear to leave a service as it is to join one. STOP commands must work and failures will be taken very seriously



Questions?

