

**Report for PhonepayPlus**

The impact of the spending caps review on premium rate services aimed at children

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## Confidentiality notice

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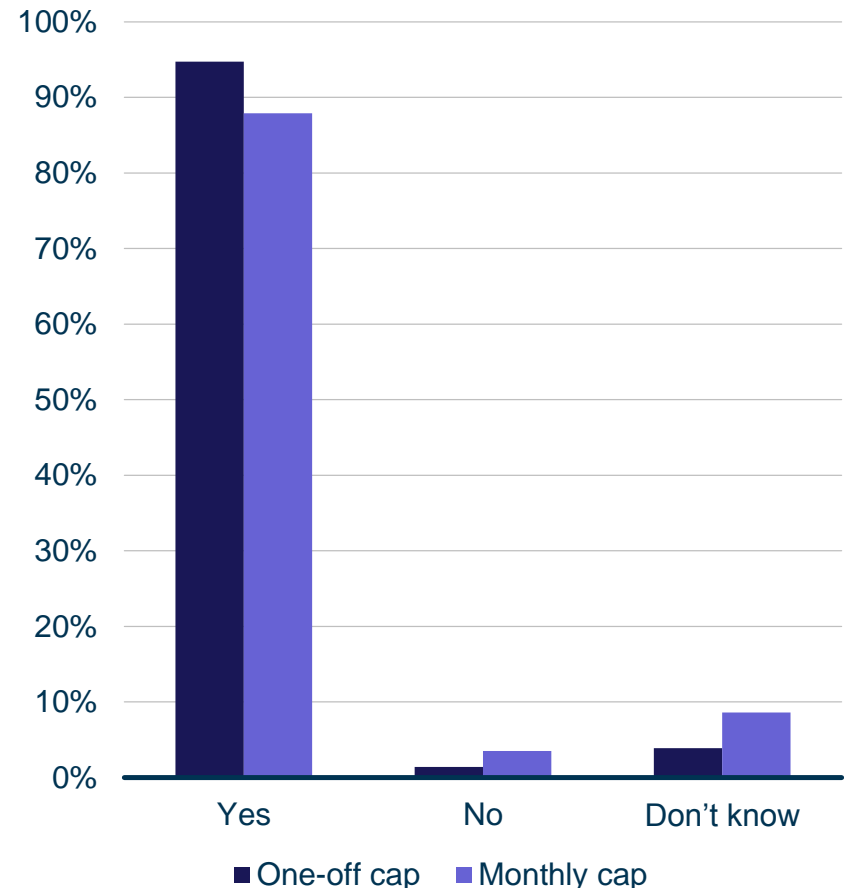
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## Parents are overwhelmingly supportive of spend limits

- PhonepayPlus regulates the sale of apps, ringtones, music and other items which are charged to the phone bill. For services aimed at children there is currently a limit of GBP3.07 for one-off purchases. PhoneplayPlus is reviewing this limit as well as assessing the need for a possible cumulative monthly spend limit. It commissioned Analysys Mason to assess survey evidence in support of this process
- We found that around 39% of parents who took part in the survey reported that their children purchase premium-rate services
- 32% of parents of children who use premium services (or 12% of all respondents) reported 'bill shock', with an average amount of GBP37.54
- Parents are overwhelmingly in favour of
  - current one-off limits (95%), although few (24%) are aware of them
  - introducing monthly limits (88%)
- On average, parents are not prepared to spend more than GBP3.50 for an individual purchase, which is higher than the current one-off cap of GBP3.07
- For a possible monthly limit, on average parents' preference is GBP13.33

**Q22/23: Do you think price caps for services aimed at children should be maintained, and monthly spend limits introduced?**



Base: all respondents (1001)

Source: Analysys Mason 2013

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# PhoneplayPlus is reviewing price and spend limits for premium services aimed at children

## Background and objectives

- PhoneplayPlus currently regulates the cost of an individual purchase to a premium service aimed at children, which can include apps, ringtones, music and other items which are charged to the phone bill
  - the one-off limit currently stands at GBP3.07
- PhonepayPlus is reviewing this limit and considering whether to complement this one-off limit with a cumulative monthly cap, in order to avoid further 'bill shock' on services specifically aimed at children
- In this context, PhonepayPlus has asked Analysys Mason to conduct and analyse a survey of parents of children aged between 8 and 16, to assess
  - children's usage of premium services
  - parents' experience of 'bill shock'
  - whether parents are in favour, or not, of both the current one-off cap and the proposed cumulative cap

## Methodology

- Analysys Mason asked SSI (Survey Sampling International) to conduct a survey of parents of children aged between 8 and 16
- The survey was conducted online on 7–8 October 2013
- 1001 respondents answered the survey, which consisted of 26 questions

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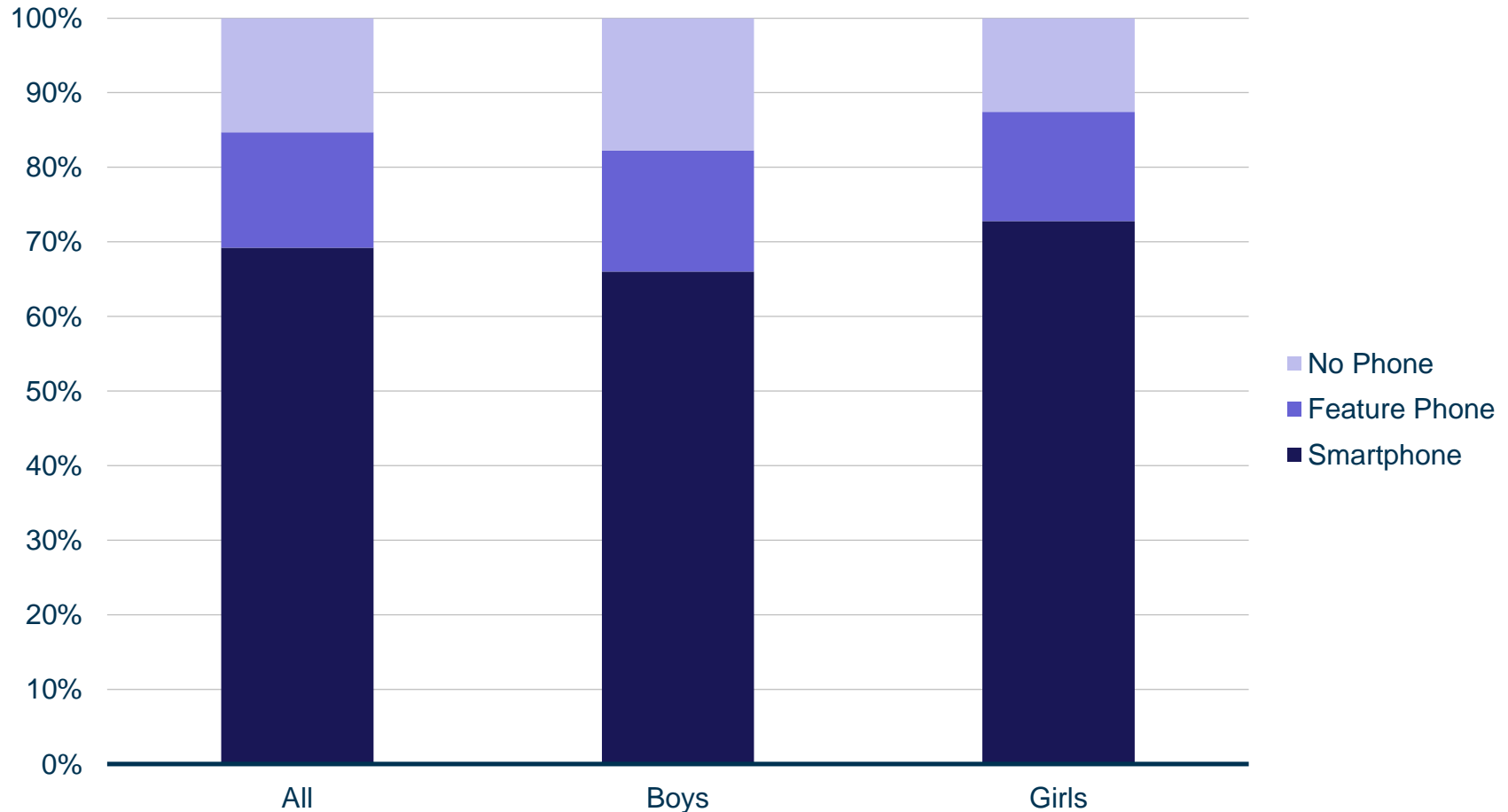
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## Most children now use a smartphone

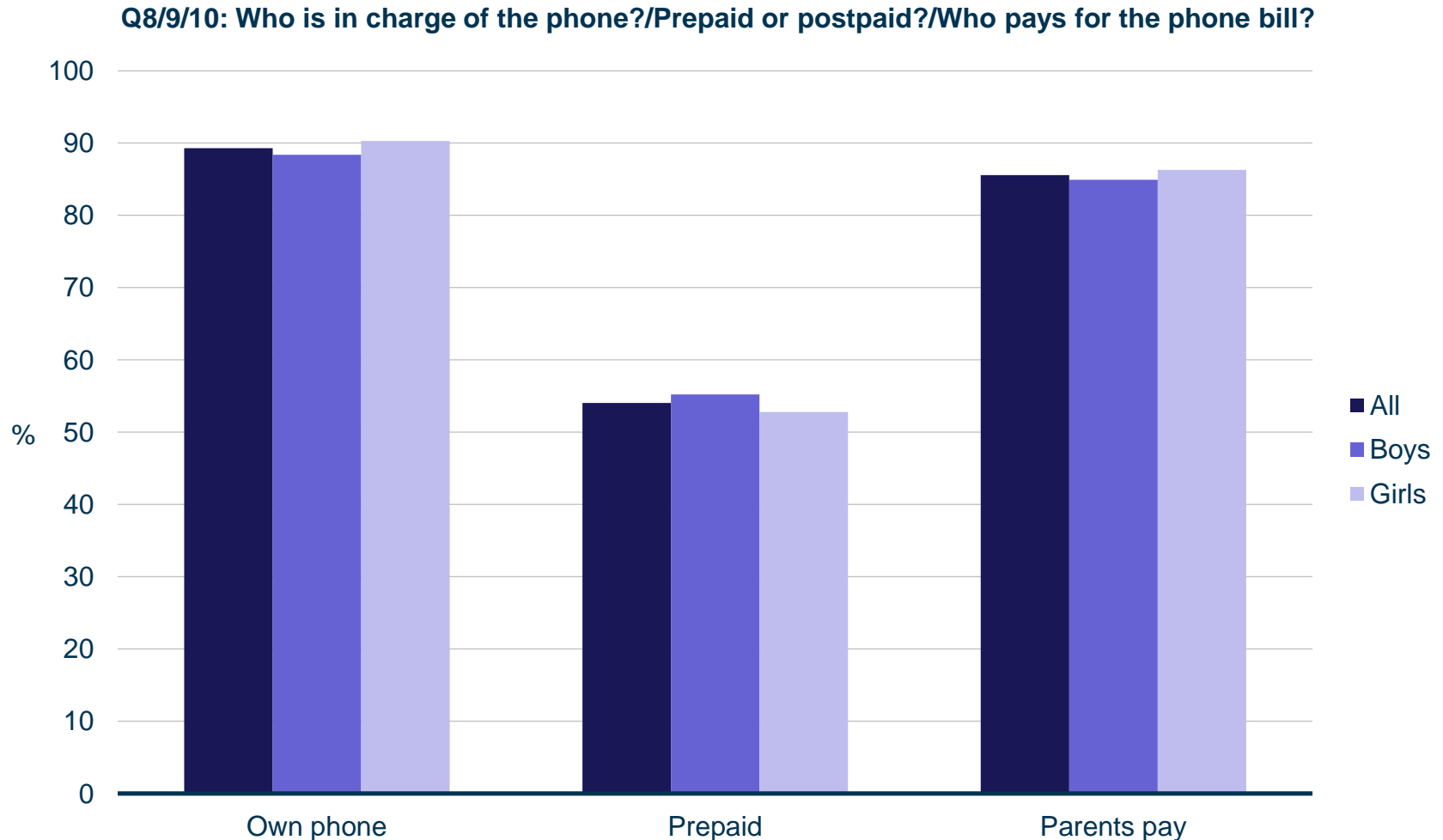
Q7: Does your child regularly use a mobile phone?



Base: all respondents (1001)

Source: Analysys Mason 2013

## In the vast majority of cases, children own their own phone and parents pay their bills

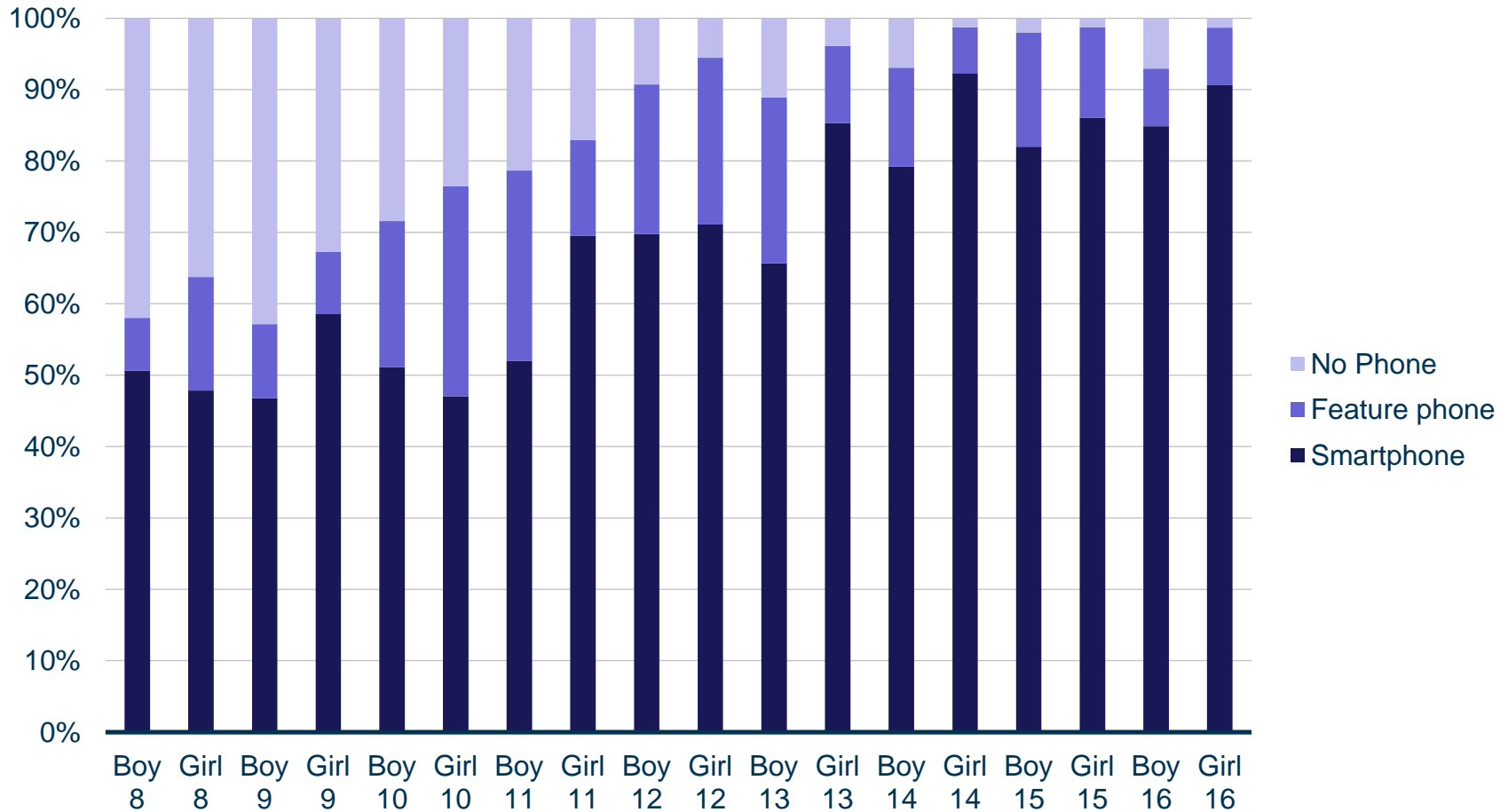


Base: all respondents (1001)

Source: Analysys Mason 2013

# The older the child, the more likely he/she is to use a phone, and the more likely it is to be a smartphone...

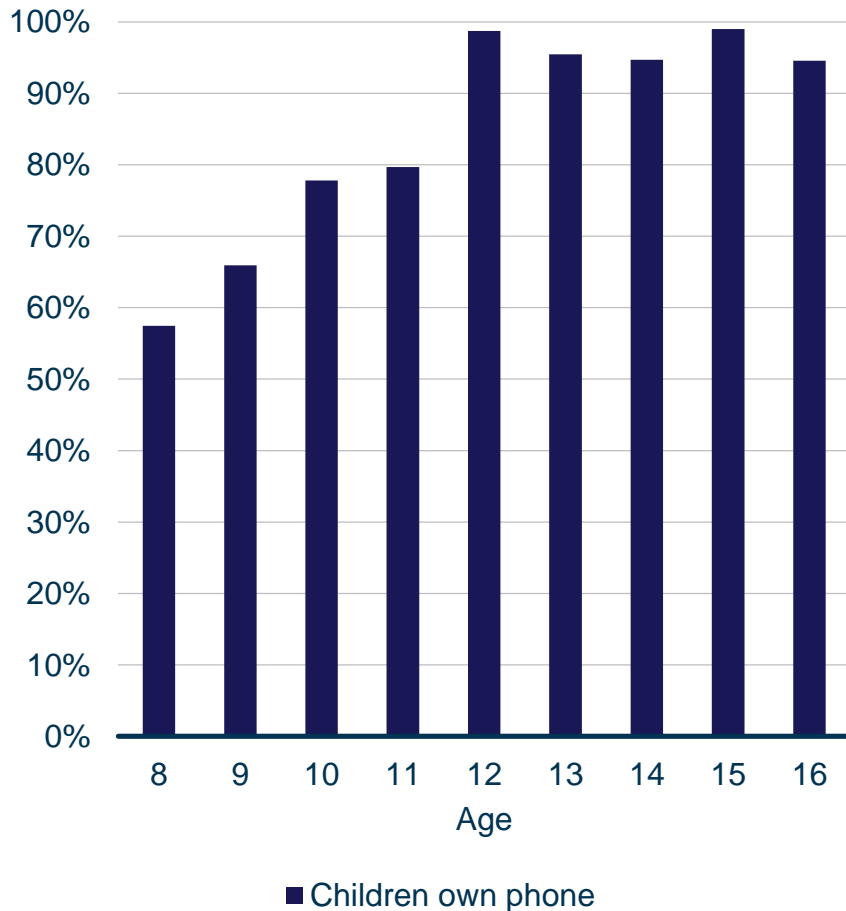
Q7: Does your child regularly use a mobile phone?



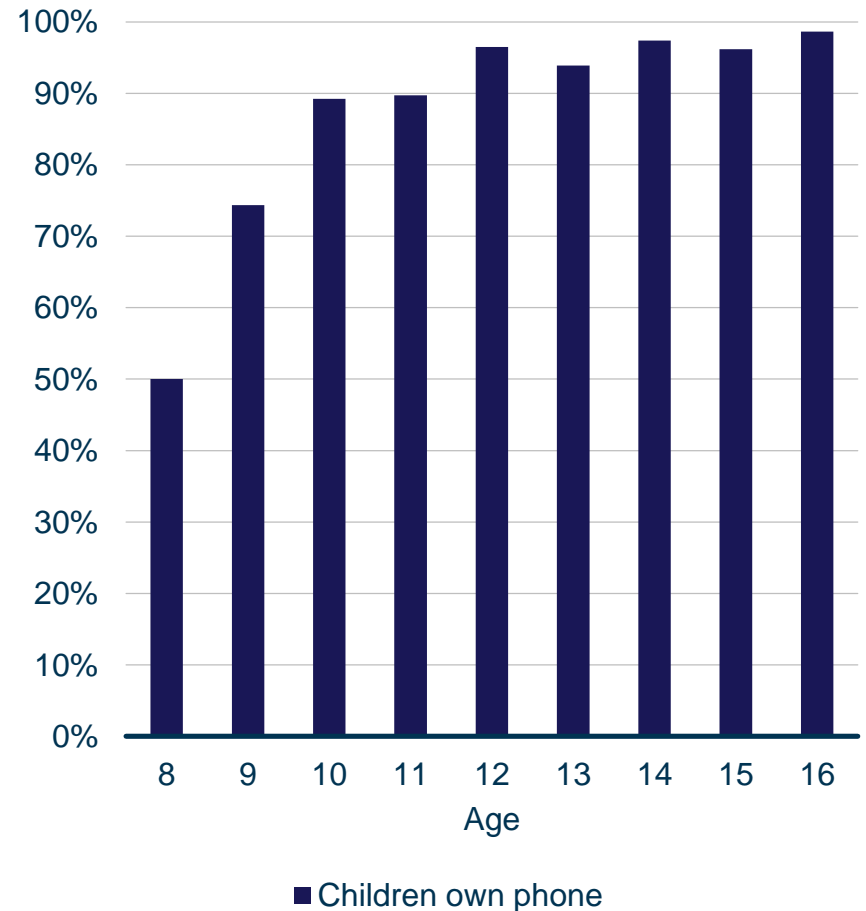
Base: all respondents (1001)  
 Source: Analysys Mason 2013

# ... which will be his/her own phone ...

Q8: Who is in charge of the phone? (boys)



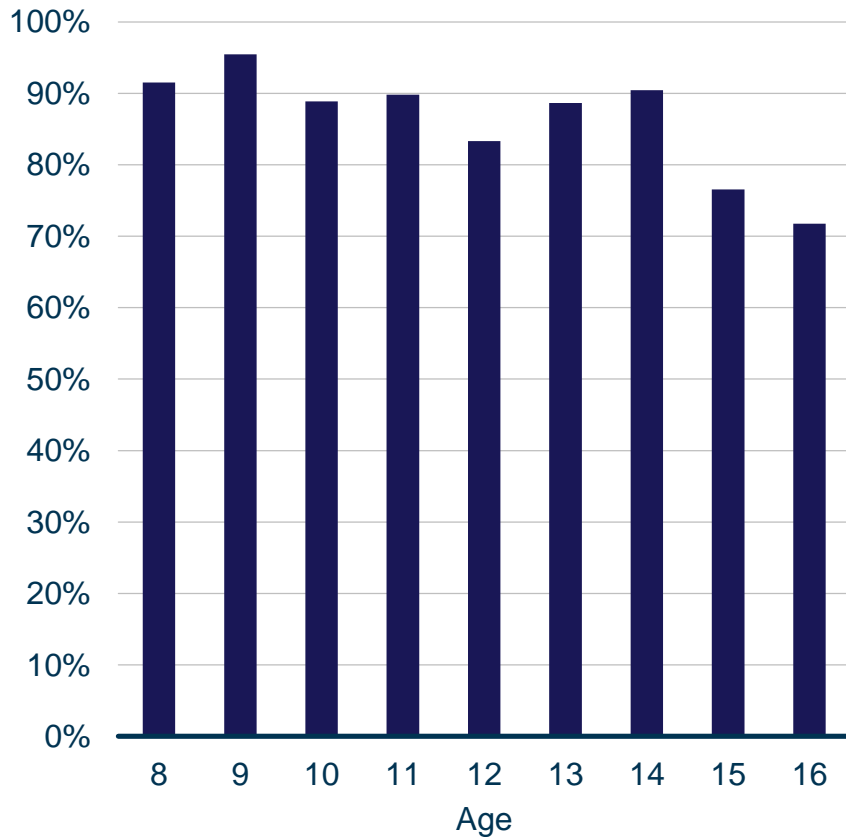
Q8: Who is in charge of the phone (girls)?



Base: all respondents (1001)  
Source: Analysys Mason 2013

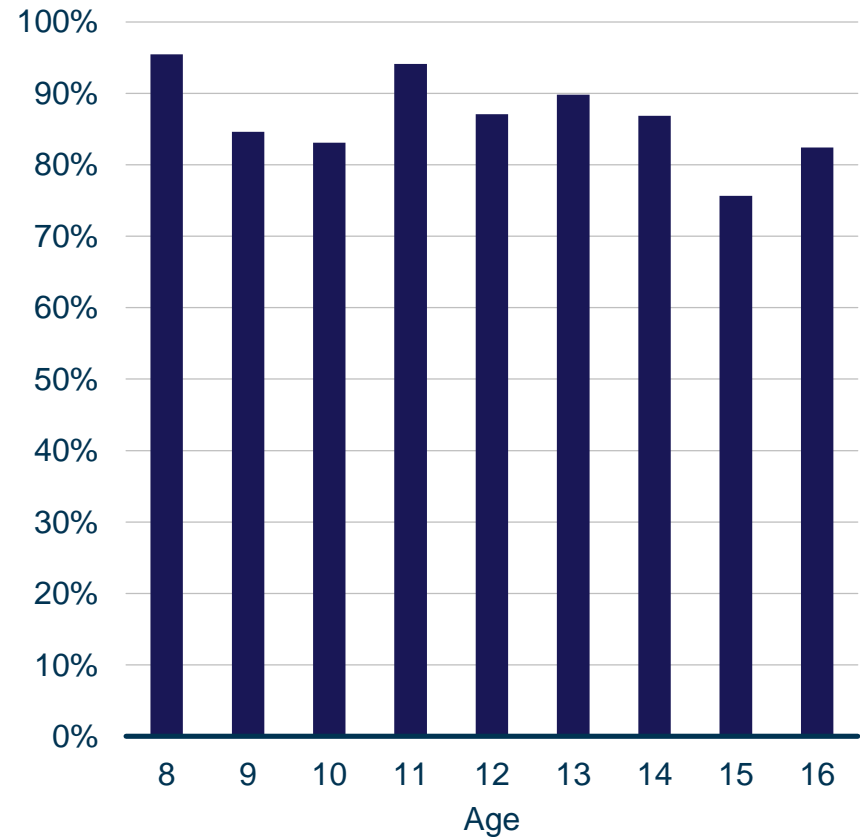
## ... though parents are still the main bill-payers

Q10: Who pays for the phone bill? (boys)



■ Parents pay

Q10: Who pays for the phone bill? (girls)



■ Parents pay

Base: all respondents (1001)  
Source: Analysys Mason 2013

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**Use of premium services aimed at children**

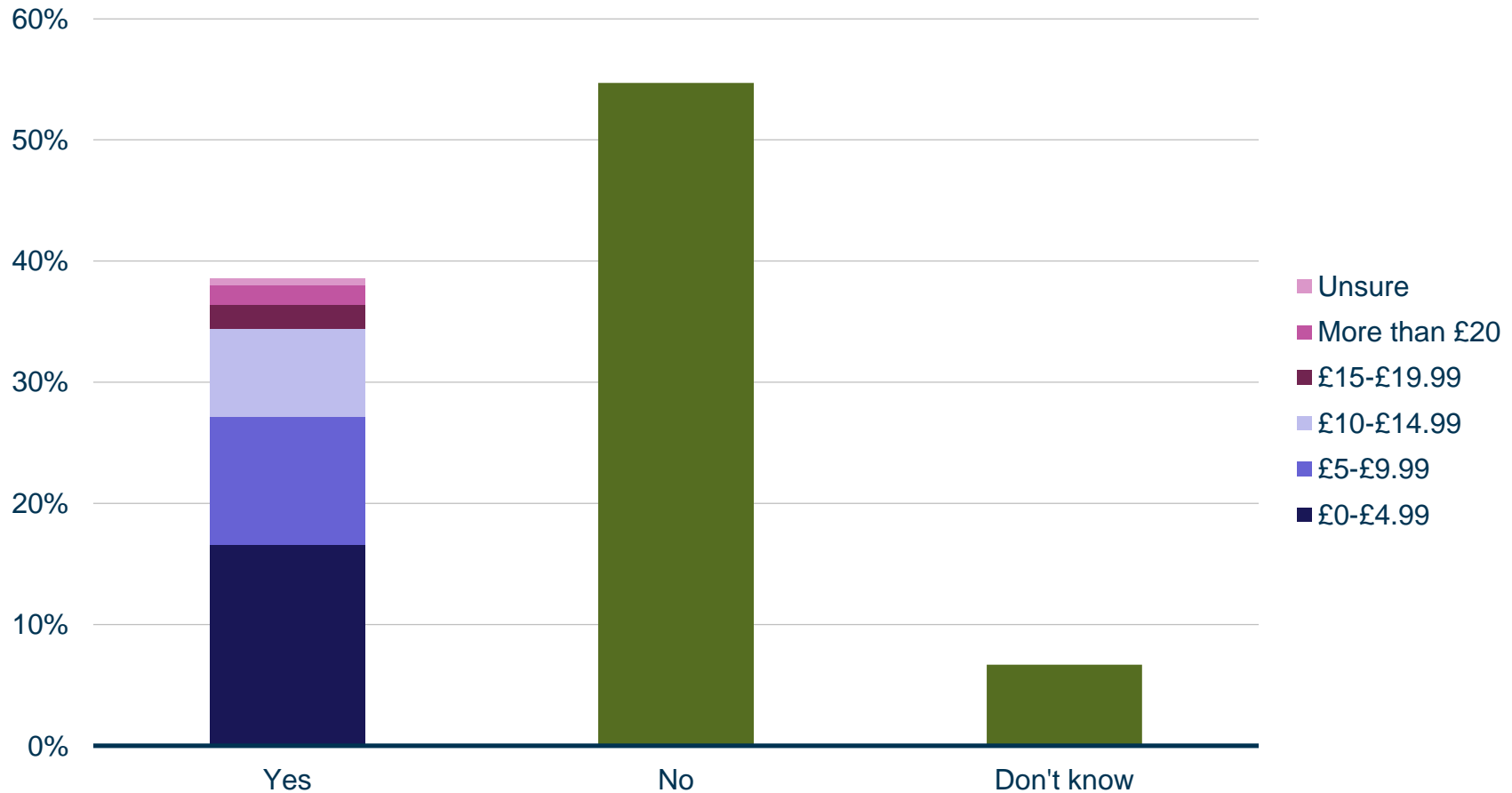
Experience of 'bill shock'

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Annex: survey questionnaire

## The majority of parents surveyed are not aware of their children having purchased premium services

Q11/12: Have your children purchased services other than voice, text or data with their phone (e.g. games, music) that have been charged to the phone bill? On a monthly basis, approximately how much do your children spend on these services?

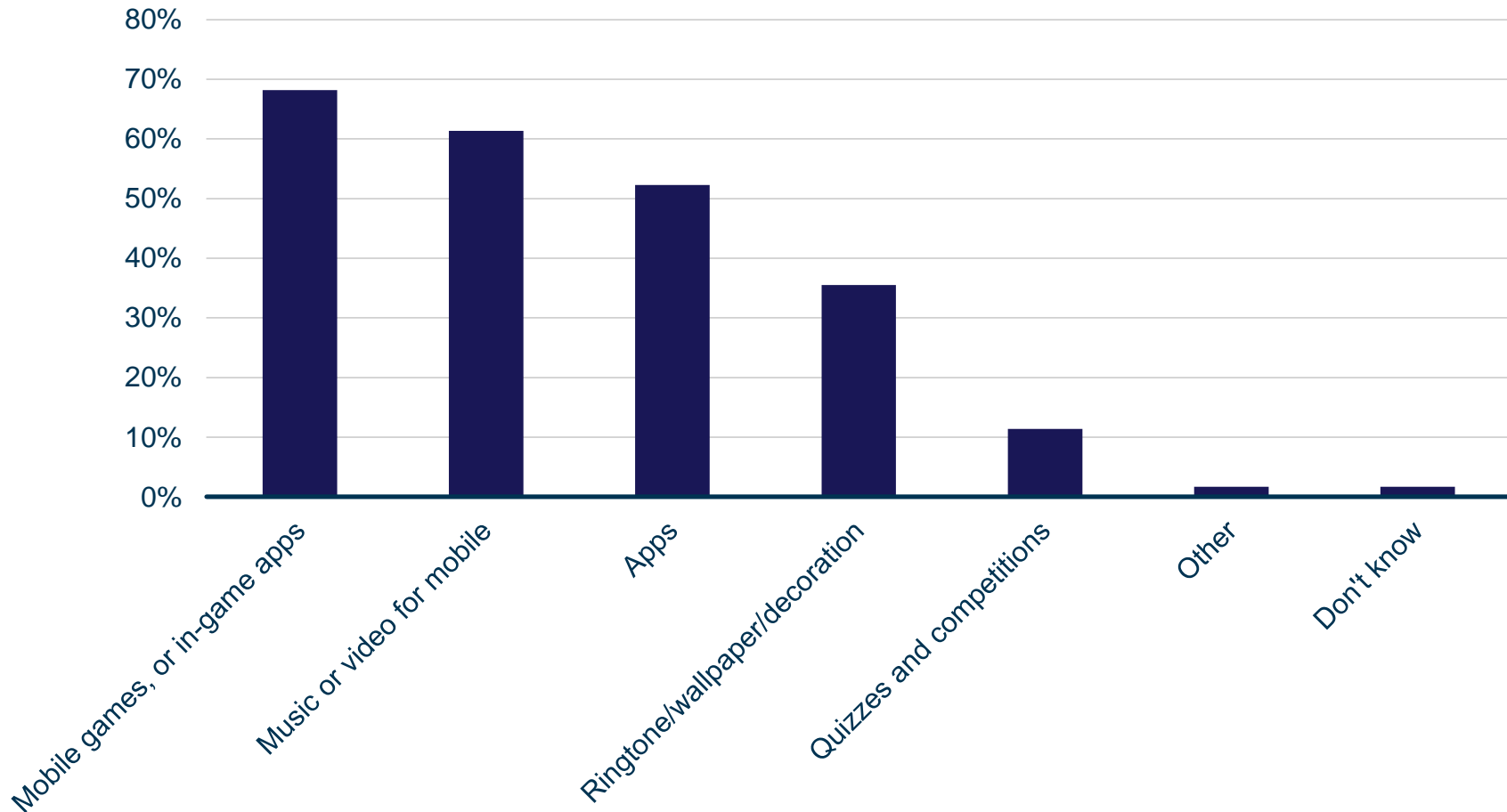


Base: all respondents (1001)

Source: Analysys Mason 2013

## Games, music, video and apps are the main purchases

Q13: What kind of services are your children buying?



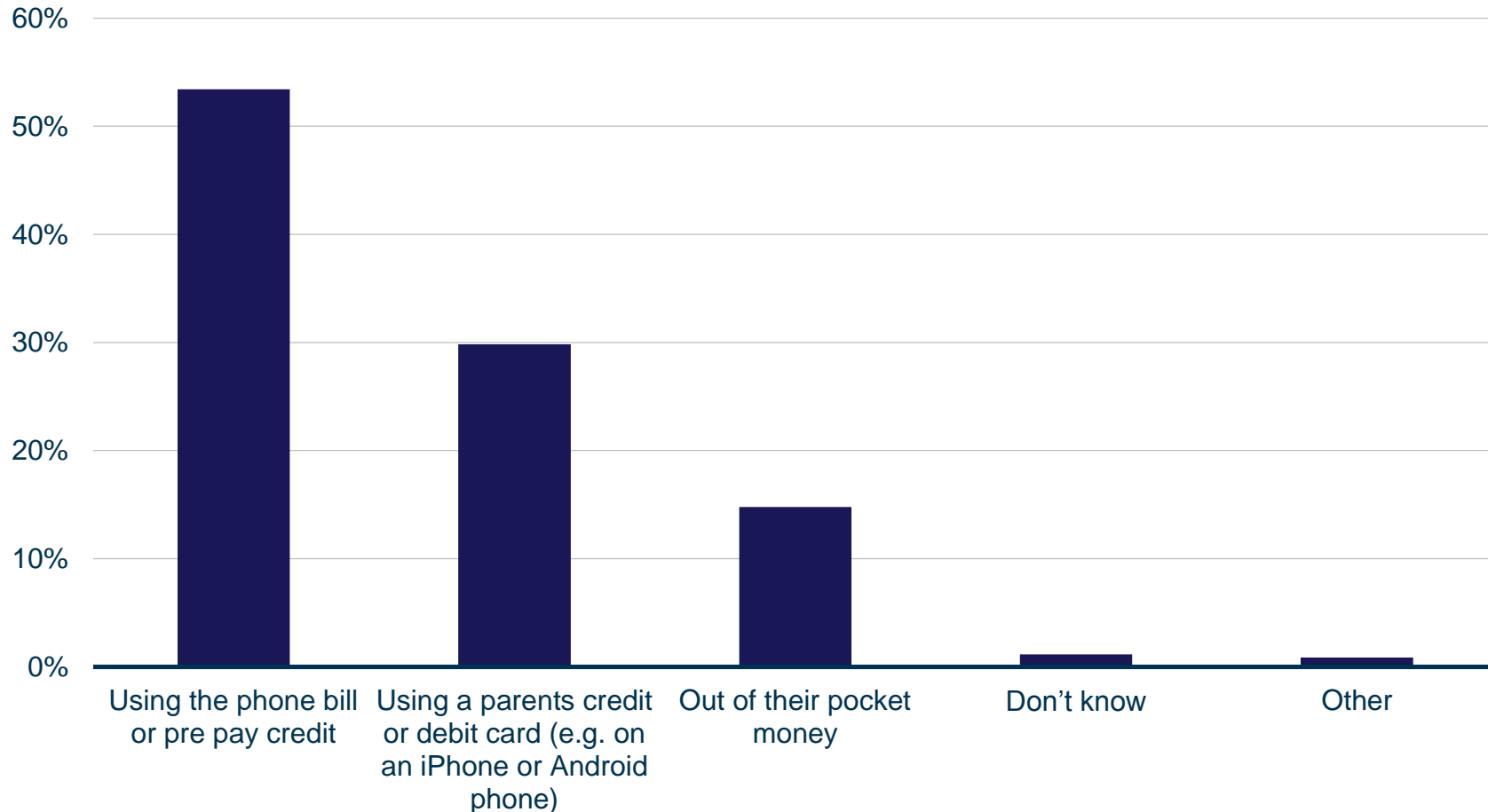
Base: parents of children who have purchased premium services (352)

Source: Analysys Mason 2013



## Premium services are mainly paid through the phone bill; credit cards are the second most important method

Q14: How do your children pay for these services?



Base: parents of children who have purchased premium services (352)

Source: Analysys Mason 2013

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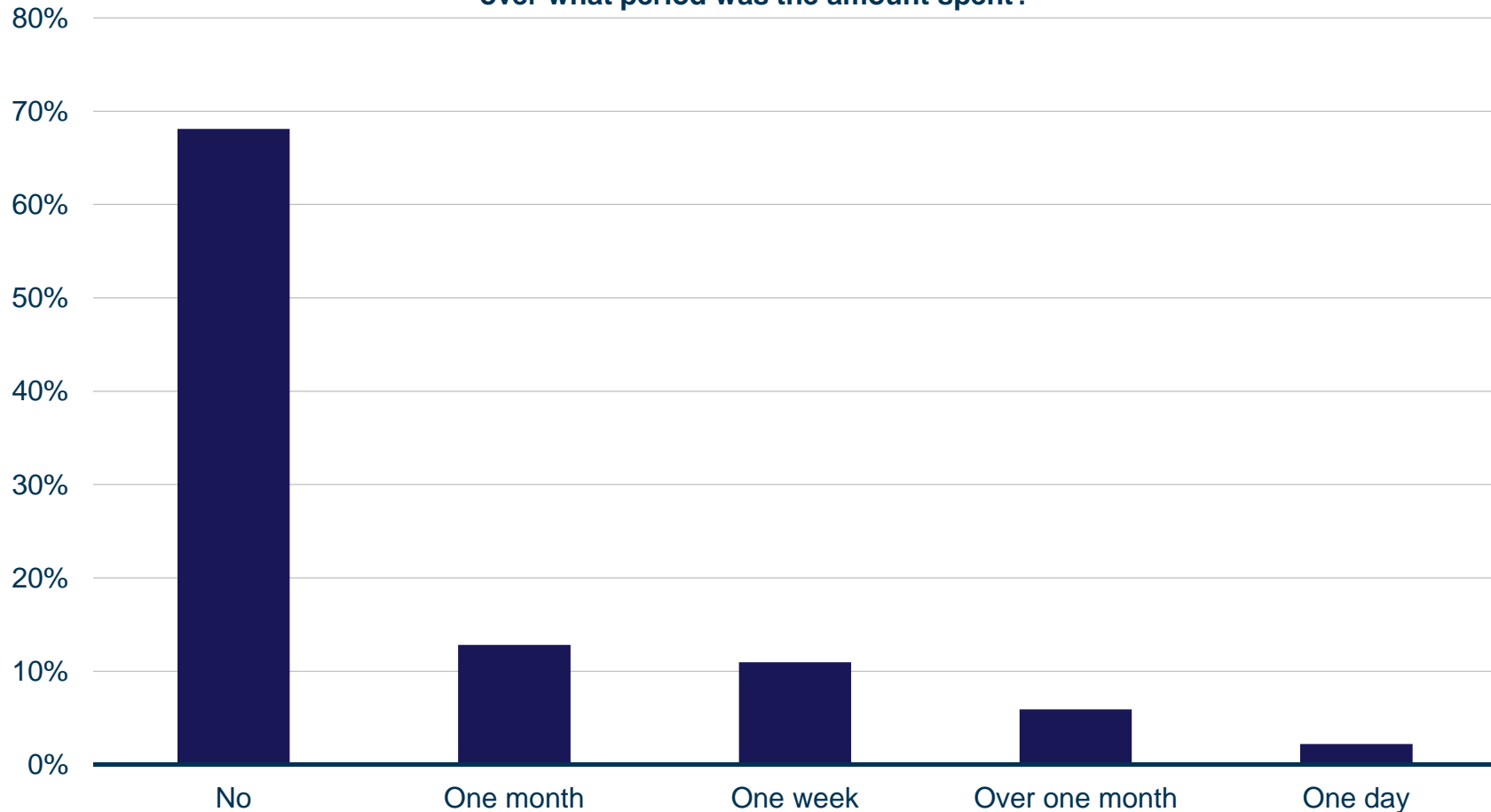
**Experience of 'bill shock'**

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Annex: survey questionnaire

## Most parents have not experienced 'bill shock' from premium purchases

Q15/17: Has there been an occasion where one of your children has spent an excessive amount of money on the phone, and over what period was the amount spent?

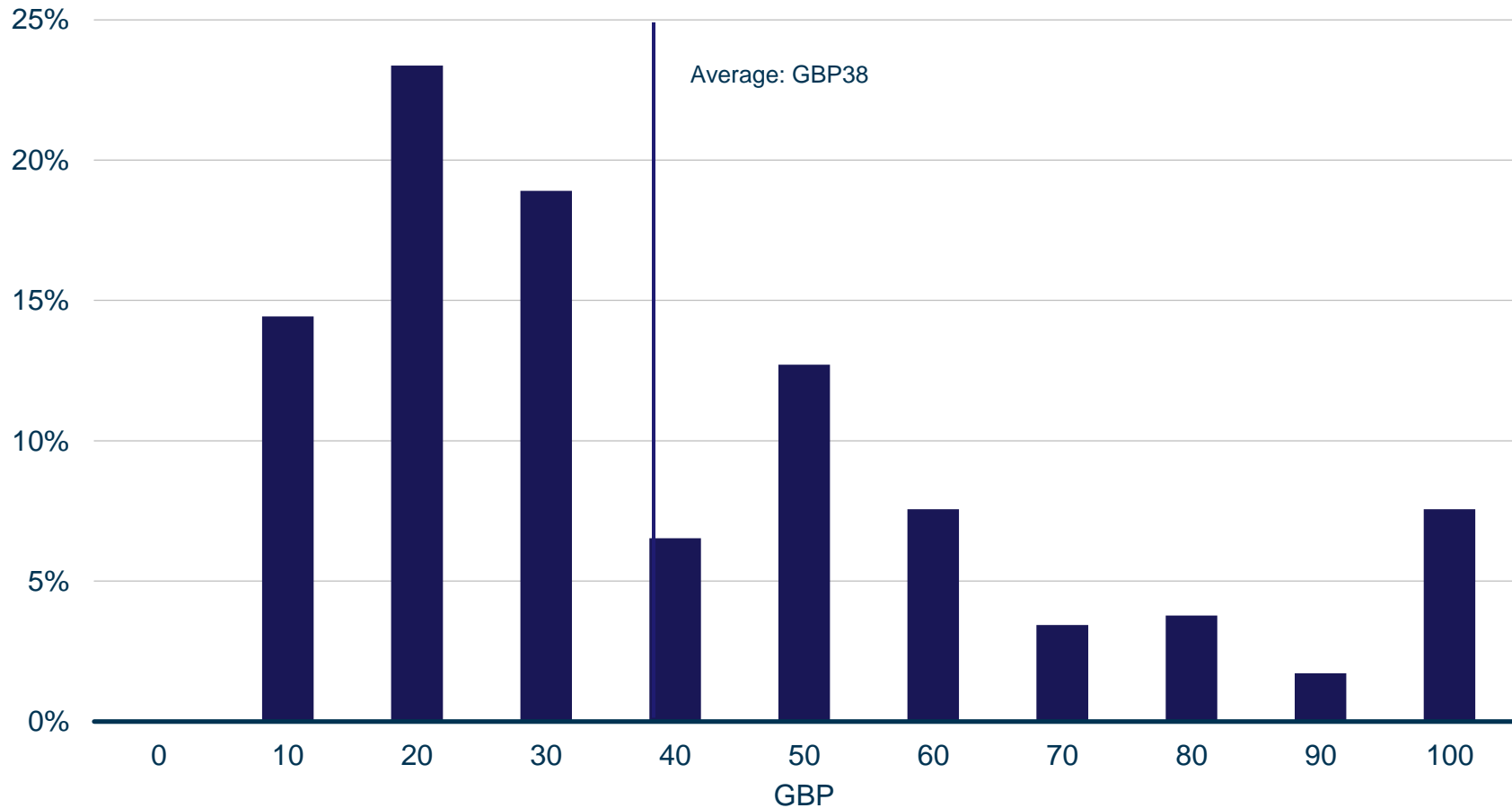


Base: all respondents (1001)

Source: Analysys Mason 2013

## Among parents whose children have overspent, 'bill shock' can see bills reach as much as GBP100

Q16: How much did your child spend?

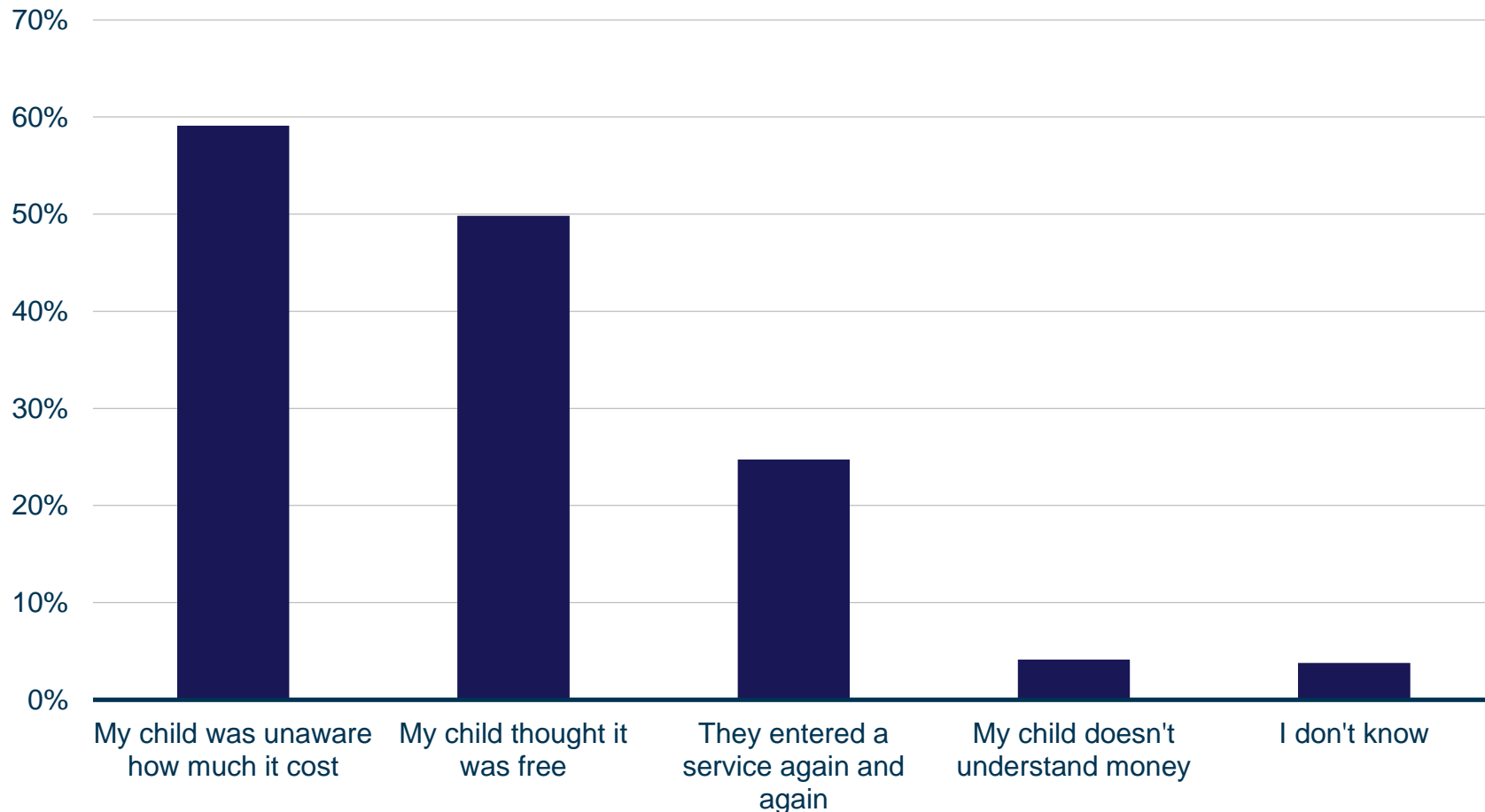


Base: parents whose children have overspent (291)

Source: Analysys Mason 2013

## Lack of awareness of cost is the main reason for children overspending

Q18: Why did your child spend an excessive amount of money?



Base: parents whose children have overspent (291)

Source: Analysys Mason 2013

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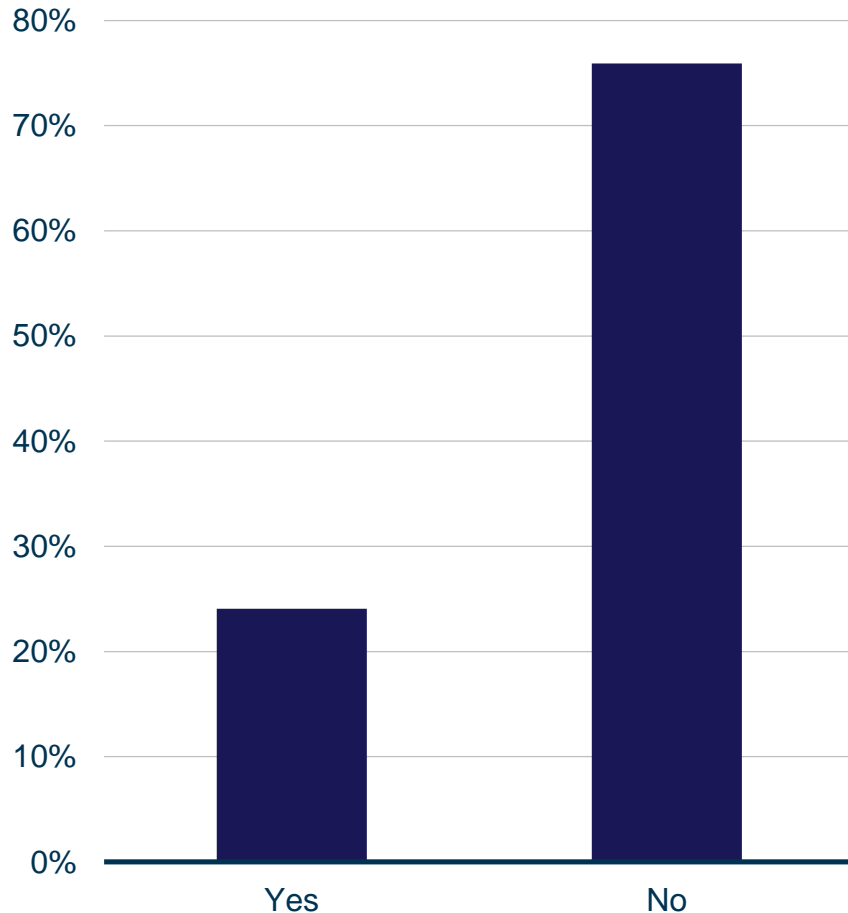
Experience of 'bill shock'

**Views regarding limits**

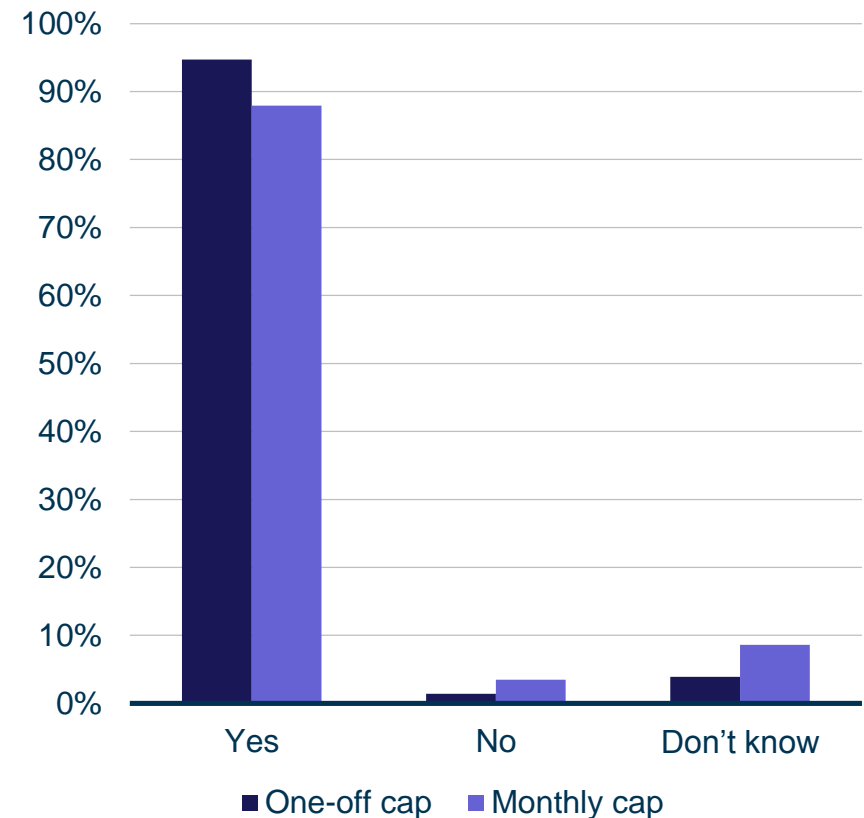
Annex: survey questionnaire

# Most parents do not know there is a limit, but are overwhelmingly in favour of it

Q19: Were you aware that this limit existed?

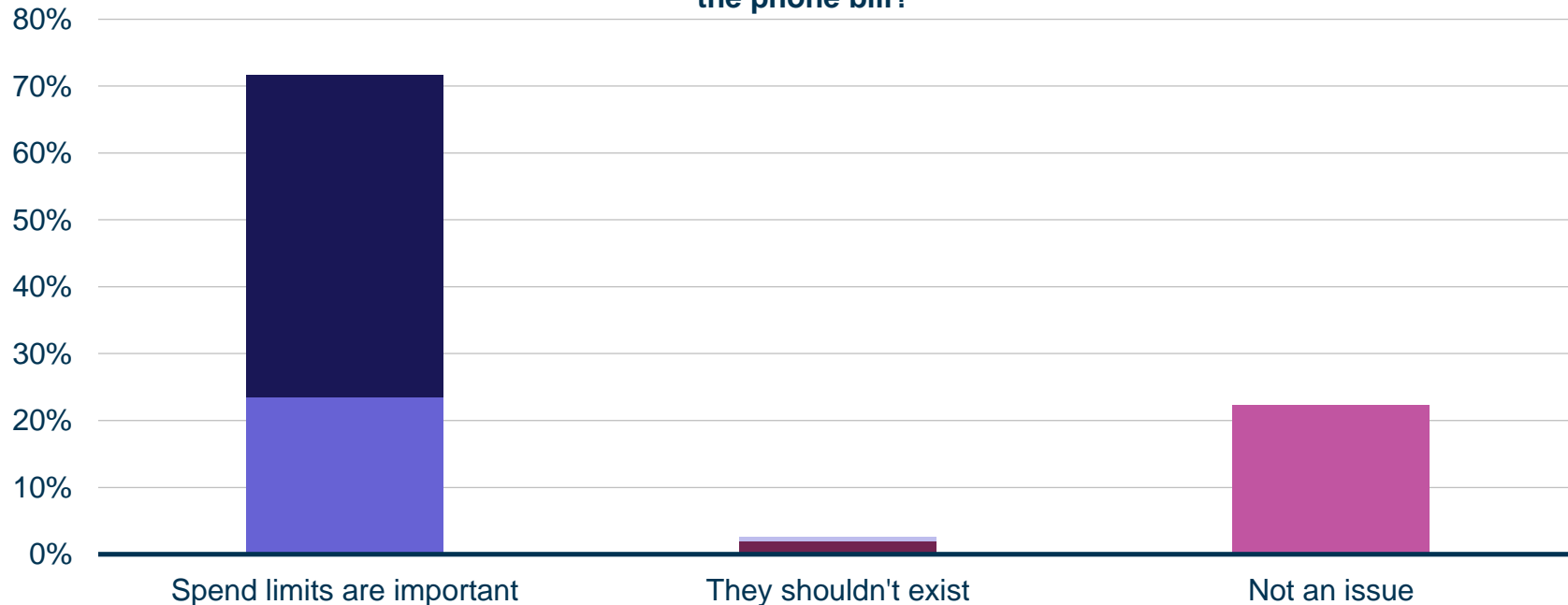


Q23: Do you think price caps for services aimed at children should be maintained, and monthly spend limits be introduced?



## Parents are worried about paying too much, and want limits to prevent high bills

Q20: Which statement(s) correspond with your views of spend limits on services aimed specifically at children charged to the phone bill?

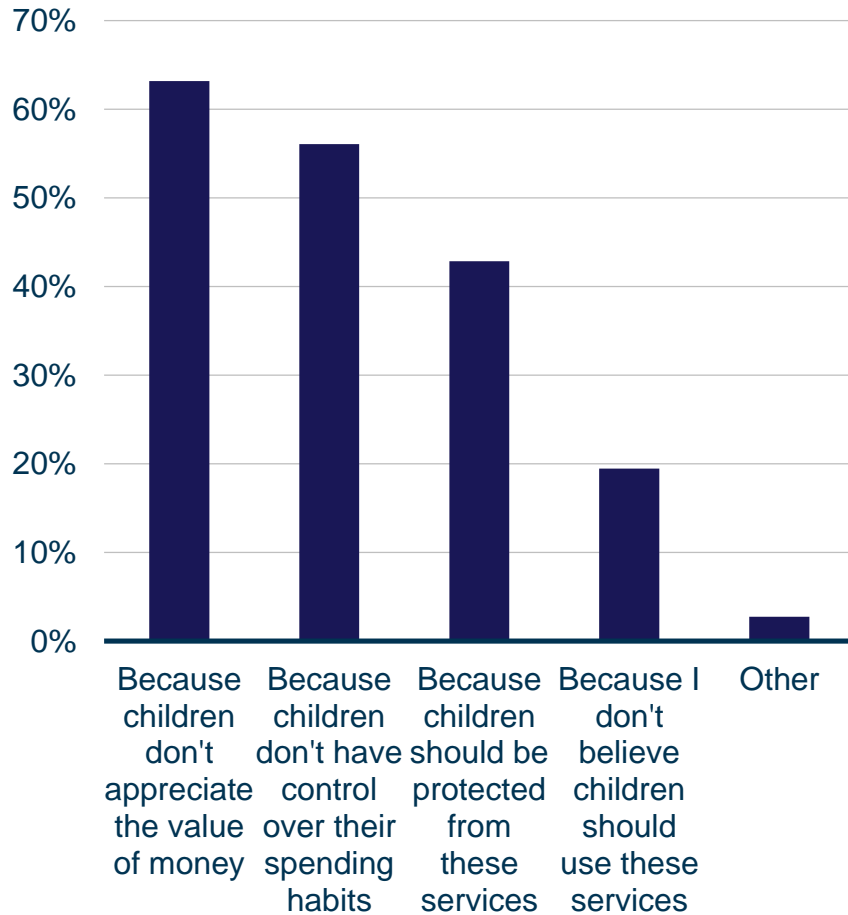


- I am concerned my child can run up excessive bills on their phone if not controlled
- They protect me from getting a high bill
- I let my children spend their money how they want
- Children need to learn to manage their money
- I already limit the amount my child can spend on their phone contract or the amount of credit they buy

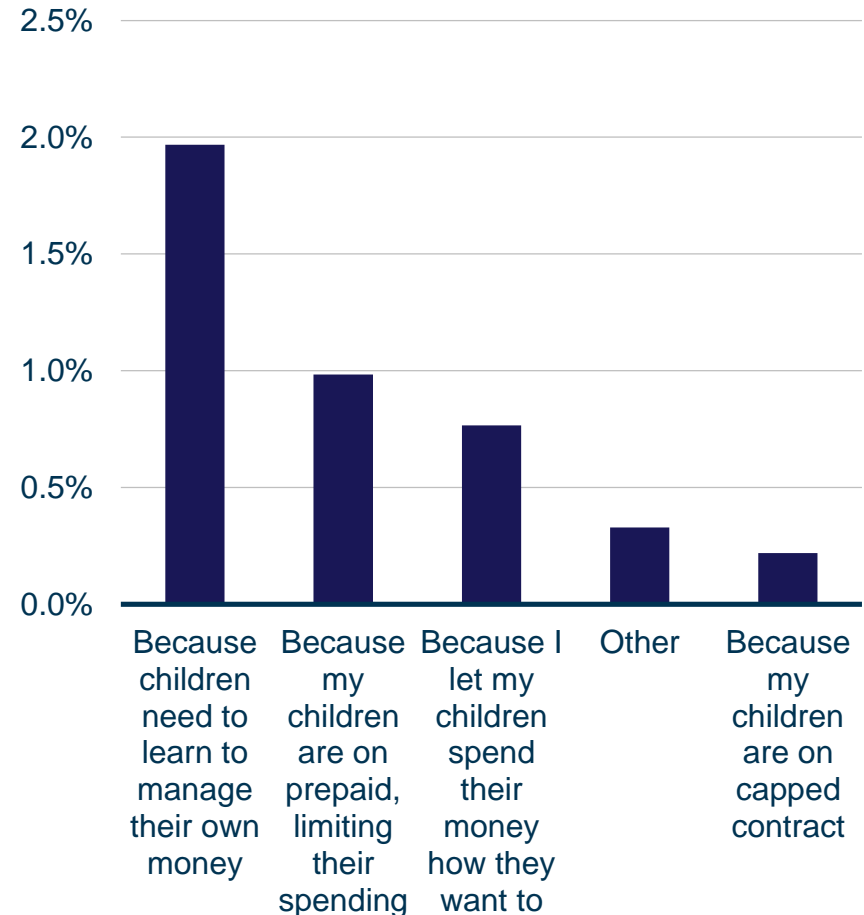


# Parents believe their children lack money awareness

Q25: Why were you in favour of monthly limits?



Q26: Why were you against monthly limits?

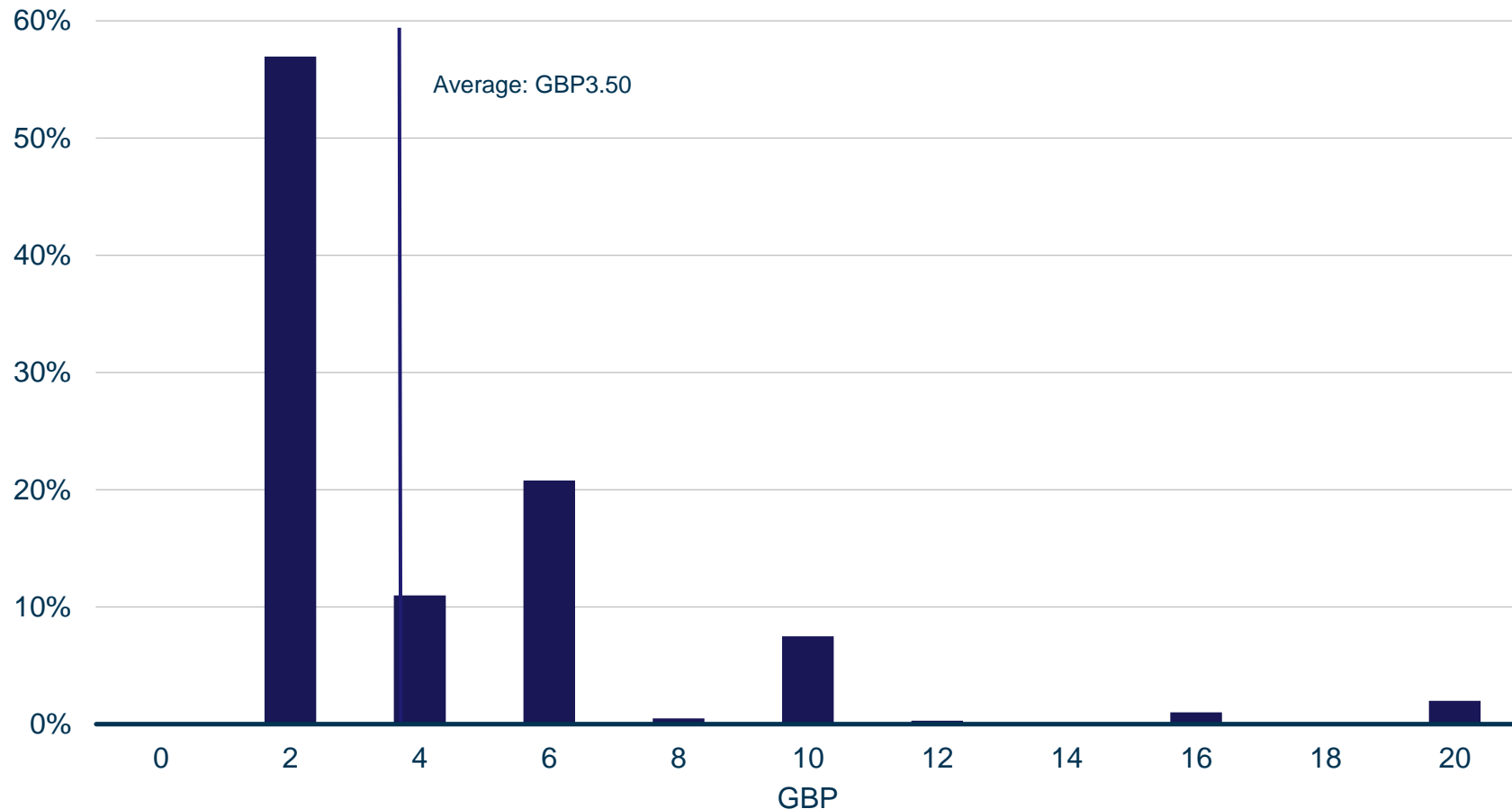


Base: all respondents (yes to spend limits on the left/880, no on the right/35)

Source: Analysys Mason 2013

## The majority of parents would not like their children to spend more than GBP3.50 on an individual purchase

Q21: What is the maximum amount that you would be happy for your children to approximately spend on one-off purchases, such as ring tones?

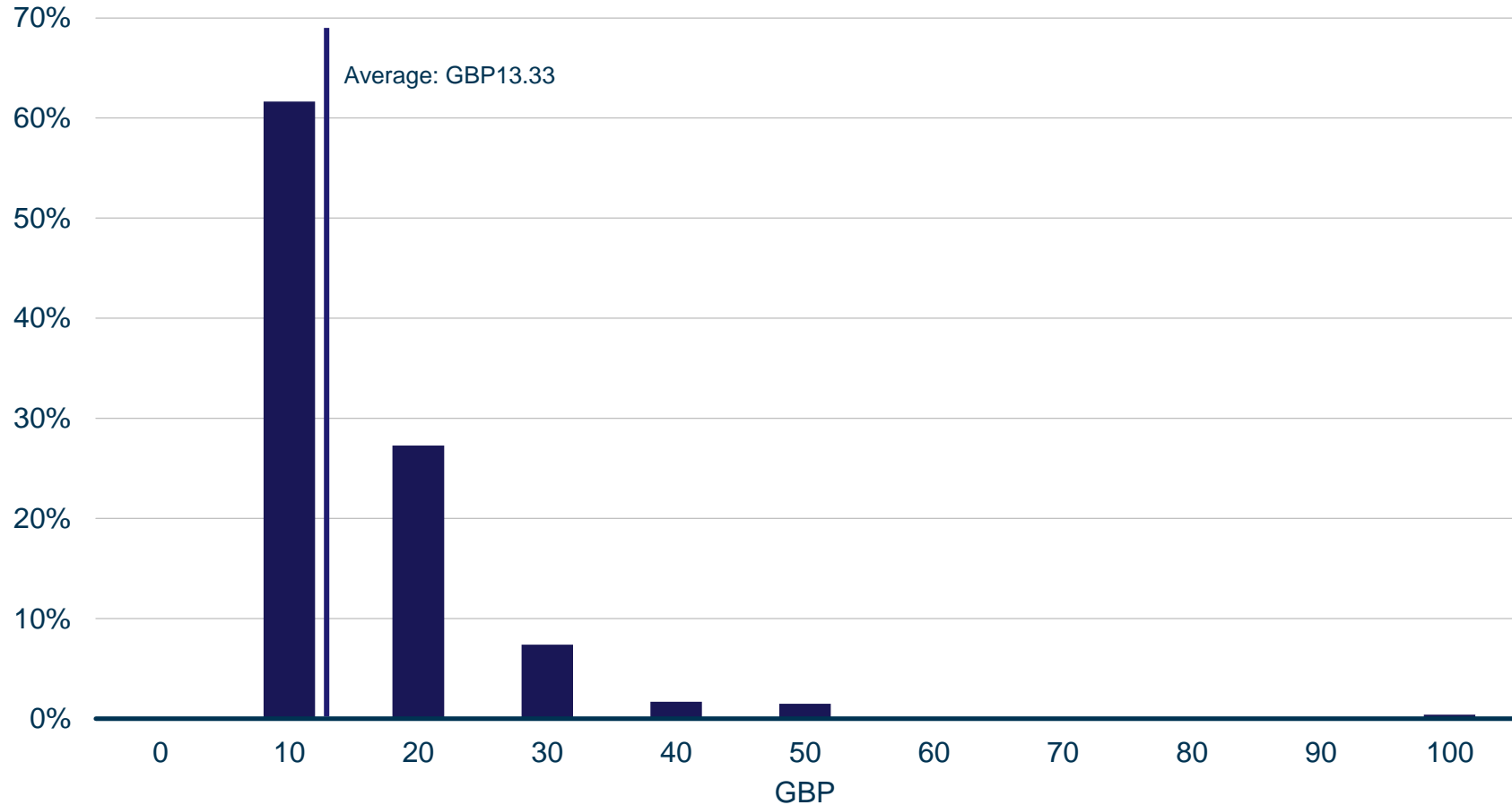


Base: all respondents (1001)

Source: Analysys Mason 2013

## A monthly limit of under GBP14 is expected

Q24: If a monthly limit is introduced, at what level do you think it should be set?



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# Survey questionnaire

## Basic information

**Q1: How old are you?**

**Q2: What is your gender? [select one]**

- Male
- Female

**Q3: How would you describe your current employment situation? [select one]**

- Part-time employment
- Full-time employment
- Student
- Retired
- Unemployed currently

**Q4: What is your annual household income? [select one]**

- Under £20,000
- At least £20,001 but less than £30,000
- At least £30,001 but less than £45,000
- £45,001 or more

**Q5: Do you have any children between the age of 8 and 16? [select one]**

- Yes
- No

**Q6: How many children do you have and how old are they?**

**Q7: Does your child regularly use a mobile phone? [select one]**

- Yes, a smartphone with apps, such as iPhone/iOS, Android, Windows Phone and BlackBerry
- Yes, a non-smartphone
- No

**Q8: Who is in charge of the phone? [select one]**

- It is my child's own phone
- My child uses my or my partner's phone sometimes

**Q9: Is this a contract or pay as you go phone? [select one]**

- Prepaid/Pay as you go
- Postpaid/Contract

## Survey questionnaire

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**Q10: [if yes for question Q7] Who pays for his/her phone bill? [select one]**

- The parents pay the bill each month
- My child pays for the phone bill (e.g. with pocket money)

### Use of PRSs

**Q11: Have your children purchased services other than voice, text or data with their phone (e.g. games, music) that had been charged to the phone bill? [select one]**

- Yes
- No
- Don't know

**Q12: On a monthly basis, approximately how much do your children spend on these services? [select one]**

- £0-£4.99
- £5-£9.99
- £10-£14.99
- £15-£19.99
- More than £20
- Don't know

**Q13: What kind of services are they buying? [multiple options possible]**

- Music or video for mobile
- Mobile games, or in-game purchases
- Applications
- Ringtone/wallpaper/decoration
- Quizzes and competitions
- Other (please specify) [open-ended, no need for back-coding]
- Don't know

**Q14: How do they pay for these services? [select one]**

- Using the phone bill or pre pay credit
- Using a parents credit or debit card (e.g. on an iPhone or Android phone)
- Out of their pocket money
- Don't know
- Other (please specify)

## Survey questionnaire

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**Q15: Has there been an occasion where one of your children has spent an excessive amount of money on the phone? [select one]**

- Yes
- No

**Q16: How much did your child spend?**

**Q17: Over what period was the amount spent?**

- One day
- One week
- One month
- Over one month

**Q18: How did your child spend an excessive amount of money?**

- They entered a service over and over again
- My child thought it was free
- My child was unaware how much it cost
- My child doesn't understand money
- I don't know

**Q19: For services aimed at children that are charged to the phone bill, there is a limit to the cost of an individual purchase. Were you aware that this limit existed? [select one]**

- Yes
- No

**Q20: Which statement(s) correspond with your views of spend limits on services aimed specifically at children charged to the phone bill? [multiple options apply]**

- Spend limits are very important; I am concerned that my child can run-up excessive bills on their phone if not controlled
- Spend limits are important; they protect me from getting a high bill
- Not an issue; I already limit the amount my child can spend on their phone contract or the amount of credit they can buy
- They shouldn't exist; I let my children spend their money how they want to
- They shouldn't exist; children need to learn to manage their own money

## Survey questionnaire

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**Q21: What is the maximum that you would be happy for your children to approximately spend on one-off purchases, such as ring tones (please give amount for a single purchase)?**

**Q22: Do you think price caps for services aimed at children should be maintained? [select one]**

- Yes
- No

**Q23: The regulator for premium-rate services, PhonepayPlus, is considering a limit on the total spend that can be made in a month on any given service aimed at children. Do you think monthly spend limits for services aimed at children should be introduced? [select one]**

- Yes
- No

**Q24: If a monthly limit is introduced, at what level do you think it should be set? [select one]**

**Q25: You said you were in favour monthly spend limits on services aimed at children, we would like to understand why (select all that apply)**

- Because children don't have control over their spending habits
- Because children don't appreciate the value of money
- Because I don't believe children should use these services
- Because children should be protected from these services
- Other (please specify)]

**Q26: You said you were against monthly spend limits, we would like to understand why (please select all that apply)**

- Because I let my children spend their money how they want to
- Because children need to learn to manage their own money
- Because my children are on pay-as-you-go phones, limiting their spending
- Because my children are on a contract which limits their spending
- Other (please specify)



## Contact details

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