



# A Study Of Consumer Journeys Relating To Online Competition And Adult PRS

Commissioned By PhonepayPlus

Executive Summary

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## 1. Rationale

In the twelve-month period ending August 2015, PhonepayPlus received some 23,000 complaints from the general public regarding premium rate services, an increase of approximately 50% on the preceding twelve-month period.

Of these 23,000 complaints, 7,000 related to online competition services and 4,500 to adult services. The majority of complaints were from consumers who stated that they did not request the service in question.

PhonepayPlus and the industry decided that consumer research was needed to explore the causes of complaints relating to these service types by examining how consumers interact with existing, relevant mobile PRS flows and exploring their awareness, expectations and experiences. PhonepayPlus and the industry also considered that research was needed to explore how such consumer journeys could be improved in the eyes of consumers.

PhonepayPlus contacted Craft in November 2015 with a view to conducting this research.



## 2. Methodology

The research undertaken by Craft Strategy Ltd took place between January and March 2016 and comprised five stages of work.

### Stage 1: Review of PhonepayPlus call logs

The research process commenced in January 2016 with the analysis of a sample of existing call log data held by PhonepayPlus with a view to better understanding the exact nature of consumer complaints with respect to online competition and adult premium rate services. Findings from this stage of the research were used to inform both the sample frame and interview guide for the subsequent stage of telephone depth interviews.

### Stage 2: Telephone depth interviews with past complainants

In w/c 11<sup>th</sup> January we conducted 10 x 20-minute telephone depth interviews with members of the public who had previously had cause to complain about an online competition or adult premium rate telephone service. The sample was drawn from PhonepayPlus call log data. Respondents were selected to represent a cross-section of individuals and complaint types; the sums for which they claimed they had been unfairly charged varied from £5 (a one off payment) to £150 (accumulated subscription charges).

### Stage 3: Accompanied usage and individual depth interview sessions

In w/c 25<sup>th</sup> January we conducted 10 x 1 hour accompanied usage and depth interview sessions across two locations, Surrey and Leicester. Respondents were recruited to represent a cross spectrum of consumers. The sessions comprised both depth interview and accompanied browsing activities, with video capture enabled by Craft's EyeCam technology (allowing us to see what respondents were seeing). During these sessions, respondents were observed engaging with a range of online competition and adult PRS. These were drawn from a random sample of PRS and no attempt was made to ascertain whether they were compliant or had previously been a cause for complaint.

### Stage 4: Expert advice from a human computer interaction professional

In addition to standard qualitative analysis we enlisted the services of Chris Nodder, an expert in Human Computer Interaction, to help make sense of the data collected to this point and, more generally, to review a cross section of current and recent PRS user flows from a behavioural psychology perspective. This analysis allowed us (a) to identify how and why consumers believed they were being unfairly treated; and (b) to generate ideas for potential regulatory interventions which could be turned into graphic mock-ups for testing in the final stage of research.

### Stage 5: Paired depth interviews to test potential regulatory interventions

In w/c 29<sup>th</sup> February we conducted 10 x 1 hour paired depth interviews in London. The format of these sessions was divided between conversation around broad topics (such as the idea of charging goods and services to a mobile phone bill), and gathering feedback on graphic stimulus designed to simulate potential regulatory interventions.



### 3. Key findings

1. In our view, based on the research conducted, it is currently quite possible for a consumer to provide unintentional consent to an online competition or adult PRS.

- This gives credence to complaints received by PPP from individuals who claim they did not request the service in question.
- Our research shows consumers can, and do, unintentionally provide consent to online competition and adult PRS.
- In relation to subscription based services, our research suggests consumers can, and do, remain unaware that such consent has been given, and that their account is being billed for online competition and adult PRS, for periods in excess of a month.
- Our research suggests many consumers are unaware that it is possible to be charged to your phone bill when viewing internet content; indeed, there is disbelief that this is feasible.
- From our research, consumers expect a digital payment system to conform to the secure practices to which PayPal, Amazon, iTunes etc have accustomed them: they expect to see a distinctive, dedicated point-of-sale screen; and a user authentication step ideally including some form of password protection.

2. In our view, based on the research conducted, existing PRS opt-out mechanism(s) are insufficiently robust and/or transparent from a consumer perspective.

- Our respondents found the current SMS opt-out mechanism to be counter intuitive and that it induced errors:
  - Consumers can, and do, repeatedly reattempt the incorrect procedure rather than look for instructions within the body of the PRS SMS.
  - Attempting to send 'STOP' frequently results in SMS Delivery Failure.
- Our research therefore suggests that PRS charges can, and do, accumulate despite the consumer's and, in some cases, the consumer's MNO's best efforts to terminate them.

3. Based on the research conducted, consumers regard online competition and adult PRS journeys as higher risk than journeys such as Paypal/Amazon/iTunes purchase flows, or SMS voting flows.

- A given consumer's desire for friction within a particular purchase journey is linked to that consumer's perception of the risk which the journey poses
  - Consumers evaluate risk according to four discrete journey attributes: (1) Trigger (the manner in which purchase is authorised); (2) Product (the type of product or service offered); (3) Provider (of the product or service); (4) Transaction (whether one-off or subscription)



- Consumers appear to class online competition and adult PRS journeys in the 'elevated risk' category for each of the four attributes.
  - From the consumer perspective, the lower degree of friction encountered within online competition and adult PRS flows is not commensurate with the perceived higher degree of risk.

4. The lack of robust and transparent opt-in and opt-out processes from a consumer perspective, with regard to online competition and adult PRS, appears to be undermining many consumers' trust in their MNOs.

- Financial compensation is not always the key issue for affected consumers; rather it is trust in their MNO and in the mobile telephony industry in general.
- In particular, consumers appear to find it difficult to accept that their MNOs, as their financial interface with the PRS industry, should lack the facility to act on their requests to cease disbursements from their personal accounts to the providers of online competition or adult PRS to which they do not wish to subscribe.



## 4. The consumer journey for online competition and adult services

From the perspective of past complainants, an online competition or adult PRS consumer journey might be thought of as a narrative in four acts.

### Stage 1: Initiation – the consumer initiates PRS charges

Consumers reported that payments for online competition and adult PRS services had been involuntarily initiated across a wide variety of mobile environments and circumstances, including:

1. Subscription charges initiated by texting a short code for a one-off competition
2. Attempting to exit a pop-up screen launched by an app
3. Clicking on a trivia quote posted in the consumer's Facebook feed
4. Clicking on a link embedded in an SMS sent from a number beginning '07'
5. Using a chat service on a mobile phone
6. Clicking on a link embedded in an email opened on a mobile phone
7. Engaging with a screen that appeared to the user to be a bona fide notification from the device manufacturer, for example Apple Inc
8. While answering online trivia quiz questions by tapping 'Yes/No' fields, the consumer taps on a payment confirmation field which closely resembles the 'Yes/No' fields

Our research shows that consumer interaction with the online competition and adult PRS industry's current marketing content appears to involve a significant risk of involuntary 'authorisation' of charges; and certain design and copywriting practices adopted by that industry appear to be instrumental in engendering that risk.

In particular, following accompanied usage sessions, we note that the following practices are prevalent:

1. Disguised/insinuated action buttons: the 'Purchase' action button is designed to blend in with current and previous screen elements, its function combined with, e.g., the action button that takes the user to the next step in a game, quiz, survey or challenge. Inducing user error in this way is known as 'click training'.
2. Implied commercial affiliation: the use of logos and trademarks owned by brands such as Apple Inc, Tesco or Marks and Spencer. From our research, this can, and does, lead consumers into the erroneous belief that, for example, an online competition is administered by the companies behind those brands.

For example, our EyeCam video captured many of our research respondents completing an online competition or adult PRS flow by tapping on a button marked, 'Confirm these charges to your mobile', where the charge '£9 per week' was displayed on the same screen, without realising that they had subscribed.



Additionally, we observed flows that switched between web and SMS applications which, whether or not compliant with the rules, sometimes resulted in our respondents' giving their unwitting consent to a purchase.

Investigation into what was driving this behaviour revealed that underlying conditions significantly resulted in consumers unwittingly providing consent:

- Consumers are often switched-off to risk. In particular, because the majority of consumers are not aware that any financial transaction is technically possible while browsing web pages on a mobile device, they are unconscious of any need to pay more than casual attention to screen detail while interacting with, for example, an online competition PRS screen.
  - Our respondents stated that, in general, they were less observant of detail when browsing on a mobile phone than when using a laptop or desktop computer.
- Consumers are often in a relatively high tempo 'gaming mode'. Many of the PRS journeys we encountered during this research started from within a gaming app or survey / competition website, and appeared to be characterised by the relatively high tempo / gaming mode fostered by such environments. The speed at which many of our respondents are observed progressing through different PRS journey flows is striking, the journey from the original display ad through to the (frequently unwitting) confirmation of payment being often completed in a matter of seconds.
- Consumers are often multi-tasking or distracted. Consumers are often using their mobile phone in high-distraction environments (e.g. on public transport), or while doing something else (e.g. watching television).

## Stage 2: Discovery – the consumer discovers PRS charges

Many consumers reported that they did not discover the existence of the subscription to an online competition or adult service until weeks or months after activation, often citing one of the following as reasons:

- They attributed the higher than usual bill to excess data or roaming charges
- They did not routinely check their mobile phone bills
- They were paying for several family accounts: PRS charges were inconspicuous in the mix

Additionally:

- Consumers who subscribe to online competition or adult PRS services may receive one or more confirmation SMS from the service provider
  - For consumers who are unaware of having initiated a PRS service, confirmation messages appear to be 'unsolicited' SMS.





- Since reference to payment confirmation details from those that we saw during the research did not appear at the top of the message, the nature of the message remains unknown unless the message is opened.
  - It appears that many consumers are suspicious of unsolicited SMS from premium rate short codes and make a point of leaving them unopened.

### Stage 3: Calling a halt to ongoing PRS charges

It is this stage of the journey that consumers appear to experience higher levels of anxiety and frustration. Typically, the stage comprises two steps, not necessarily in this order:

- The consumer makes a decision on the option of sending an SMS 'STOP' message
- The consumer contacts one or more of PhonepayPlus, their MNO, the PRS provider

From our research each appears to be problematic from the consumer perspective:

#### 'STOP' SMS

1. Many consumers actively choose not to send "STOP" to a PRS short code because they believe it will result in additional charges.
2. Those who do, often experience multiple "Message Delivery" failures.

In particular, as to the second point:

- From a consumer perspective the current STOP mechanism appears to be counter intuitive.
- Even messages that may adhere to the spirit and letter of industry guidelines appear to cause confusion, anxiety and frustration amongst consumers.

This is because:

- Almost without exception, when tasked with sending a STOP text message, our respondents replied direct to the PRS confirmation SMS they had received, rather than to the short code included within the body of the PRS confirmation text message.
  - We noted that replying direct to the confirmation SMS is the opt-in mechanism for every SMS-based adult or online competition PRS we encountered; in general, opting-out by replying direct to the originating SMS appears to be second nature for many consumers.

#### Contacting third parties

A minority of consumers contact PhonepayPlus, although for most, their MNO is the first point of contact:

- It would appear that many consumers approach their MNO in the firm expectation that ongoing PRS charges may be terminated by the MNO concerned.



- This is not currently the case, although we understand it is not currently required under PhonepayPlus' rules.
  - However, two of our interviewees reported that they had been erroneously encouraged in this belief by an MNO customer services representative; resulting in further financial damages before they realised that charges had not been terminated and had to seek remedy elsewhere.

Our research also found an impediment to cancelling a PRS subscription:

- The 'opt-out' option on PRS providers' proprietary websites can, and in the experience of interviewees does, fail of effect; our research shows that PRS providers can, and do, ignore email and telephone requests to cancel subscriptions.

#### Stage 4: Response

The two key issues that arise at this point in the journey:

- Consumer refunds
- Consumer expectations of MNOs

#### Refunds

Our interviewees' expectations do not appear to have been very great with regard to gaining redress: there was relatively little sense of anger or disappointment expressed over unrefunded charges.

- There was one case where an interviewee reported making prolonged and persistent efforts to reclaim the money she had spent.
- Two interviewees who reported charges totaling over £150 received 2 x £18 vouchers (one went unredeemed, and expired), and what was reported as "5 to 10%", respectively.

#### Consumer expectations of MNOs

The vast majority of our research sample expressed surprise, in the first place, that their MNO had the direct means of 'granting' subscription charges to a third party PRS Provider, out of their personal MNO customer account, on the basis of a visit to a web page; and, in the second, surprise that the MNO did not therefore also have the direct means of terminating such charges.

In consequence, a majority of consumers from our research appear to question their MNO's role in the PRS system; and a significant proportion seem to blame their MNO outright for the financial and emotional distress they experience over the journey:

- Two from our sample expressed an abiding resentment, based on a suspicion that their MNOs were themselves stakeholders and, as such, were profiting, as they stated, from business practices they deemed dishonest.



- In two cases we heard people voice approval of their MNO's actions: one respondent stated that if customers complained of being charged for an unrequested service, it was not unreasonable to place the burden of proof on that customer; another expressed appreciation for a full refund from her MNO.

But the prevailing mood we noted was one of resignation: the sense that there was little or nothing that they, as consumers, could do to mend matters.



## 5. Interrogation of potential regulatory interventions

During the final stage of the research, respondents were presented with a range of visual stimuli designed to simulate remedies for perceived issues with online competition and adult PRS flows. This was with a view to exploring how consumer journeys could be improved in the eyes of consumers.

### 5.1 The opt-in process

Consumers are strongly in favour of introducing greater friction within the payment journey for online competition and adult PRS. To this end, the vast majority of our respondents wanted the following:

- Prominent display of key information at the point of purchase, for web-based and SMS-based purchases.
- A distinctive, dedicated point of purchase screen, in order to eliminate the risk of mistaking a 'payment confirmation' request for another step in a game, competition or quiz.
- Password-based user authentication.

### 5.2 The opt-out process

The vast majority of our respondents expected their MNO to be able to put a stop to unwanted charges to their mobile phone bill, in the same way that they would expect Barclaycard, Amex or PayPal to put a stop to an equivalent issue.

- It was strongly felt that the providers of a payment mechanism, who profit from transactions, should take ownership / responsibility when transactions go wrong.

As regards SMS-based transactions, respondents were clear in their desire to see:

- Clear communication that an opt-out text message is free of charge.
- A consistent opt-in/out mechanism, ie one that permits consumers to opt-out in the same way that they opt-in (by replying to the PRS message, rather than sending 'STOP' to a dedicated short code).