Building consumer confidence

Industry Forum, Autumn 2018

Twitter: @PSAuthorityUK
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David Edmonds CBE

Chairman

PSA leadership team

Agenda

PSA leadership team Updates

Panel discussion Ensuring consumers have confidence in operator billing

Coffee break

Consumer engagement in the market Overview of the Annual Market Review

Panel discussion Meeting consumers post-purchase expectations

Close

Clarity of purpose

Vision

A healthy and innovative market in which consumers can charge content, goods and services to this phone bill with confidence

Mission

To protect consumers from harm

To further consumers' interests through encouraging competition, growth and innovation in the market

Building consumer confidence

- We think confidence requires:
  - Well-informed consumers
  - Satisfied consumers
  - A clear payment process and easy and clear routes to redress
  - A market that is underpinned by appropriate regulation and high levels of adherence to it.
- Consumer confidence is absolutely critical to market change
- Picture is improving but more to be done

State of the market: complaints down

Complaints down 53% y-o-y

Clear signs of improvements but recent increase is a cause for concern

State of the market: growth expected

PSA

- Prevailing trends continue
- Voice-based services continue to decline as consumer behaviour changes
- FY17/18 - market correction from decline in online competition and adult services

Operator billing up 19% in FY17/18

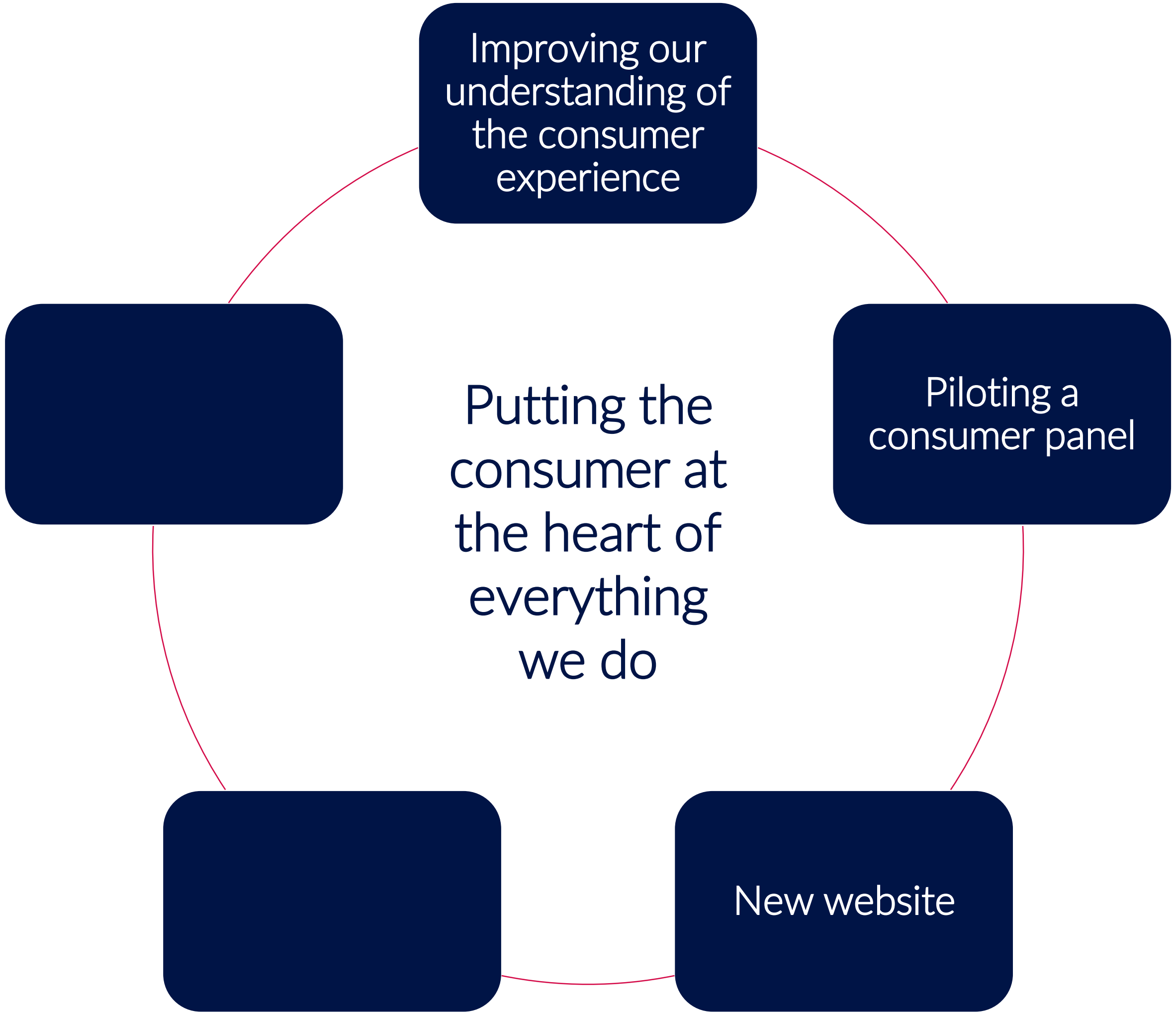
Market expected to grow 4.5% in FY18/19

Q1 revenues up 3%

State of the market: fair and proportionate enforcement

- Number of cases remains stable
- Varied case load
- 3 in 4 cases are dealt with informally
- Only the minority and most serious cases go forward to Tribunal

Improving the consumer experience of services



We are the UK regulator for content, goods and services charged to a phone bill

Service checker

Not sure about a number that's on your bill? Check it out here and see what to do next...

Enter the number you want to check

Unexpected phone charge?

Let us help

Report an issue

Latest updates

Statement on updating our Registration requirements for service providers

11 September 2018

Subscriptions call for inputs

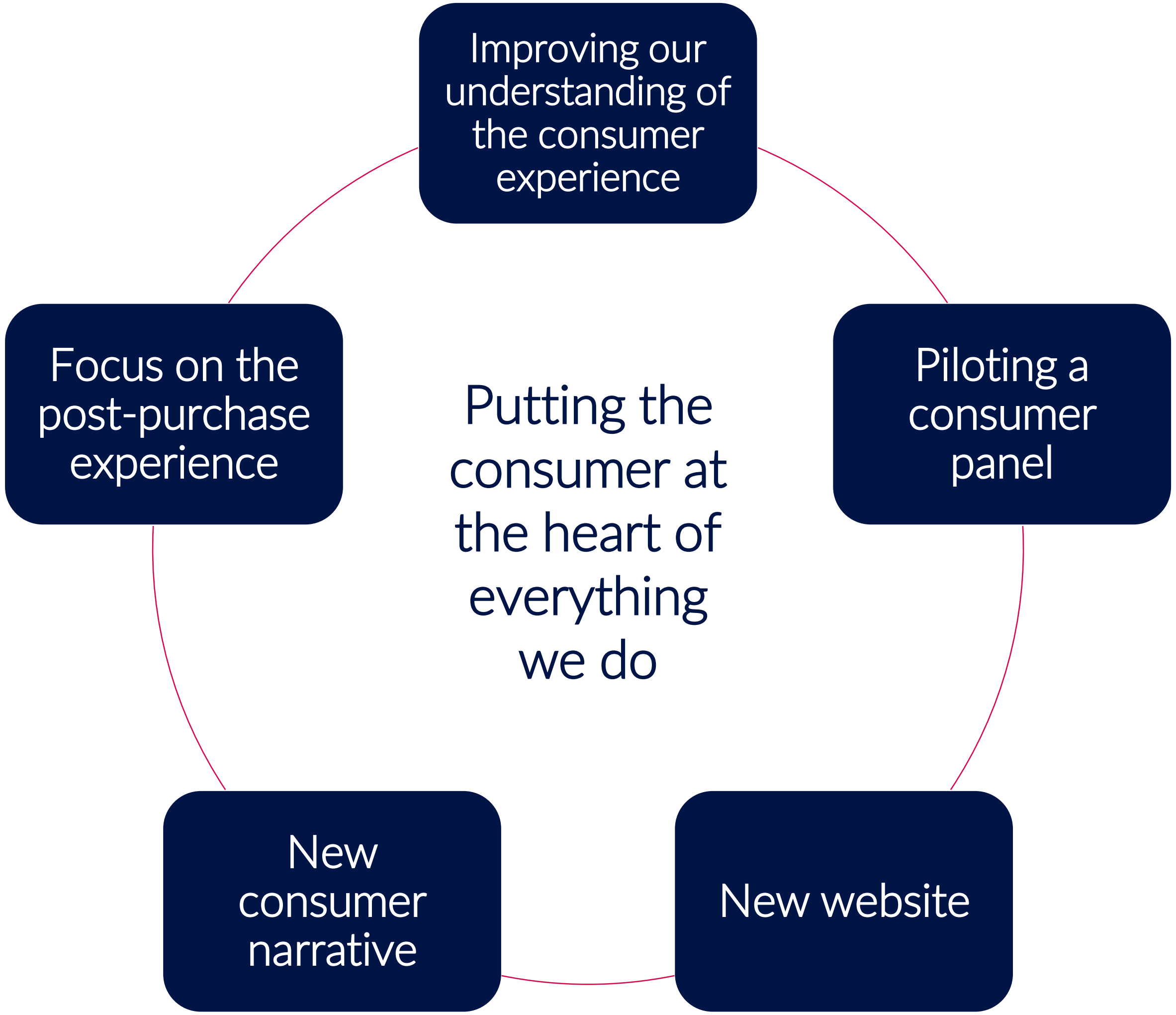
06 September 2018

The PSA is reviewing its regulation of phone-paid services offered

Statement on amendments to Notice of Specified Charges and Call Durations

22 August 2018

Improving the consumer experience of services



Policy priorities: building confidence and supporting change

Direct buy marketing	Registration	Consent to charge	Subscription services	ICSS
• Worked together to solve • Ad impressions in inappropriate places down by more than 85% • Revised guidance currently being consulted				

Policy priorities: building confidence and supporting change

PSA

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Registration

- Objective to support better outcomes for both consumers and industry
- 20% of number checks yield no result
- Currently building and testing requirements
- Aim to be up and running by April

Consent to charge

Subscription services

ICSS

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- Worked with MNOs
- Want to ensure consumers have confidence in operator billing
- Copper Horse raised concerns
- Re-testing by end of calendar year
- Guidance to follow

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ICSS

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Subscription services

- Key priority
- Call for inputs published
- Potential driver of market change
- Although source of 90% of complaints
- Want to ensure our regulation is 'right touch'

ICSS

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ICSS

- Holistic approach to a issue causing consumer confusion
- Enforcement on 09 and 087
- Behavioural research
- Working with Ofcom to ensure consistency of approach

Looking ahead

- Market compliance supporting a confident consumer base
- Keen to support market change and growth where we can
- Encouraged by the big brands and new services entering the market
- Renewed focus – maintaining compliance, new players and services, sustained growth, confident consumers
- Open to hearing from you

Q&A

Panel discussion

Building consumer confidence in operator billing

Kevin Brown, PSA Board Member
Justin Bass, Three
Joanna Cox, aimm
Michael Tomlins, Infomedia
Mark Collins, PSA

Nick Lane

Mobilesquared

Mobilesquared
Communicating data

Annual Market Review FY2017-18

A market in transition

NEW CATEGORIES

ASSISTANCE SERVICES

BETTING, GAMBLING, LOTTERIES

CHARITY DONATIONS

COMPETITIONS & QUIZZES

DEVICE PERSONALISATION & SECURITY

DIGITAL PAYMENTS

ENTERTAINMENT

GAMES & CONTENT

INFORMATION, NEWS & EDUCATION

LIFESTYLE

PERSONAL & RELATIONSHIP SERVICES

SEXUAL ENTERTAINMENT

TV & RADIO ENGAGEMENT

PPS MARKET SIZE, FY2017-18 (£m excl. VAT

Mobilesquared
Communicating data

INCL. CHARITY **£555.3** million ↓ 12.2%

EXCL. CHARITY **£517.8** million ↓ 12.9%

OPERATOR BILLING & PAYFORIT	MOBILE (PSMS & VSC)	CHARITY DONATIONS	VOICE PPS/09	VOICE 087	DQ
£200.4m	**£170.2m**	**£37.5m**	**£54.9 m**	**£45.4m**	**£46.9m**
36%	31%	7%	10%	8%	8%
19%	-32%	-3%	-9%	-10%	-28%

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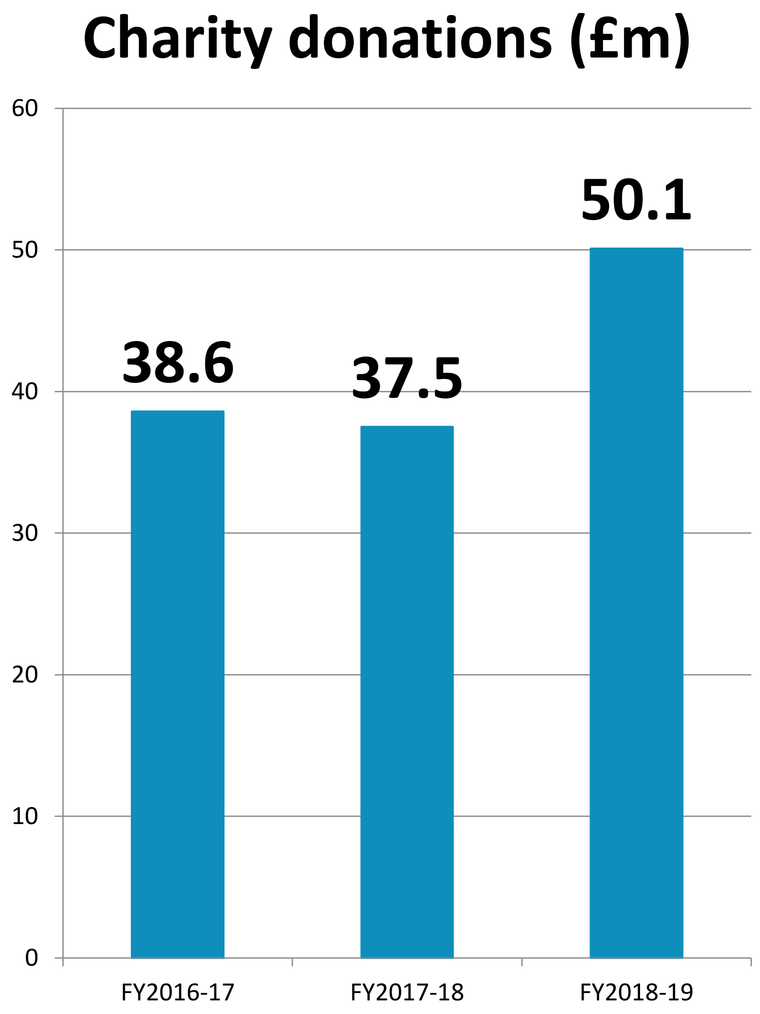
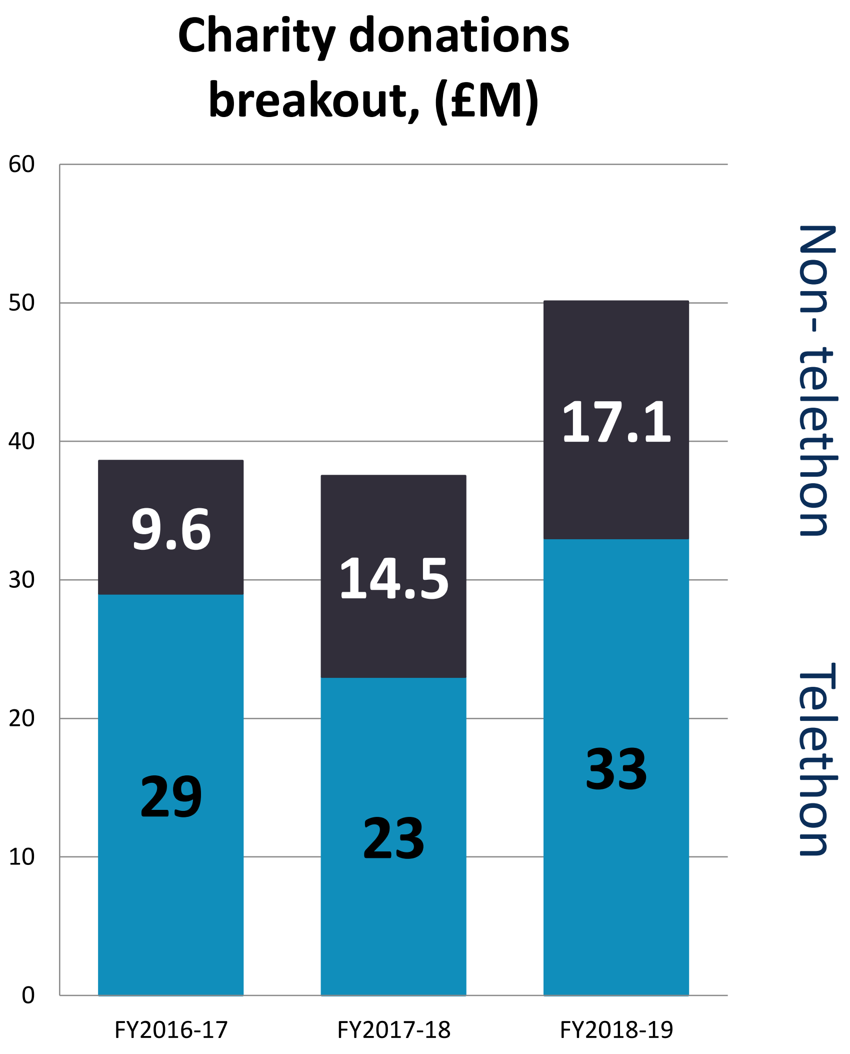

Charity donations (£m)
60
50
40
30
20
10
0
38.6
37.5
50.1
FY2016-17
FY2017-18
FY2018-19


Charity donations breakout, (£M)
60
50
40
30
20
10
0
9.6
14.5
17.1
29
23
33
FY2016-17
FY2017-18
FY2018-19
Non- telethon
Telethon

KEY STATS

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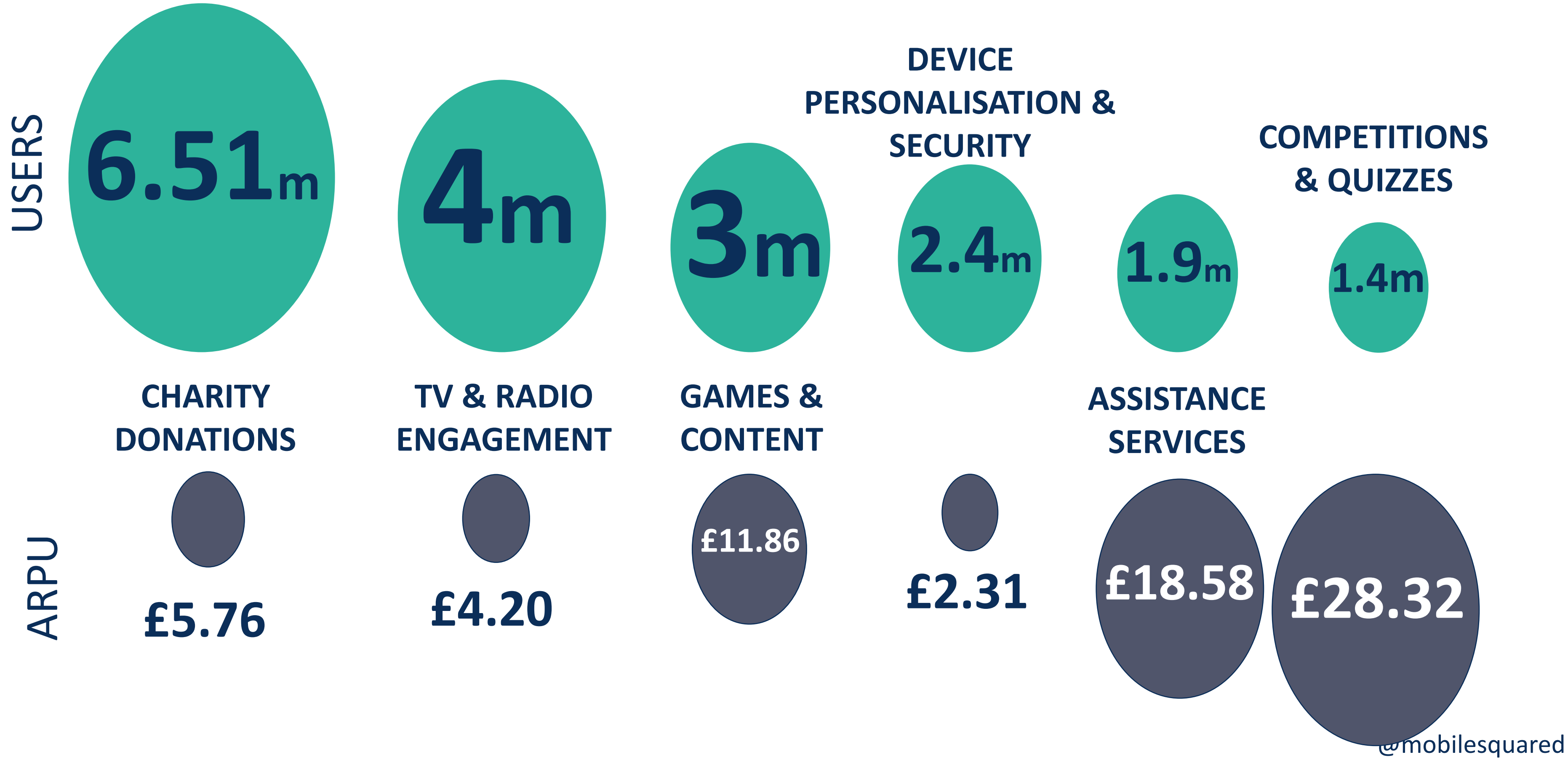
Communicating data

Avg users per service type

1.85 million

Avg ARPU per service type

£11.81



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Consumer research

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PROBLEMS

2017

17%

2018

15%

Voice-based services most likely to experience a problem

64% of users experiencing a problem will either reduce their usage (38%) or stop using it (26%)

LEAST

CHARITY DONATIONS	BOOKS	ALERTS	GIFT CARDS	NEWS
6%	6%	8%	8%	8%

MOST

ADULT TALK SERVICES	ICSS	LOW-COST INT'L OR REVERSE CHARGE CALLS	CUSTOMER SERVICES	TAROT/ASTROLOGY SERVICES
36%	31%	30%	28%	27%

TRUST

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2017	2018
32%	21%

Mobile-based services are most trusted

Voice-based services account for 9 of the 10 least trusted services

	BOOKS	CHARITY DONATIONS	MUSIC	GIFT CARDS	NEWS
MOST	89.5%	88.5%	87.9%	86.9%	86.0%
	LOW-COST INT'L OR REVERSE CHARGE CALLS	ADULT TALK SERVICES	ADULT CAMS	FLIRTING CHAT SERVICES	ICSS
LEAST	38.9%	37.3%	36.4%	35.3%	34.1%

SATISFACTION

2017		2018
55%	→	65%

Correlation between increasing trust levels and increasing satisfaction levels

New guard of services using carrier billing dominate the top 10 most satisfied

	MUSIC	BOOKS	CHARITY DONATIONS	FILM	TV
MOST	80%	79%	76%	76%	74%

	CUSTOMER SERVICES	OFFLINE COMPETITIONS	BROADCAST COMPETITIONS	TEXTING IN TO SHOW HOST	CHAT SERVICES
LEAST	51%	48%	47%	47%	46%

NET PROMOTER SCORE

2017: -31 → 2018: -12

6 categories scored a positive NPS in 2018, compared to 1 (Charity donations) in 2017.

Books, Film, and TV, 3 of the new service types adopting carrier billing with a positive NPS

POSITIVE

MUSIC 17

BOOKS 10

CHARITY DONATIONS 5

FILM 5

TV 3

NEGATIVE

CUSTOMER SERVICES -41

OFFLINE COMPETITIONS -36

BROADCASTER COMPETITIONS -35

ONLINE COMPETITIONS -34

TEXTING IN TO SHOW HOST -30

USAGE STATS

STOPPED USING

8%

2017 14%

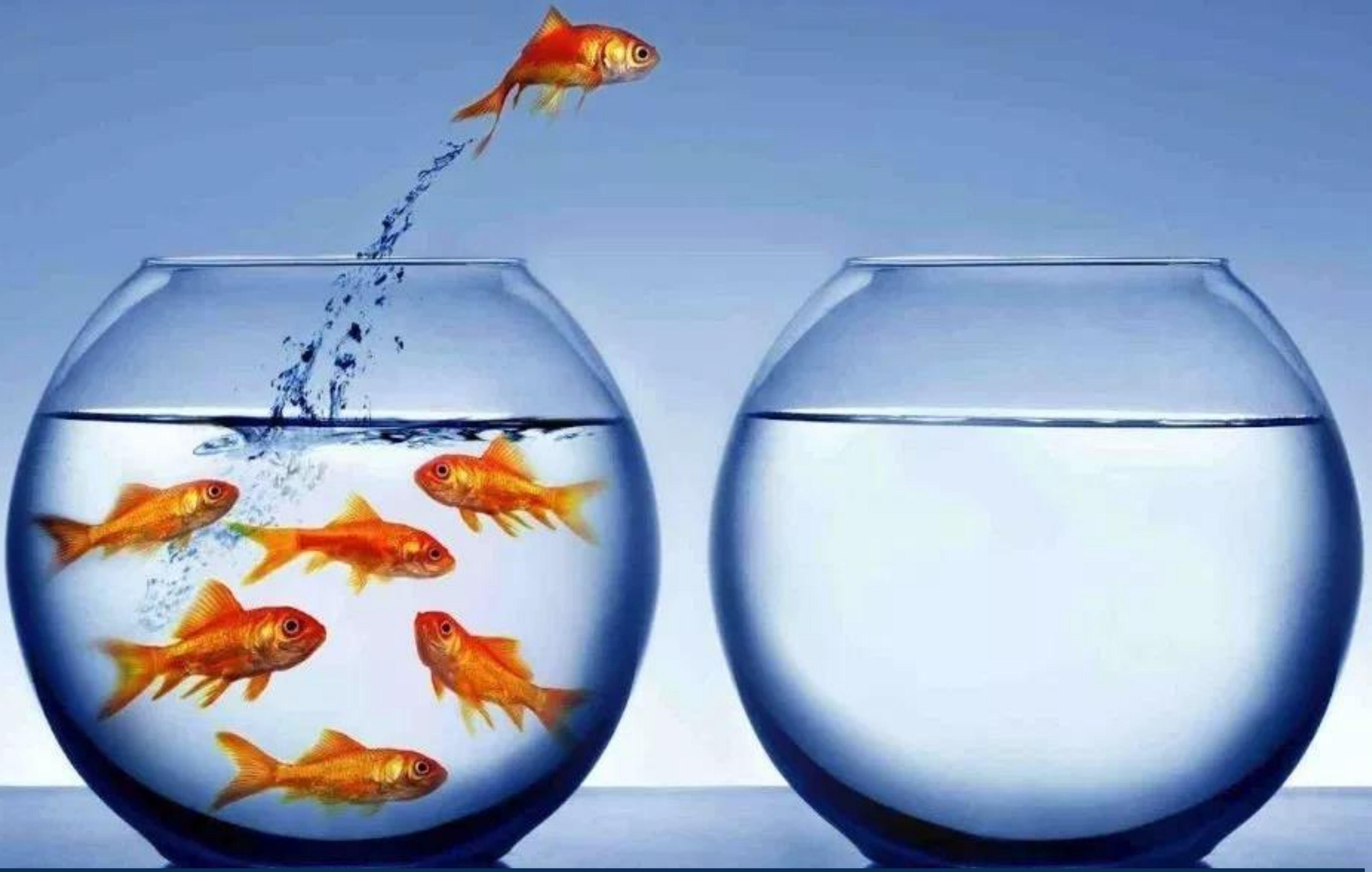
USE LESS

22%

2017 24%

Phone-paid services are becoming stickier and driving longer and more lasting engagement with the consumer

TRANSITION



PPS MARKET SIZE, FY2018-19e (£m excl. VAT

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Communicating data

INCL. CHARITY £580.7 million ↑ 4.6%

EXCL. CHARITY £530.6 million ↑ 2.5%

OPERATOR BILLING & PAYFORIT	MOBILE (PSMS & VSC)	CHARITY DONATIONS	VOICE PPS/09	VOICE 087	DQ
£253.5m	**£150.2m**	**£50.1m**	**£52.5m**	**£41.6m**	**£32.8m**
44%	26%	9%	9%	7%	6%
↑ 26%	↓ -12%	↑ 34%	↓ -4%	↓ -8%	↓ -30%

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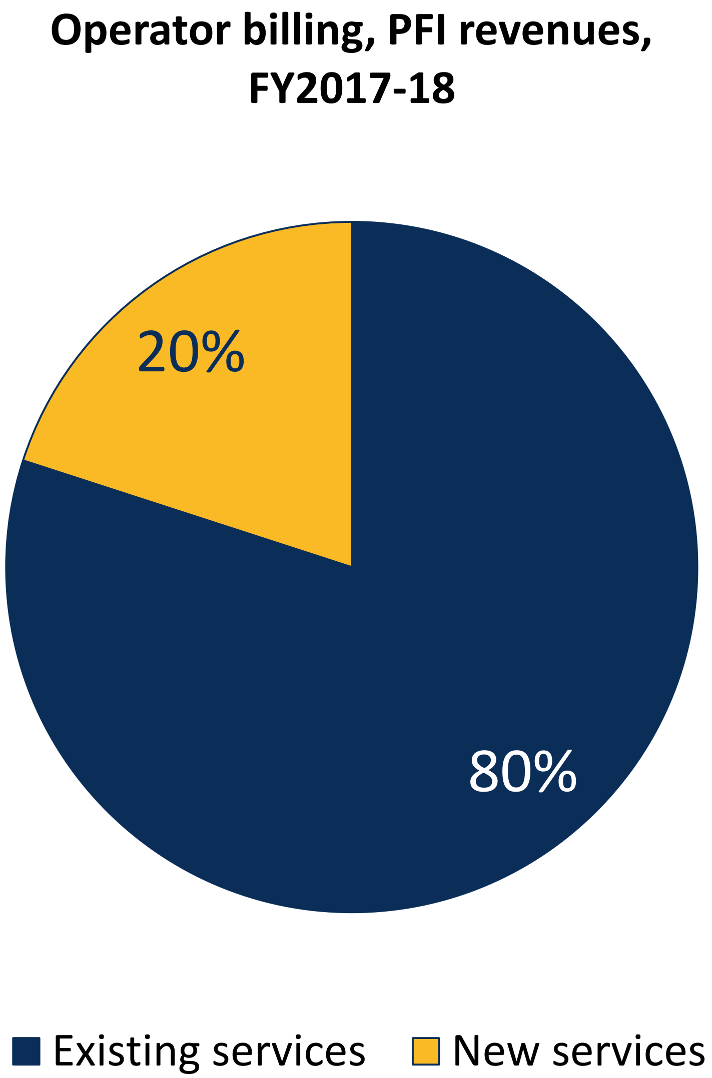
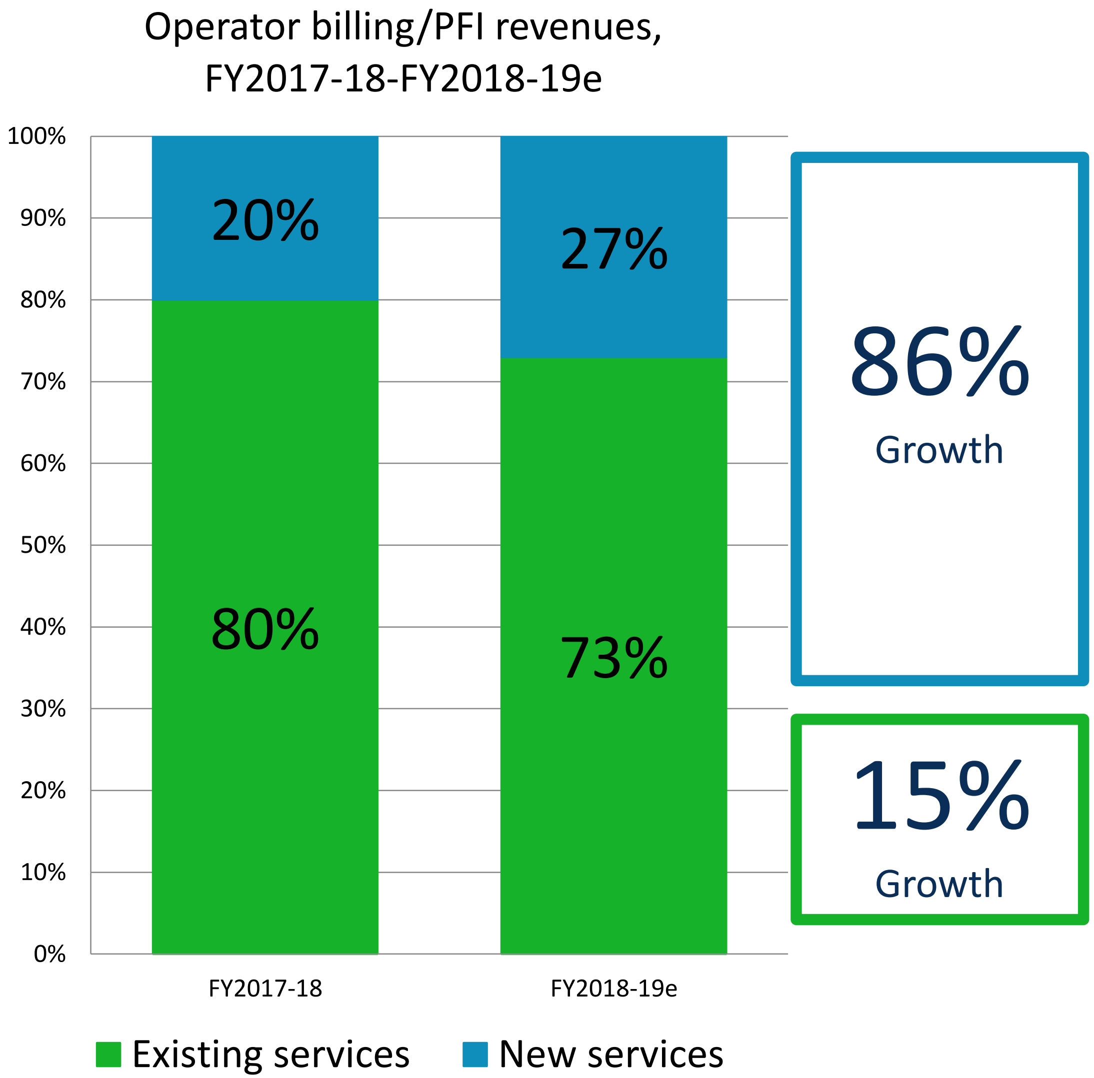
OPERATOR BILLING





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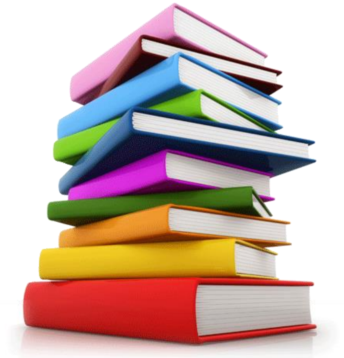
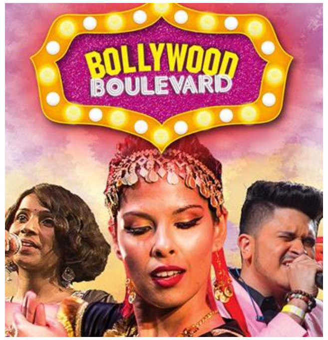
OPERATOR BILLING DRIVERS



BOOKS & MAGAZINE



TV & FILM SERVICES

HEALTH, FITNESS & WELLBEING

EDUCATION

amazon

Microsoft®

ON THEIR WAY…

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THE TRANSITION

FEWEST PROBLEMS	MOST TRUSTED	MOST SATISFACTION	HIGHEST NPS
ALERTS	MUSIC	MUSIC	MUSIC
NEWS	NEWS	FILM	FILM
GIFT CARDS	GIFT CARDS	TV	TV
BOOKS	BOOKS	BOOKS	BOOKS
CHARITY	CHARITY	CHARITY	CHARITY

- Consumer perception of phone-paid services improving: trust, satisfaction and NPS on the up, problems on the decline
- Phone-paid services market now viewed as a cleaner ecosystem
- New services driving the growth; operator billing has arrived!
- Industry needs to maintain its current trajectory to ensure the market meets the necessary conditions to continue to roll out new services that consumers want that will engender confidence and lead to a sustainable future.

Panel discussion

Improving the post-purchase consumer experience

Meg Munn, PSA Board Member
John Facenfield, Consumer Dispute Resolution Ltd
Louisa Harris, Fonix
Chris Newell, Mobile Refunds
Simon Towler, PSA

David Edmonds CBE

Chairman