

Final report for PhonepayPlus

0871-based phone services

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How big is the 0871 market?

Who is selling 0871 numbers?

What types of business are receiving calls on 0871?

What experiences are customers having with 0871?

Analysys Mason has undertaken an in-depth review of the 0871 market

- This document is the final report of a project carried out by Analysys Mason on behalf of PhonepayPlus. It provides a detailed examination of the 0871 market, which, along with the 0872 and 0873 number ranges, is due to come under PhonepayPlus regulation from 1 August 2009.
- This project drew on data from a variety of sources to enable a robust and balanced evaluation:
 - Representative online survey of 1009 consumers using 0871
 - Telephone interviews with 46 businesses who currently use (or had recently used) an 0870 or 0871 number to receive incoming calls
 - In-depth interviews with 11 industry stakeholders, including both fixed line operators and smaller companies selling 0871 numbers
 - Desk research as necessary into areas such as mobile charge rates on 0871 and use of 0871 among larger organisations.

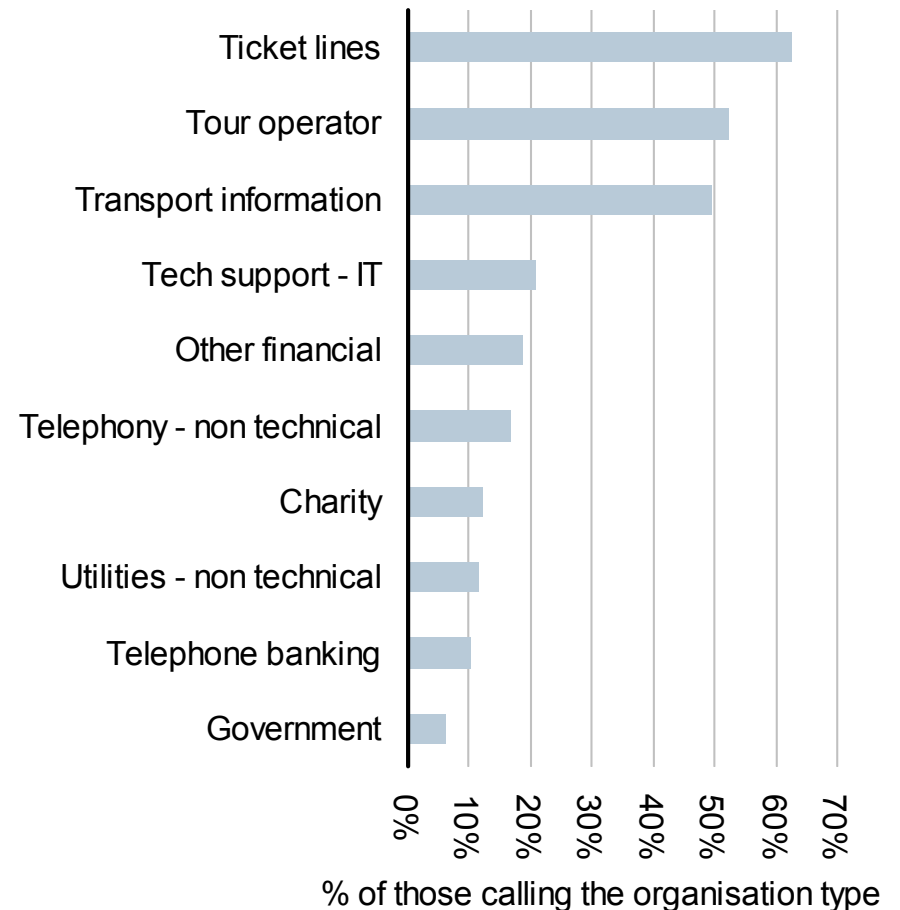
The 0871 market* is estimated to be worth GBP85 million per annum, but is on a downwards trajectory**

- In 2009, the 0871 market* is expected to generate revenue in the region of GBP85 million, with total call volumes in excess of 700 million minutes.
 - 40% of 0871 revenue will be generated from mobile originated calls, even though mobile calls account for only 13% of total minutes.
- The 0871 market is likely to have declined over the past 18 months. Although the expected end of revenue share on 0870 has caused some business end users to migrate to 0871, it unlikely to have been enough to offset decline due to factors including the following:
 - Consumer resistance to 087x numbers. Organisations such as 'Say No To 0870' and 'Which?' magazine have increased consumer resistance to calling 087x numbers. In turn, many businesses have switched to other ranges
 - Scheduled move under PpP regulation. Although most businesses are adopting a 'wait and see' approach, a significant minority are moving in response to movement of 0871 under PpP regulation
 - Regulatory uncertainty and delays in implementation of 0870 and 0871 regulatory changes.
- Despite this, the structure of the 0871 appears to have remained stable over the past 18 months. 0871 price levels and outpayment rates appear also to have been stable.
- Although it is likely that the 0871 market will continue to decline, the actions of PpP have the potential to impact measurably on the rate of that decline.

Around 33% of the population is estimated to have called an 0871 number in the past 6 months

- Approximately 33% of the population is likely to have called an 0871 number in the past 6 months.
- As shown in Figure 1, 0871 numbers are most widely used by tour operators, transport information and reservations and ticketing lines. They are also sometimes used for technical support lines, by telecoms/utility companies, insurance companies and retailers, especially retailers using the Internet or catalogues as their main sales channel. They are not widely used by charities or government organisations.
- Evidence from both the consumer survey and business end-user survey suggests call lengths of 2–5 minutes are typical.

Figure 1: Percentage of those calling a given organisation type that had called on an 0871 number [Source: Analysys Mason, 2009]



Being kept on hold for too long is causing significant levels of dissatisfaction among 0871 users

- The proportion of 0871 users reporting either to have issues with or to have actually made a complaint about an 0871 service in the past 6 months is very high (44%). Although this clearly indicates that levels of dissatisfaction are high, customer reported complaints are significantly higher in volume than business end-user reported complaint volumes.
- Most complaints are directed towards the organisation the customer is calling on 0871, with only 3% of 0871 users reporting having made a complaint to a regulatory body in the past 6 months.
- The main cause for complaint is being kept on hold for too long.
 - Nearly 70% of 0871 users said they would complain if kept on hold for more than 10 minutes.
 - The majority of 0871 users would prefer to be offered a call back instead of being kept on hold.
- Although there is considerable confusion around the cost of calling of 0871 number, it is not a major cause for complaint.
- Of 0871 users, 31% reported that they did not know the cost of calling an 0871 number from a landline and 40% reported that they did not know how much extra it cost to call from a mobile.
 - Those with an accurate view of the price of calling an 0871 number are in a minority, especially in relation to the cost of calling from a mobile.
 - It appears that the cost of calling 0871 is less well known/understood than the cost of calling most other 08x ranges (except 0844), even among those who have used 0871 in the past 6 months.
 - However, customers have an accurate knowledge of when they are being charged.
 - Most customers would prefer to be notified about call charges in an announcement at the start of the call.

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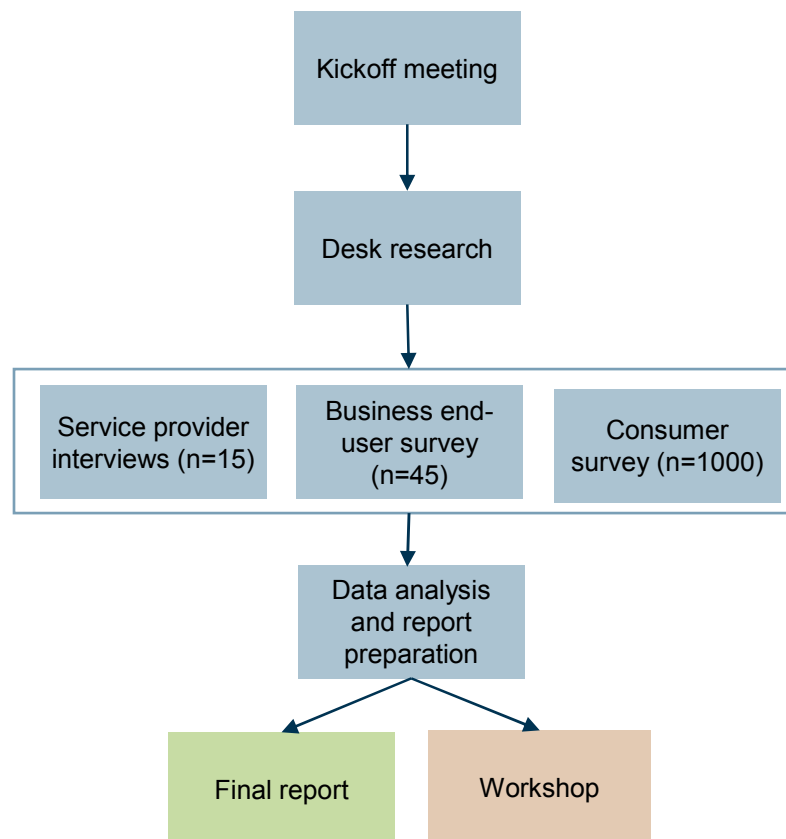
Introduction

- The 0871, 0872 and 0873 number ranges* are due to come under PhonepayPlus (PpP) regulation from 1 August 2009.
- The purpose of this study is to provide PhonepayPlus with a comprehensive overview of the market for these number ranges to aid its preparations for taking over their regulation. As this market consists predominantly of 0871 number ranges at present, this study has focused on the 0871 range.
- The remainder of the report is structured as follows:
 - **Market size:** “How big is the 0871 market?” This section gives a picture of overall market size and trends.
 - **Service providers:** “Who is selling 0871 numbers?” This section looks at the market structure and trends for the provision of 0871 numbers.
 - **Business end users:** “What types of business are using 0871 numbers and why?” This section covers the types of business using 0871 in terms of size and sector, types of service being accessed via 0871 and the reasons businesses are choosing 0871.
 - **Consumers:** “What are customers’ experiences of 0871?” This section examines customer experience, pricing perceptions, what customers consider a good/poor level of service and complaints.

Methodology

- The research approach captured the experiences and views of each of the three main groups in the 0871 industry:
 - Stakeholders – representatives from 11 companies have been interviewed. This included interviews with major telecoms operators and smaller resellers.
 - Businesses – a sample of 46 companies that currently or in the past two years have used an 0870 or 0871 number to receive calls.
 - Consumers – an online survey of 1000 representative 0871 users. A 15-minute survey covering usage patterns, pricing perceptions and experiences.
- A thorough programme of desk research supported the primary research to cover areas such as industry developments, mobile tariffs for calling 0871 and main users of 0871 numbers.
- Further details of primary research methodologies are included in Annex A.

Figure 2: Study methodology [Source: Analysys Mason, 2009]



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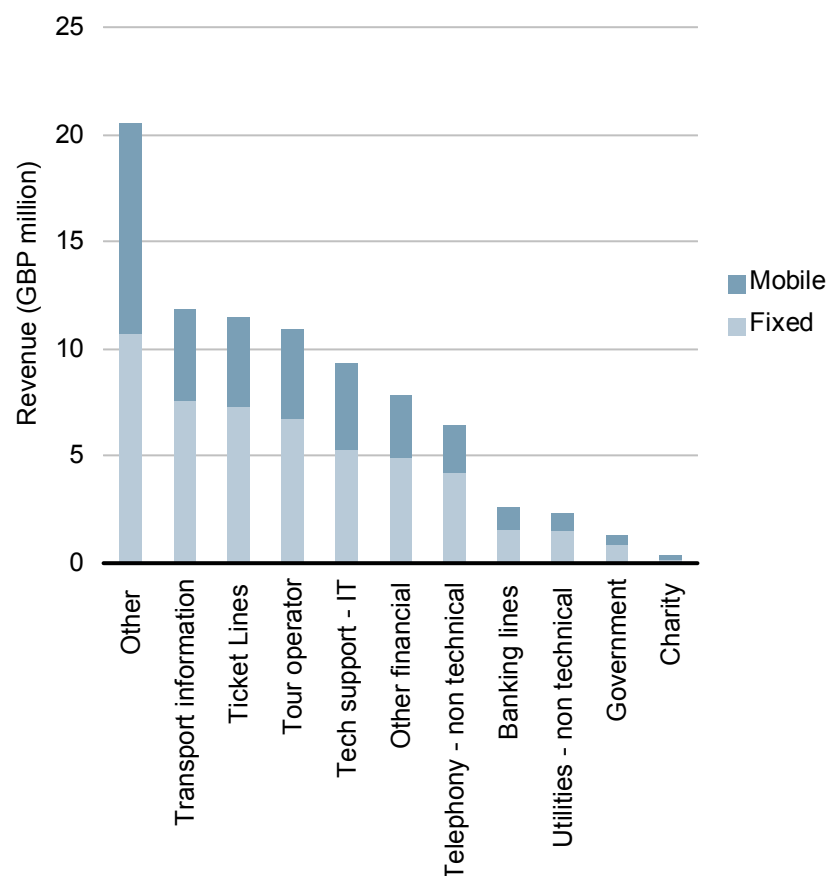
What types of business are receiving calls on 0871?

What experiences are customers having with 0871?

Analysys Mason estimates that the overall market size for 0871* will be GBP85 million in 2009

- Total call revenue from 0871 is estimated at approximately 85 million 2009.
 - Of this, 40% of call revenue is from calls originating on mobile phones.
 - Together transport/tourism related calls make up 27% of total revenue, followed by ticket lines (14%).
 - In the 'Other' category, hotels and retailers (particularly catalogue/home shopping retailers) were the largest revenue generators. Although very few survey participants admitted to using 0871 for chat**, evidence from stakeholders and online research suggests chat is a noteworthy use of 0871 numbers, and thus could form a significant part of the 'other' category.
- This revenue estimate uses consumer survey data as its primary input in order to build up a bottom-up model. Data from the business end-user survey and stakeholder interviews, as well as secondary data from external sources has been used to refine and sense-check the initial model.
 - For further details of the market sizing methodology, please see Annex B.
- With overall call revenue of GBP85 million, Analysys Mason estimates outpayment revenue will be GBP35 million. This amounts to 60% of call revenues for fixed line operators. For mobile operators, the outpayment per minute is of equivalent value to that paid out by fixed operators - i.e. approximately 60% of the typical fixed line price per minute (with no adjustment for the additional call charge applied by mobile operators).

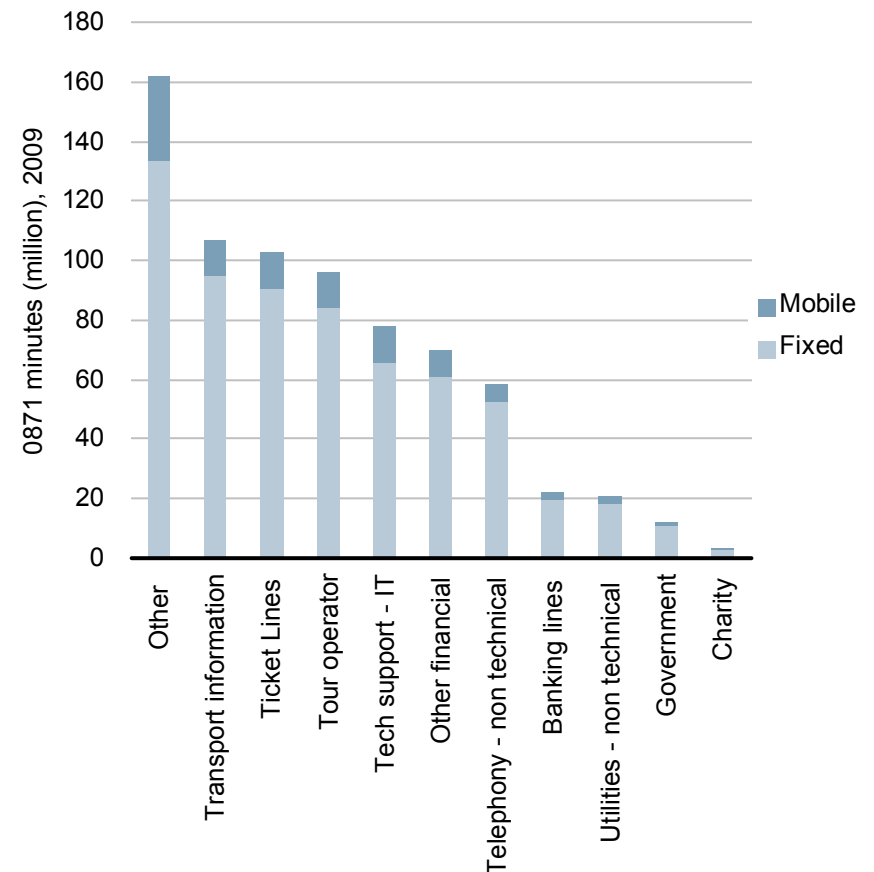
Figure 3: Total 0871 call revenue, 2009 [Source: Analysys Mason, 2009]



Total 0871 call volume* in 2009 will exceed 700 million minutes

- The total volume of calls to 0871 numbers is estimated to be 731 million minutes in 2009.
 - 0871 calls represent 3–4% of total residential fixed line customer calls to non-geographic numbers (excluding calls to dial-up Internet).
- Although mobile accounts for 40% of revenue, it constitutes only 13% of minutes – this reflects the significant premium for calling from a mobile line (estimated at 35ppm from a mobile versus 8ppm from a landline).
- Overall volumes are a function of:
 - Number of people calling on 0871
 - Number of calls per 0871 user
 - Average call length.
- These are explored in more detail on the following slides.

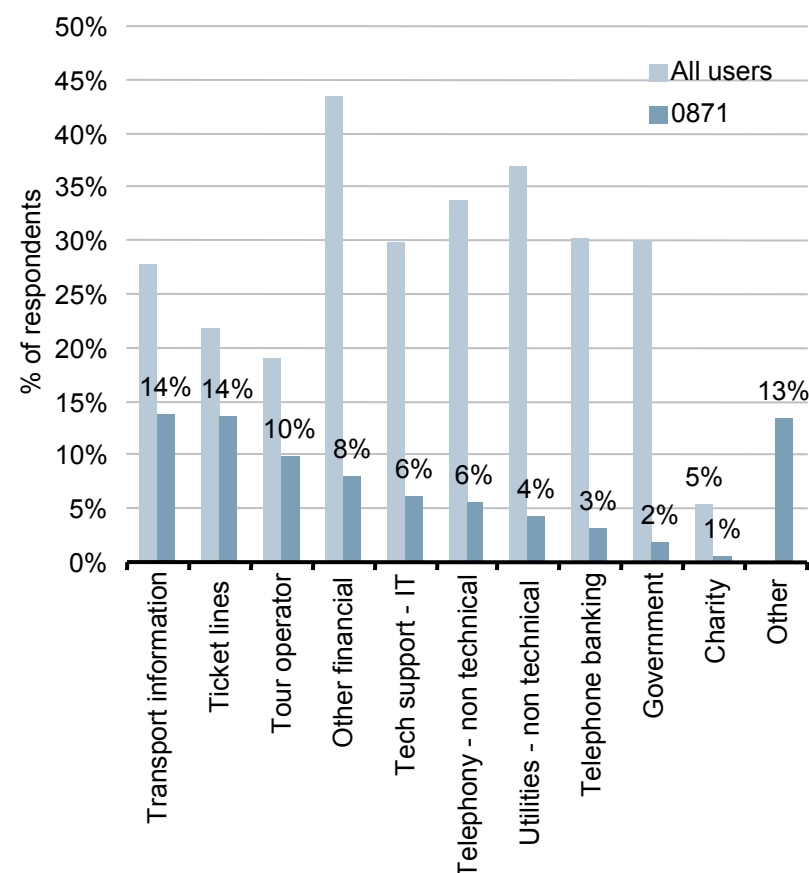
Figure 4: Call volumes to 0871 numbers, 2009
[Source: Analysys Mason, 2009]



Transport information and ticket lines are the most popular purposes for calling 0871

- According to consumer survey data, over half of those that have called the following organisation types in the past 6 months have done so on an 0871 number:
 - Transport information
 - Ticket lines
 - Tour operators.
- 0871 lines in the 'Other financial' category (which includes any calls to banks, credit card companies, insurance companies or other financial services and excludes telephone banking) are used by the fourth-highest proportion of people.
 - This is due to the high overall proportion of consumers calling these numbers, rather than to the tendency of these organisations to use 0871 for receiving calls.
 - Non-technical calls to utility companies (including telecoms companies) also fall into this category.
- 0871 lines for charity and government are used by the smallest proportion of people.
- Data from the business end-user survey, stakeholder interviews and desk research broadly support the consumer survey findings. Slides 25 to 27 explore use of 0871 by different business types in more detail.

Figure 5: Proportion of respondents who called the organisation type listed in the past 6 months (overall and on an 0871 number) [Source: Analysys Mason, 2009]

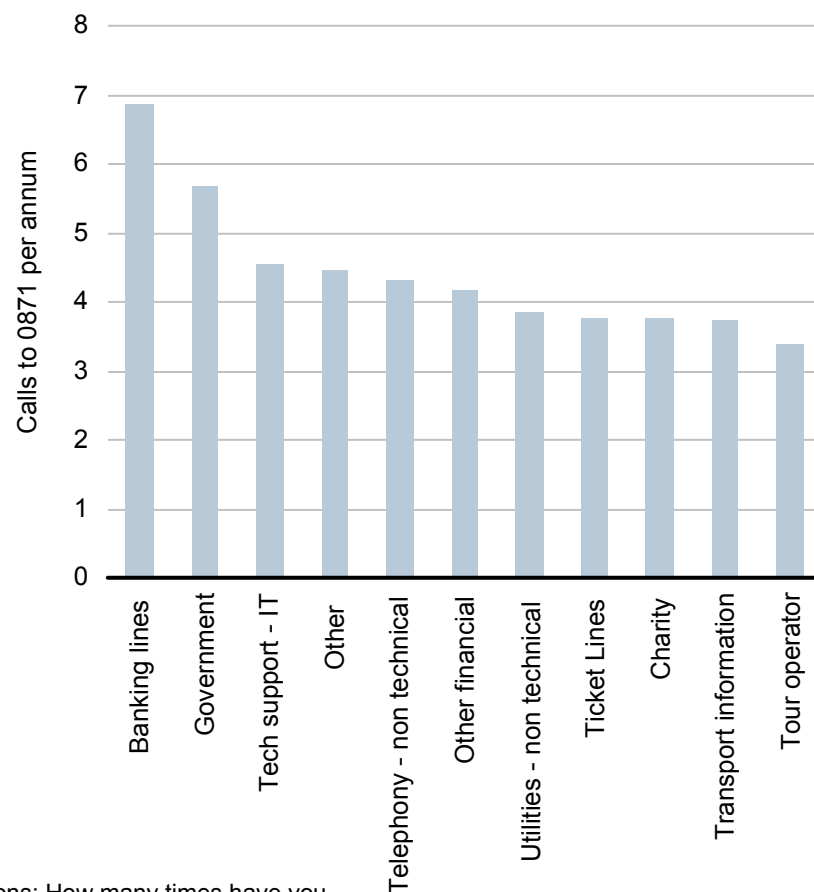


For figure 5: Survey questions asked: 1a. Which of the following have you made calls to in the past 6 months? 1c. Of these calls, were any to 0871 numbers? (those answering 'yes' + 1/3 of those answering 0870/1 but can't remember which are included as 0871 users). Those who selected an 0871 organisation at question 1b, which asks respondents to select/list the names of organisations they remember calling, are also included as 0871 users. See annexes for more information. Base=2669.

We estimate that banking lines receive the highest volume of calls per 0871 user

- Results from the consumer survey have allowed Analysys Mason to calculate the average number of times that users of 0871 services are likely to call each service in a year.
- Banking lines are called most frequently, reflecting that banking is an ongoing service and customers are likely to want to access the type of information available from telephone banking services on an ongoing basis, not just when something goes wrong.
- While telecoms, utilities and 'Other financial' also offer an ongoing service, call volumes may be lower if customers only call when they have a specific issue to resolve.
- Neither stakeholders nor business end users were able to comment on call volumes per user for 0871.

Figure 6: Average volume of calls per person calling the listed service on an 0871 number* [Source: Analysys Mason, 2009]

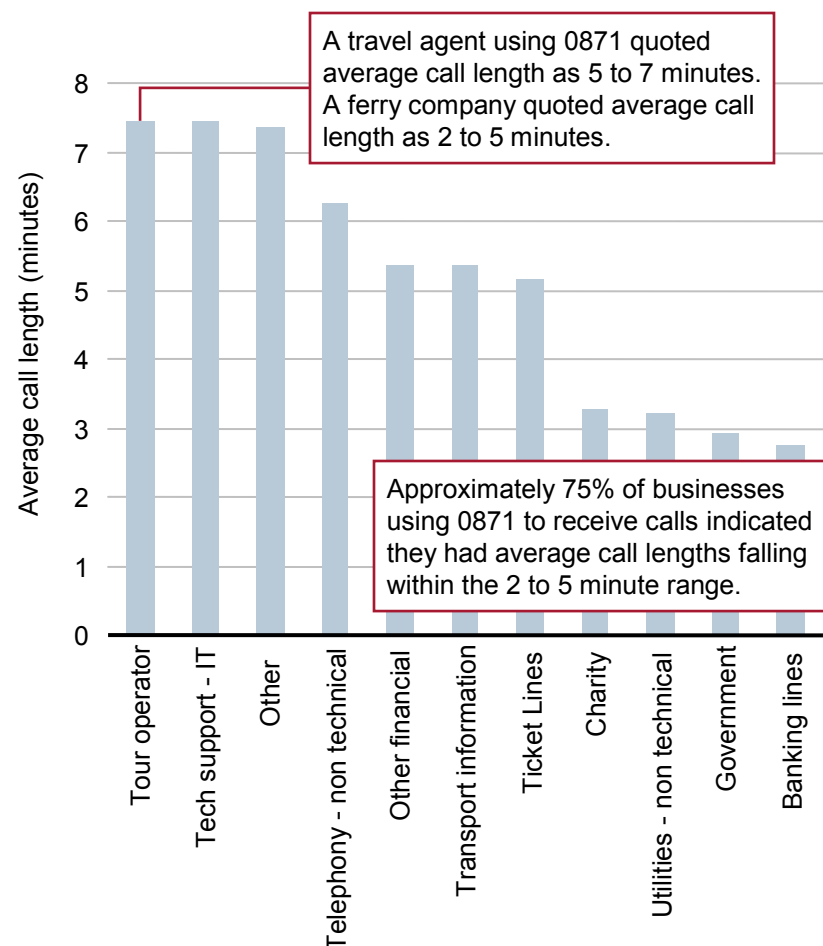


The data shown is based on data from the following consumer survey questions: How many times have you made calls to the following organisations in the past 6 months? [1-2, 3-5, 6-10, 11-30, 31+]; Roughly what proportion of these calls were to 0871 numbers during the period? [All calls, A large proportion (more than half), Some (25-50%), A small amount (1-24%), Can't remember] The 'average' refers to the standard mean based on mid-point values.

Call lengths varied between 2.5 and 8 minutes, depending on the type of organisation called and the purpose of the call

- Results from the consumer survey have allowed Analysys Mason to calculate the average length of calls to each of the services identified in this report. These findings are supported by data from the business end-user survey (see annotations to Figure 7).
- Technical IT support and calls to tour operators stand out as being longer, on average, than most other services (although calls made to services other than those highlighted by this report are the longest on average).
- Calls to IT support may take longer as consumers are often asking someone to solve a problem from the telephone. Similarly, calls to a tour operator may take longer due to the number of details required during booking, and the call-centre operative might run multiple enquiries – e.g. to give more than one option for hotel accommodation or flights.
- Generally speaking, the shorter calls are made to services that are used more often, such as calls to Government departments or banking lines.
- This is unsurprising, as familiarity with a system or service is likely to mean that consumers are able to complete their call more quickly.

Figure 7: Average* length of calls to 0871 numbers for listed services [Source: Analysys Mason, 2009]



*Standard mean based on mid-point.

It is probable that the 0871 market has declined in the past 18 months to two years (1)

- Based on available evidence, Analysys Mason believes that the 0871 market is likely to have declined in the past 18 months to two years.
- Analysys Mason estimates that call volumes to non-geographic volumes (excluding dial-up Internet) have declined 10% in the year ending September 2008. Within the context of a fall in overall non-geographic call volumes, there are specific factors which could be causing the 0871 market to decline more than other non-geographic number ranges. These factors are:
 - Consumer resistance to 087x numbers. Organisations such as 'Say No To 0870' and 'Which?' magazine have increased consumer resistance to calling 087x numbers. In turn, many businesses have switched to other ranges.
 - Scheduled move under PpP regulation. Although most businesses are adopting a 'wait and see' approach, a significant minority are moving in response to movement of 0871 under PpP regulation.
 - Regulatory uncertainty and delays in implementation of 0870 and 0871 regulatory changes.
- The rate of decline in the 0871 market will have been offset to a small extent by migration from the 0870 number range, following announcement of plans to end revenue share. See slide 31 for more details.
- Amongst service providers, the majority believed that the 0871 market had declined over the past 18 months, although a small number (including one major provider) believed that the market had remained approximately the same size. Based on available information, Analysys Mason therefore concludes that the market is likely to have declined in the past 18 months.
- However, it is worth noting that Analysys Mason was not typically provided with quantitative data by individual service providers covering the change in 0871 revenues/volumes. As such our conclusions concerning changes in market size should be treated as indicative only. For the same reason, we have not provided a firm quantitative estimate on rate of change in market size.

It is probable that the 0871 market has declined in the past 18 months to two years (2)

- Stakeholder comments largely suggest that the 0871 market is declining and may continue to do so.

"Our customers are not happy with 0871 being 'premium rate'."

[Service provider]

"0871 is reducing. We think it is halving year on year."

"Migration away from 0871 will really accelerate this year – by the end of year, those that are left will stay for a bit longer."

[Consultancy]

"0871, and 087x in general, has a bad reputation following the lack of action by the regulator. People are confused and are moving away from these services. There is very little movement from 0870 to 0871 due to reputation. The majority are moving, either to 084 or back to geographic numbers."

[Service provider]

"Our 08x revenues will decline by 10% in 2009 vs. 2008. 0871 revenues will decline by 25%"

[Service provider]

"The market for 0871 is declining. Businesses are steering clear of 0871 due to movement under PpP regulation."

[Service provider]

"0871 usage has increased due to the plans to stop revenue share on 0870."

[Service provider]

When the proposed changes to 0870 and 0871 were announced, one service provider reported that it contacted all its customers immediately to alert them. At that time, less than 2 years ago, it had 1200–1300 customers on 0870/0871, almost all SMEs. About 8–10% were on 0871. This service provider now has only 30–40 customers using 0870 and 15 using 0871. This service provider commented, "Business end users have become completely disillusioned by the poor performance of the regulators. They are tired of the confusion, delays and uncertainty, and very worried about the possible direct and indirect cost burdens."

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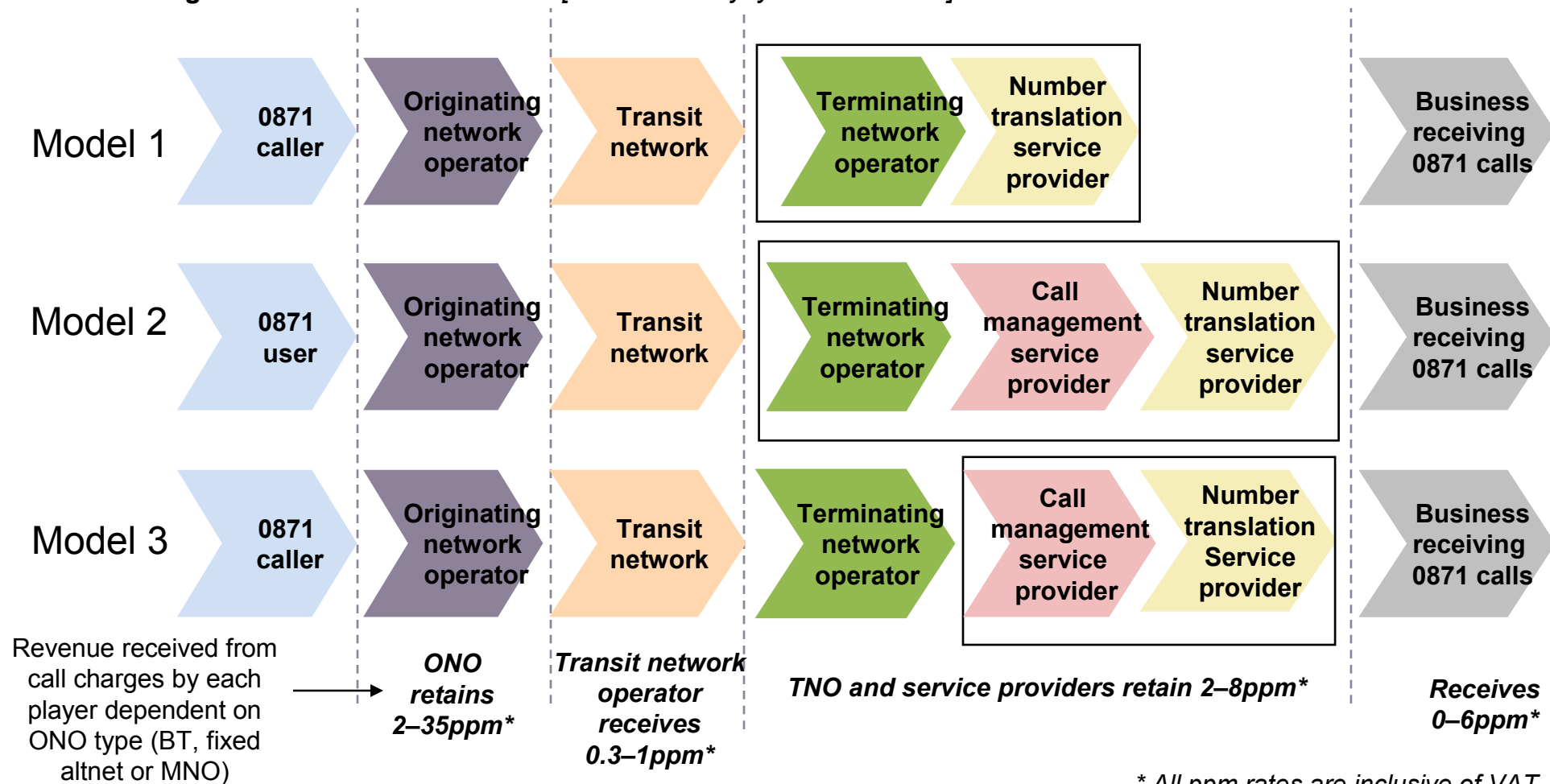
What experiences are customers having with 0871?

The key players in the 0871 market have not changed since Analysys Mason's report in 2007

- **0871 callers:** the individual making an 0871 call.
- **Business receiving 0871 calls:** the individual or organisation that has bought the 0871 number. These buyers often share revenue generated by the 0871 calls with the call-management service and NTS providers.
- **Originating network operators (ONO):** the networks from which the user makes the call.
- **Transit networks:** any network over which the call is carried in order to reach its final destination. This is usually BT's network, but other large fixed operators also perform this role. The transit network collects and passes on the outpayment that is shared between the remaining groups listed below.
- **Terminating network operators:** the network upon which the call ends – in other words, the network of the individual answering the originated call.
- **Call-management service providers:** providers of services such as interactive voice response (IVR), call distribution, voice mail and e-billing. Some of these are provided free (or accounted for as part of revenue share agreements), while others are charged for separately.
- **Number translation service (NTS) providers:** often the same company that provides call-management services, the NTS provider will supply the business receiving 0871 calls with a non-geographic number, often for a share of revenue that is generated from the calls.
- **Information providers:** companies that provide the content and information that is offered via 0871 numbers. This includes recorded information, such as sports scores or train timetables, and the information and instructions provided through IVR systems. (Call-management service and NTS providers often perform this function and the role has not been identified individually in figure 8 for this reason.)

The main value chain models and outpayment rates have also remained stable

Figure 8: The 0871 value chain [Source: Analysys Mason 2009]



However, smaller resellers may soon stop selling 0871 numbers

- Network operators such as Opal, Cable and Wireless, Kingston Communications and BT are among the largest players in the 0871 marketplace, together with other network operators. Despite BT's position as the incumbent, it does not have a majority share of the 0871 market.
- It is agreed that there are currently a significant number of small and medium sized-players.
- However, some stakeholders in the industry are predicting that the 'long tail' of service providers that is still operating in the 0871 market will not continue in its current form due to the increased pressure on the market.
- Some resellers have expressed the opinion that 0871 services will be offered almost exclusively by the network operators, following the switch in regulatory structure.

"There are lots of other resellers, but this is no longer a viable business model. It will only be the network operators that are left offering 0871.."

[Service provider]

"Yes, there is a long tail. There are companies who do a bit on NTS on the back of providing a switchboard/handset. There are more than 250 companies, but few will have NTS as a significant part of their business."

[Service provider]

The way that 0871 numbers are sometimes sold/described to businesses may warrant further investigation by PpP

- There is some evidence from the business end-user survey that businesses are sometimes pushed to buy 0871 when it isn't necessarily the best choice for them. The quotations below illustrate some of the problems experienced.

Why have you chosen to use an 0871 number?

"It was sold to us, think now that it wasn't really worth it but don't know how to get rid of it. It's good that the regulator is looking into it because we haven't found it satisfactory at all because we haven't had the promised rebates."

[Small online retailer of printers and consumables]

"0871 number is now used only as a fax number, the 0870 number is still in existence because can't get out of contract but we don't use it, haven't used it for 5 years. We were conned basically by the phone provider who wouldn't let us get out of contract.."

[Small manufacturer of confectionary-related promotional items]

"We didn't want a premium rate number in the first place. Told the supplier that we just wanted one number for everyone to call and we didn't want revenue or for the calls to be loaded. We had to pay for a Gold number. Accounts department told me after a month that we had received a rebate and I contacted them to say that wasn't what we had agreed. Was told there was no alternative unless we changed the number but had spent a considerable amount having our contact details changed on stationery, etc. A lot of our tenants only have mobile phones so it costs them a lot more to phone and the contactors that do our repairs phone whilst they are on site from their mobiles so it costs them too much as well. I was told that the call charge is set by Ofcom and there is nothing that can be done to reduce the cost of the calls."

[Housing Association for vulnerable adults]

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0871 numbers are used by companies of all size and across a range of industry sectors

- Evidence from service providers, businesses, the consumer survey and Web-based research reveals that 0871 numbers are used by companies of all sizes, from one-person operations right up to large corporations.
- They are used across all sectors, although there appears to be greater prevalence among the following:
 - Travel related companies
 - Ticket lines (e.g. for theatre, cinema or music event bookings)
 - Insurance companies
 - Retailers, particularly online/catalogue-based retailers
 - Chat line companies
 - Telecoms companies.
- They are not widely used by the government or charity sectors.
- The following are quotes from service providers about the types of company buying 0871 for receiving calls:

"Mail order, theatre companies and travel lines are some of the main uses of 0871 for sales purposes."

"The types of company buying 0871 numbers from us is highly varied, from small SMEs up to large corporates."

"Companies of all size buy 08xx numbers."

The business end-user survey revealed a notable trend of 0871 usage among retailers, especially online retailers

- The business end-user survey indicated a high frequency of 0871 usage in the retail sector. In particular, there was a notable trend of usage by online retailers, with 4 of the 6 companies identifying themselves as such.

Figure 9: Profile of 0871 businesses from end-user survey [Source: Analysys Mason, 2009]

| | | | | | | | | |
|---------------------|--------|----------------------------------------|---------------|----------------------------------|---------|---|--|-------|
| Number of employees | > 500 | | | X | | | | X |
| | 21-500 | X | | | | X | | X |
| | 0-20 | X X X X X | X X X | X | X | X | | X X X |
| | Retail | Financial/ professional services | Manufacturing | Transport/retail distribution | Charity | | | Other |

Online research revealed significant numbers of travel sector, telephone/Internet, insurance and ticket line companies using 0871

- A selection of larger companies discovered (from online research) to be using 0871 are detailed below, according to organisation type/purpose:

Figure 10: Larger companies using 0871 numbers (identified by Web search) [Source: Analysys Mason, 2009]

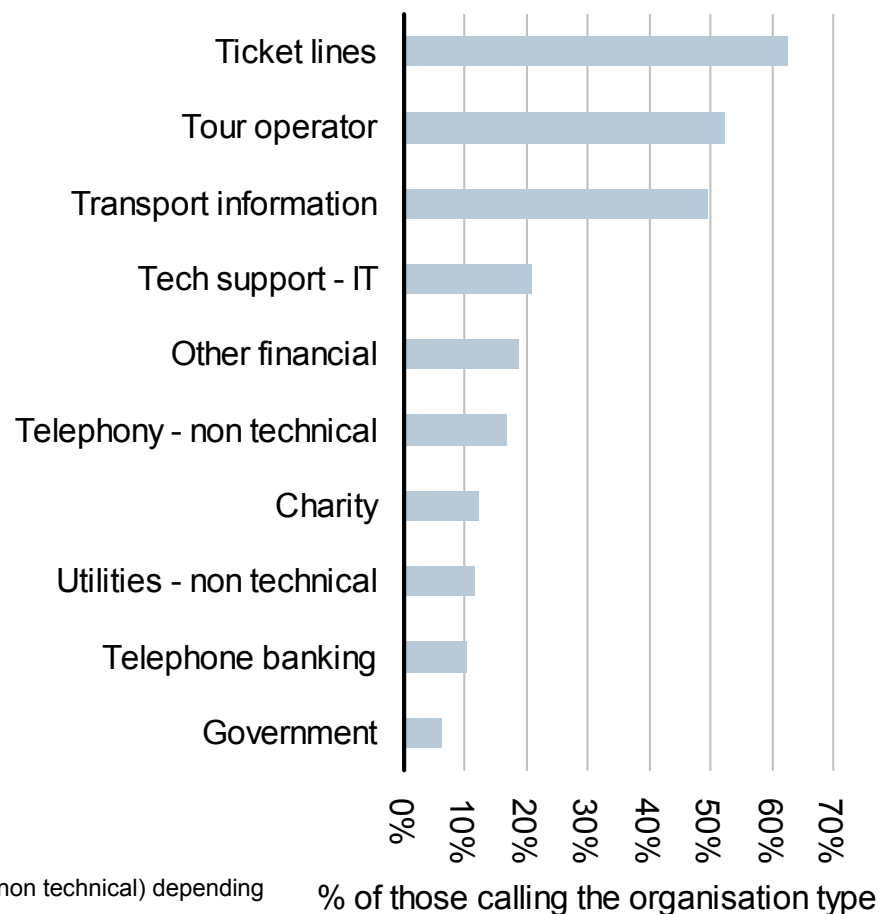
| <i>Transport information or reservation offices</i> | <i>Tour operator/travel company booking lines</i> | <i>Entertainment booking lines</i> | <i>Sales or non-technical support for telephone companies</i> | <i>Technical helplines for telephone or Internet companies</i> | <i>Insurance companies</i> | <i>Others</i> |
|-----------------------------------------------------|---------------------------------------------------|---------------------------------------------|---------------------------------------------------------------|----------------------------------------------------------------|---------------------------------------|-------------------------------------------|
| Easyjet: claims/bookings/refunds etc. | FirstChoice: bookings | Cineworld: booking and film information | f2s (Freedom2Surf) | f2s (Freedom2Surf): technical support | Admiral Insurance: customer services | Alton Towers |
| First Group: bus enquiries | Thomas Cook: bookings | ODEON cinemas: booking and film information | Pipex: customer services, cancellations | Tiscali: technical support | Bell Insurance: customer services | Daily Express: contributions, enquiries |
| Flybe: customer centre | Thomson holidays: customer services | Seetickets | Setanta: customer services | | Confused.com | DPD UK : calling cards/rearrange delivery |
| Last Minute.Com: enquiry about existing booking | Travelodge Hotels: customer services | Ticketline: bookings, customer services | Tiscali: billing and customer care | | Diamond: customer services | e buyer: customer support |
| Last Minute.Com: travel sales team | | Vue: booking and film information | | | Elephant Insurance: customer services | Legoland Windsor: enquiries |
| My Travel: enquiries of bookings already made | | | | | | One2one driving school: general enquiries |
| National Express: bus/coach tickets and info | | | | | | |
| National Rail: Train tracker | | | | | | |
| Ryanair: reservations | | | | | | |
| STA Travel: call centre | | | | | | |
| Virgin Atlantic: flight info | | | | | | |

- Online research, together with information from stakeholders, revealed that 0871 (and 0870) is being used by a significant number of chat line providers.

Consumer survey data reveals that calls to ticket lines, transport information and tour operators are likely to be on 0871

- The consumer survey revealed that over half of those that have made a call to a ticket line, tour operator or transport information number in the past six months report having used an 0871 number for one or more of their calls to that organisation.
- This suggests that 0871 number use is frequent among these companies.
- Meanwhile, the data suggests that customer service lines to utility companies, government organisations, charity helplines and telephone banking lines are not normally 0871 numbers.
- These consumer survey findings broadly support the data from desk research and the business survey.

Figure 11: Percentage of those calling a given organisation type that had called on an 0871 number [Source: Analysys Mason, 2009]



For Figure 11 the base varies from n=143 (Charity) to 988 (Utility – non technical) depending on organisation type.

Exact questions asked: 1a. Which of the following have you made calls to in the past 6 months? (Organisation types/purposes then listed) 1c. Of these calls, were any to 0871 numbers?

Sales and customer services are both important uses of 0871 numbers

- In the business end-user survey, a large proportion of businesses were using their 0871 number for more than one purpose. This is not surprising, given that the majority of these companies had less than 20 employees and thus may be unable to justify separate dedicated lines for customer service, sales, etc.
- Receiving sales enquiries is the most common purpose for 0871 numbers.
- The consumer survey revealed that a significant proportion of people had used 0871 for calling a booking line – with 10%* of the general population reporting having called a travel company or tour operator booking line, and 14%* having called a ticket line, e.g for cinema, theatre or gig bookings.
- 6%* reported having called technical support lines on 0871.

Figure 12: Proportion of businesses using 0870 and 0871 numbers for different services [Source: Analysys Mason, 2009]

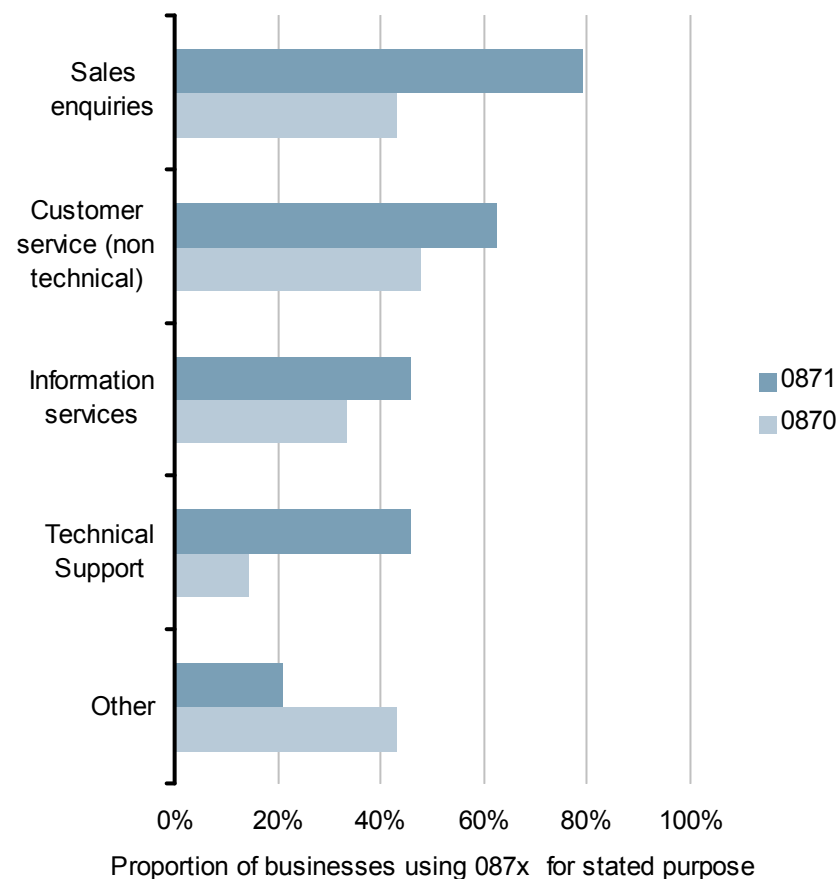


Figure 12: n = 45
(21 0870 businesses, 24 0871 businesses)

* Base: all respondents (not just 0871 users) n = 2669; statistics are based on usage in the past 6 months.

More than 40% of businesses using 0871 cited revenue share as a reason for doing so

- Revenue share is the the most commonly cited reason for businesses to use an 0871, providing an opportunity to offset call-handling costs.
- It is also seen as a more memorable number and if a business changes location, then it does not lose sales enquiries.
- In sectors where margins are low, 0871 is sometimes used to encourage customers to purchase online as it is a more cost-effective sales channel. Some customers also cited using the number to deter nuisance calls.
- In comparison to 0870:
 - Revenue/contribution to costs is much less likely to be cited as a reason for using 0870 than 0871 (probably reflecting the possible end of revenue share and also lower call charges).
 - To give the impression of being larger/national is much more likely to be cited as a reason for using 0870 than 0871.

Figure 13: Proportion of businesses using 0870 and 0871 numbers for different services [Source: Analysys Mason, 2009]

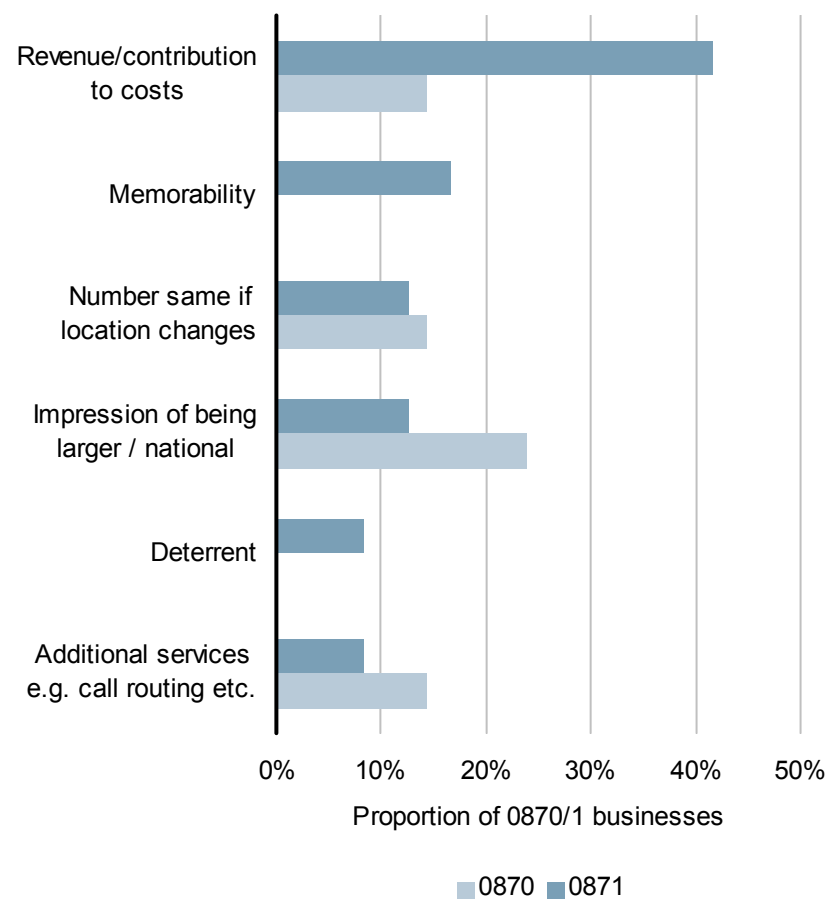


Figure 13: n = 45
(21 0870 businesses, 24 0871 businesses)

The migration away from 0870 is attracting a limited number of customers onto 0871

- Evidence from both the service provider interviews and business end-user survey is that businesses are migrating away from 0870; some are moving to geographic number ranges; among those remaining on non-geographic ranges, the majority are moving to 084x, and only a small proportion to 0871.

“There is very little movement from 0870 to 0871 due to [its] reputation. The majority are moving, either to 084 or back to geographic numbers.”

[Service provider]

“Amongst those migrating away from 0870, the majority have gone to 0844 (around 2/3 of companies), smaller quantity of companies [have migrated] to 0871.”

[Service provider]

- The business end-user survey confirmed a significant trend of migration away from 0870.
 - Of the 22 organisations surveyed that had used an 0870 number to receive calls within the past two years, six were no longer doing so, and one more was in the process of migrating from 0870 to 0871. When recruiting interviews, there were still more lapsed 0870 users, who were not interviewed (due to quotas of lapsed users being met).
- The majority of companies in the business end-user survey had migrated to either a geographic number or to an 084x number. However, a small number may move to 0871. Notable areas where 0870 usage is prevalent include computer helplines (e.g. HP, Microsoft, Dell, Apple) and insurance companies. As such, we may see small increases in the number of businesses in these sectors using 0871.

Most 0871 businesses are waiting for more information before deciding whether to stay on 0871 when it is regulated by PpP

Figure 14: Summary of responses to the question: “0871 is due to come under the regulation of premium rate services regulator, PhonepayPlus from August this year. What will you do when this happens?” [Source: Analysys Mason, 2009]

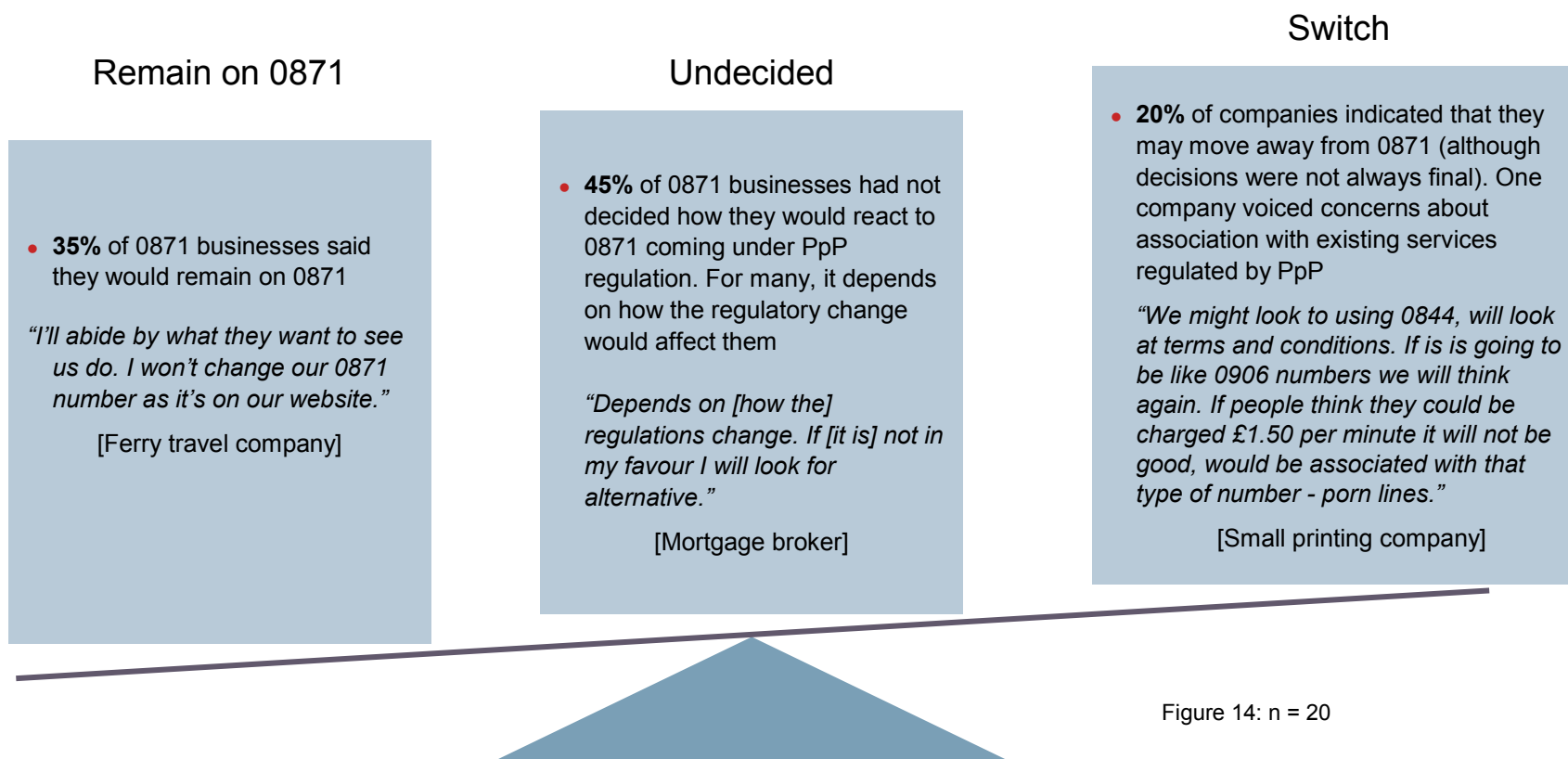


Figure 14: n = 20

Stakeholders had mixed views on how businesses would respond to 0871 regulation

- While some stakeholders felt that regulation of 0871 by PhonepayPlus would have little impact, others thought it would drive businesses away.

“0871, and 087x in general, has a bad reputation following the lack of action by the regulator. People are confused and are moving away from these services”

[Service provider]

“[Regulatory change for the 0871 range] has had no impact whatsoever on our customers. It has had no impact on discussion with any customer. Our corporate customers are already audited/regulated heavily. They have to follow regulation by lots of things and so movement of 0871 under PpP regulation is not a problem for them.”

[Service provider]

“The market for 0871 is declining. Businesses are steering clear of 0871 due to movement under PpP regulation.”

[Service provider]

“SMEs use 0871 to maximise revenues, but stigma and fear of regulation by PpP has prompted them to move away altogether. PpP is labelled as regulator of the sex industry.”

[Service provider]

Contents

Executive summary

Introduction

How big is the 0871 market?

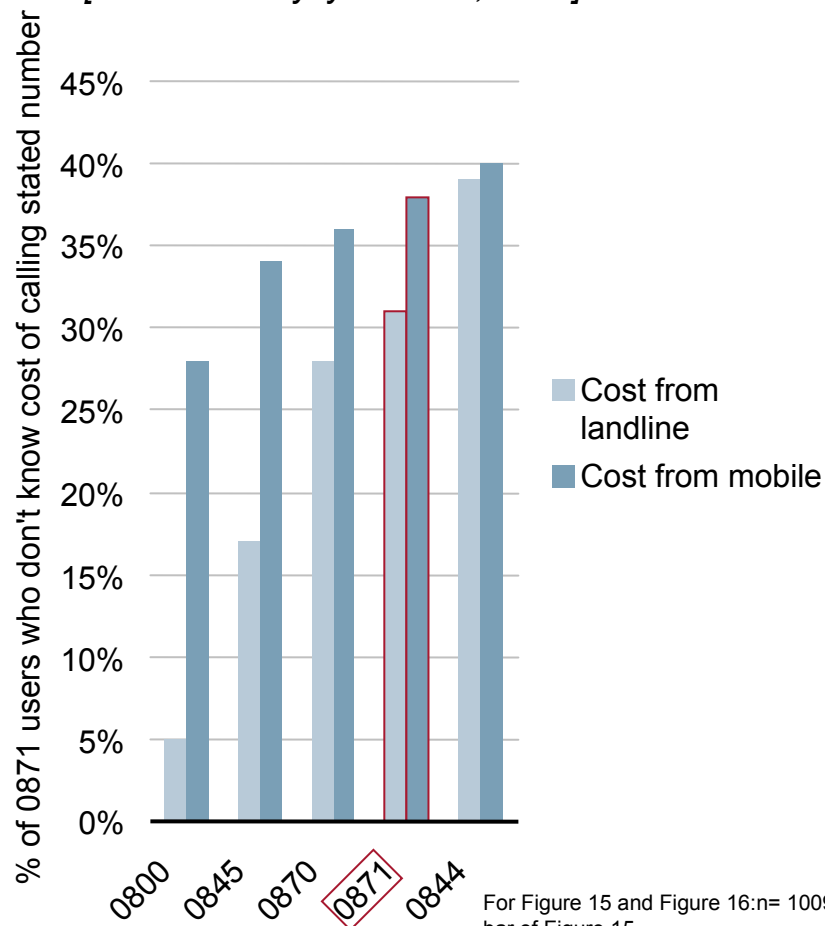
Who is selling 0871 numbers?

What types of business are receiving calls on 0871?

What experiences are customers having with 0871?

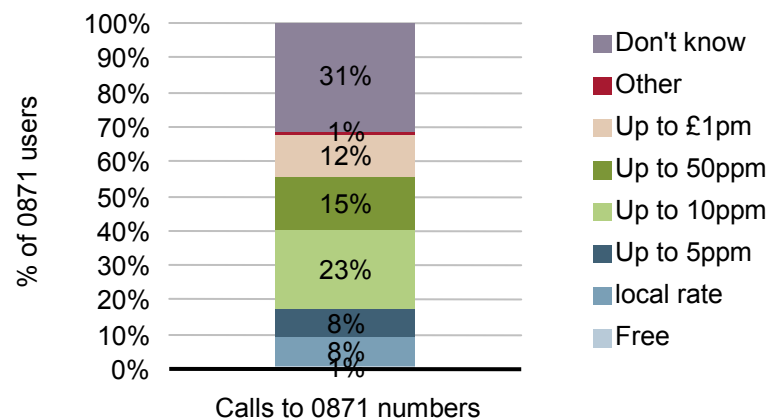
Pricing of 0871 is less-well understood than that of the majority of other number ranges

Figure 15: Proportion of 0871 users who stated 'don't know' when asked the cost of calling the listed numbers from a landline [Source: Analysys Mason, 2009]



- 31% of consumers surveyed who had called an 0871 number in the past 6 months did not know the cost of calling an 0871 number from a landline (see Figure 15). 40% did not know the additional cost for calling from a mobile.
- A further 12% of 0871 users thought that it cost between 50ppm and £1pm to make a call to an 0871 number from a fixed line (see Figure 16).
- Meanwhile, 3% thought that calling an 0871 number from a fixed line was free (see Figure 16).

Figure 16: Perceptions of costs for calling an 0871 number from a landline [Source: Analysys Mason, 2009]



For Figure 15 and Figure 16: n= 1009 for Figure 16 and for the 'cost from landline' bar of Figure 15. n=978 for the 'cost from mobile' bar of Figure 15.

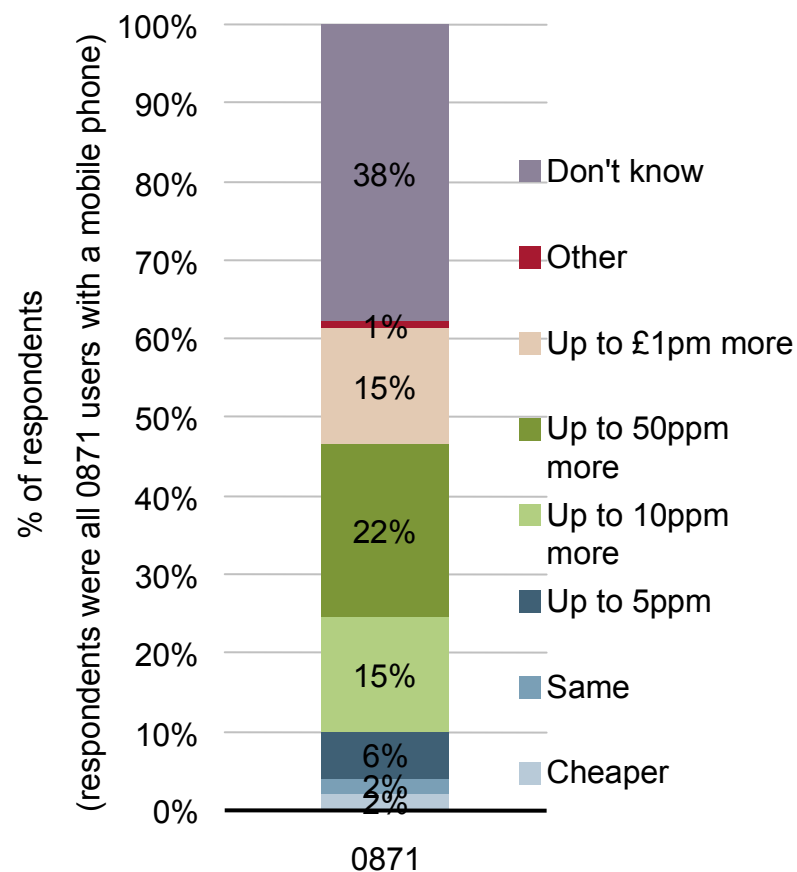
Exact questions asked: Q2a. Here is a list of telephone number dialling codes. Please indicate how you think each number is charged when you make a call from a landline telephone.

Q2b. Thinking about the same list of telephone numbers, please indicate how you think the cost of calling each number from your mobile compares to calling from a landline telephone.

Less than a quarter of 0871 users have an accurate view of the prices for calling an 0871 number from a mobile

- Web-based research suggests that calling 0871 numbers from a mobile typically costs a premium of between 15ppm and 30ppm, compared to the typical cost of calling an 0871 number from a landline.
- However, only 22% of 0871 users with a mobile phone thought that calling 0871 from a mobile would be between 11ppm and 50ppm more expensive.
- The majority of respondents didn't know how much extra it cost to call an 0871 number from a mobile.
- 25% underestimated the additional cost of calling from a mobile, while 15% overestimated the additional cost of calling an 0871 number from a mobile.
- Given the clear lack of consumer understanding of 0871 prices currently, it should be a priority for PhonepayPlus to explore ways of improving this.
- Although consumer understanding of pricing is weak, the majority of 0871 users can correctly identify when they are being charged.
 - 93% understand they are being charged when they are on hold.
 - Only 9% incorrectly believed they are being charged when there is a ringing tone, but the call has yet to be answered.

Figure 17: Perceptions of the additional cost of calling an 0871 from a mobile compared to calling from a landline [Source: Analysys Mason, 2009]



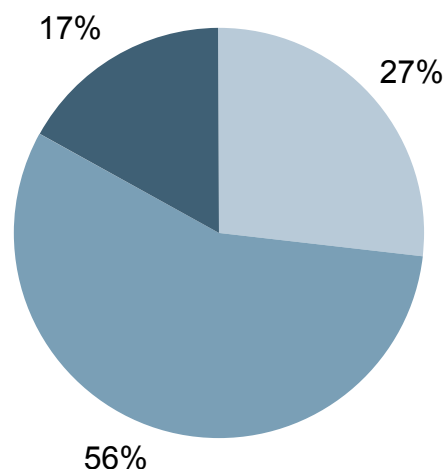
For Figure 17 n= 978

Exact question asked: Q2b. Thinking about the same list of telephone numbers, please indicate how you think the cost of calling each number from your mobile compares to calling from a landline telephone.

Ref: 14369-123
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Consumers would prefer more information at the start of calls about how they will be charged

Figure 18: Proportion of 0871 users ranking the listed option as their preferred way of being informed about 0871 charges [Source: Analysys Mason, 2009]



- In advertisements, directories, websites and on vehicles
- Start the call with a recorded announcement (which would not be charged for) of the cost per minute
- Start the call with a recorded announcement of the cost per minute if the charge is more than 5ppm

- Over half of 0871 users would prefer to be notified about call charges by a recorded announcement at the start of the call (which would not be charged for), regardless of the cost of the call.
- 17% would prefer to be notified by a recorded message only if the call cost was more than 5ppm.
- Roughly one quarter would prefer advertisements via written media to keep them informed of call costs.

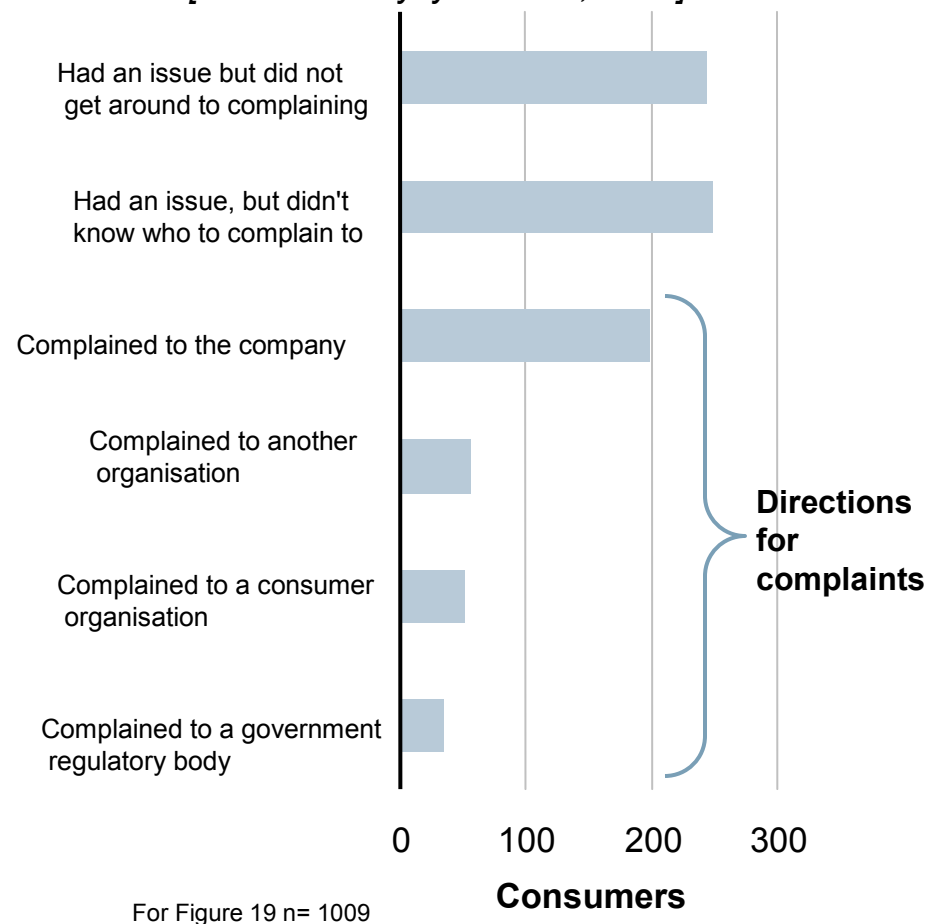
For Figure 18 n= 1009

Exact question asked: Q2e. Here is a list of ways in which you could be notified about the charge for calling an 0871 number. Please rank these ways in order of preference, where 1 is the way you would most like to be notified, 2 is your second most preferred way to be notified, etc.

The majority of consumers who made a complaint did so directly to the company

- Of a population of just over 1000 users of 0871, 24% said they had made a complaint of some kind about the services they had received either to the company in question or to an independent organisation.
- 33% of consumers felt in some way aggrieved following their experience with 0871 services, but did not make a complaint through an official channel.
- This has left a surprisingly small body of consumers, just 56%, who were satisfied with the service and/or charges associated with 0871.
- Evidence from businesses using 0871 to receive calls suggests complaint volumes are significantly lower than consumer survey evidence suggests. 75% of the twenty 0871 businesses asked this question reported that they received no complaints in a typical month. Of those that did receive complaints, the volume of complaints ranged between 10% and less than 1% of callers. Consumers may overestimate their complaints, but businesses may have incentives to underestimate complaint volumes.

Figure 19: Actions of complainants about 0871 services [Source: Analysys Mason, 2009]

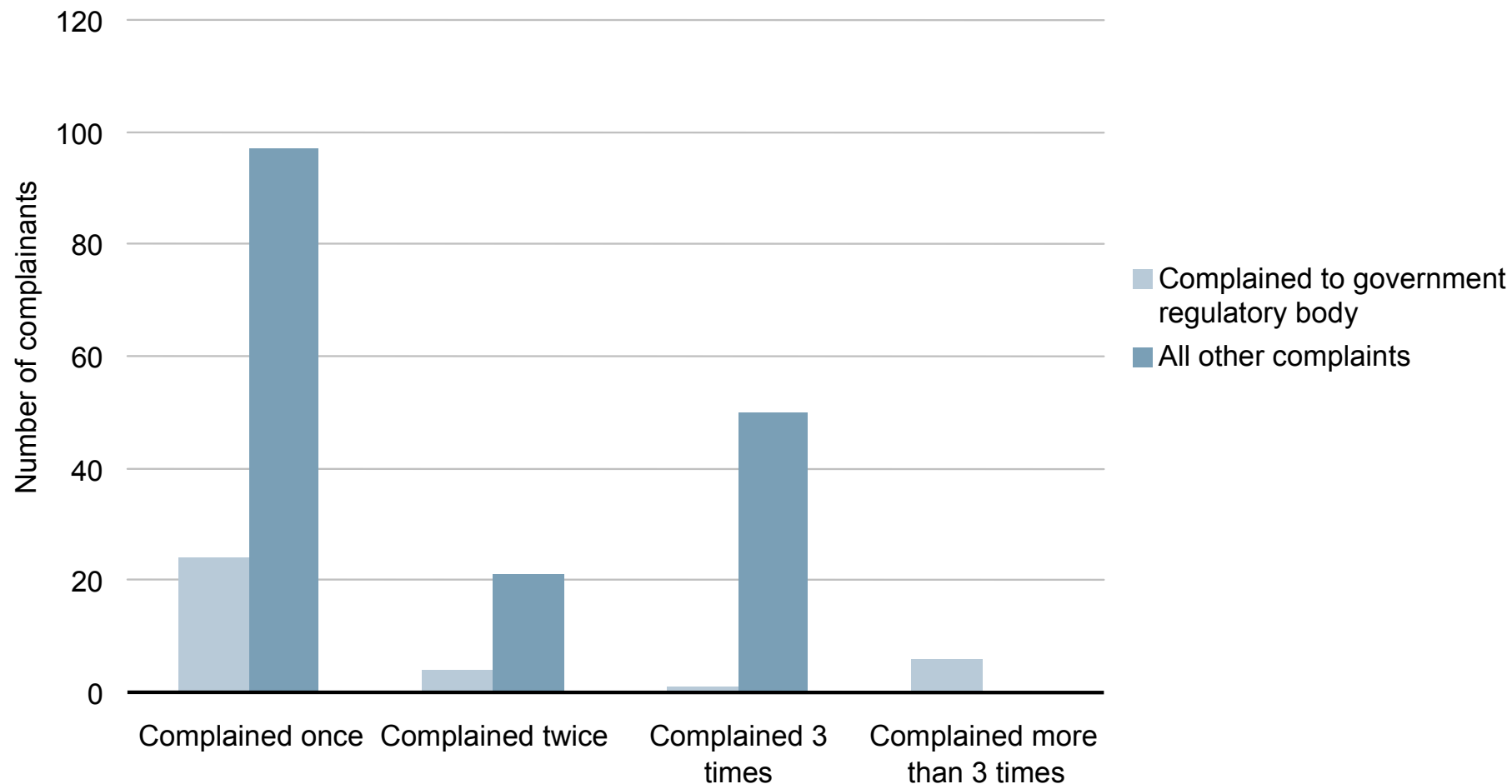


Exact questions asked: Q4a. In the past 6 months have you made any complaints about calls you have made to an 0871 number? [each of the 6 options shown above are listed with respondents answering yes/no for each]
 Note : the categories in Figure 19 are not mutually exclusive - a consumer may have felt aggrieved by one service and complained, and felt similarly aggrieved on another occasion, but not made an official complaint

Ref: 14369-123
 Confidential

PpP and other regulatory bodies are likely to receive only a small proportion of the total number of complaints

Figure 20: Number of complaints per complainant to governmental and 'other' sources about 0871 services [Source: Analysys Mason, 2009]

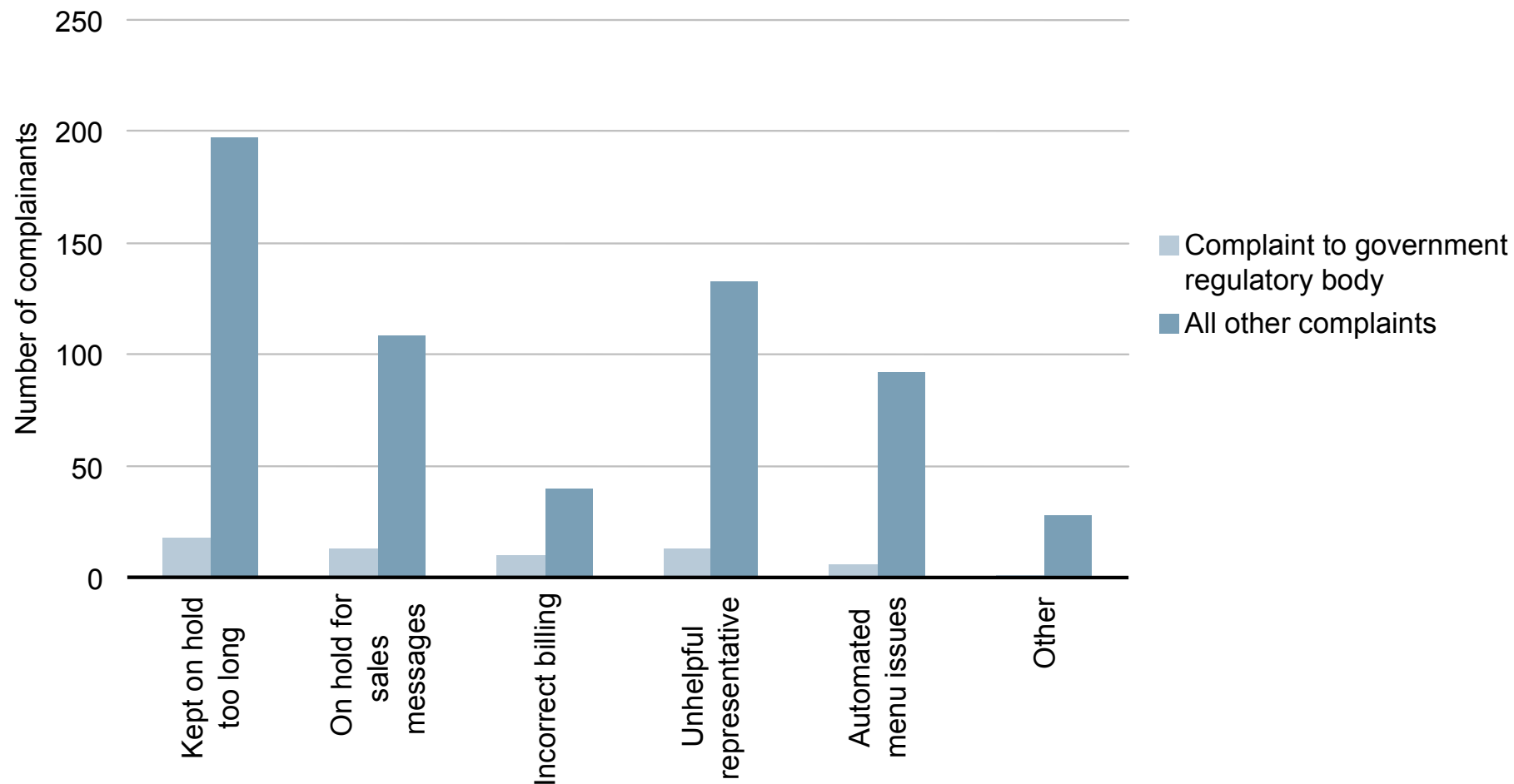


For Figure 20: n= 35 for government bodies, >199 for all other complaints

Exact questions asked: How many times have you complained to about calls you have made to an 0871 number in the past 6 months?

Being kept on hold for too long is the most common source of complaints overall

Figure 21: Reasons for complaints to governmental and 'other' sources about 0871 services
[Source: Analysys Mason, 2009]



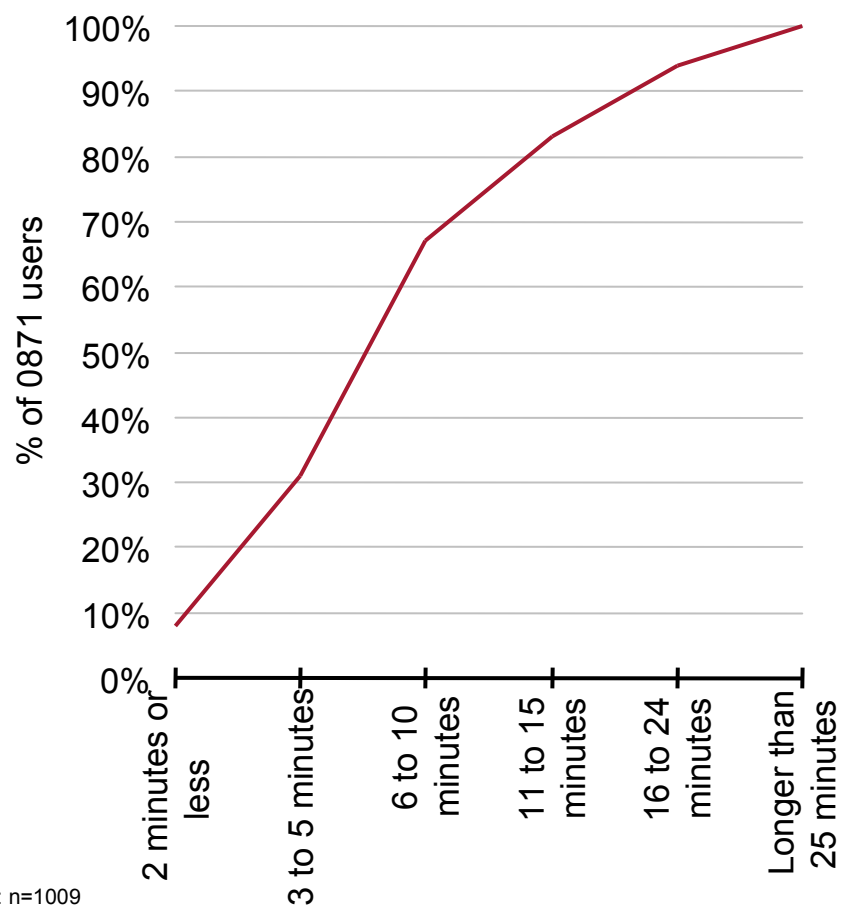
For Figure 21: n= 35 for government bodies, >199 for all other complaints

Exact questions asked: Please indicate what incidents you were complaining about:

Consumers have varying degrees of tolerance when it comes to the amount of time they would spend on hold

- The previous slide clearly shows that the most common cause of complaint is being kept on hold for 'too long'.
- It seems that consumers are relatively quick to complain about being kept on hold.
 - Nearly 60% of consumers would have to be kept on hold for between 3 and 10 minutes before making a complaint.
 - 16% said they would have to be kept on hold for between 11 and 15 minutes before making a complaint.
 - Only 18% of consumers would have to be kept on hold for more than 15 minutes before complaining.
- By the time 10 minutes had elapsed on hold, almost 70% of customers said they would complain.
- In addition, 82% of consumers feel that they should be able to make a complaint about an 0871 via a local-rate number (rather than having to complain via an 0871 number).
- Around three quarters of all 0871 users felt that it was not acceptable if they were left on hold for more than 5 minutes while their query was addressed.

Figure 22: Percentage of 0871 users who would complain about a service after being on hold for a specified amount of time
[Source: Analysys Mason 2009]



For Figure 22: n=1009

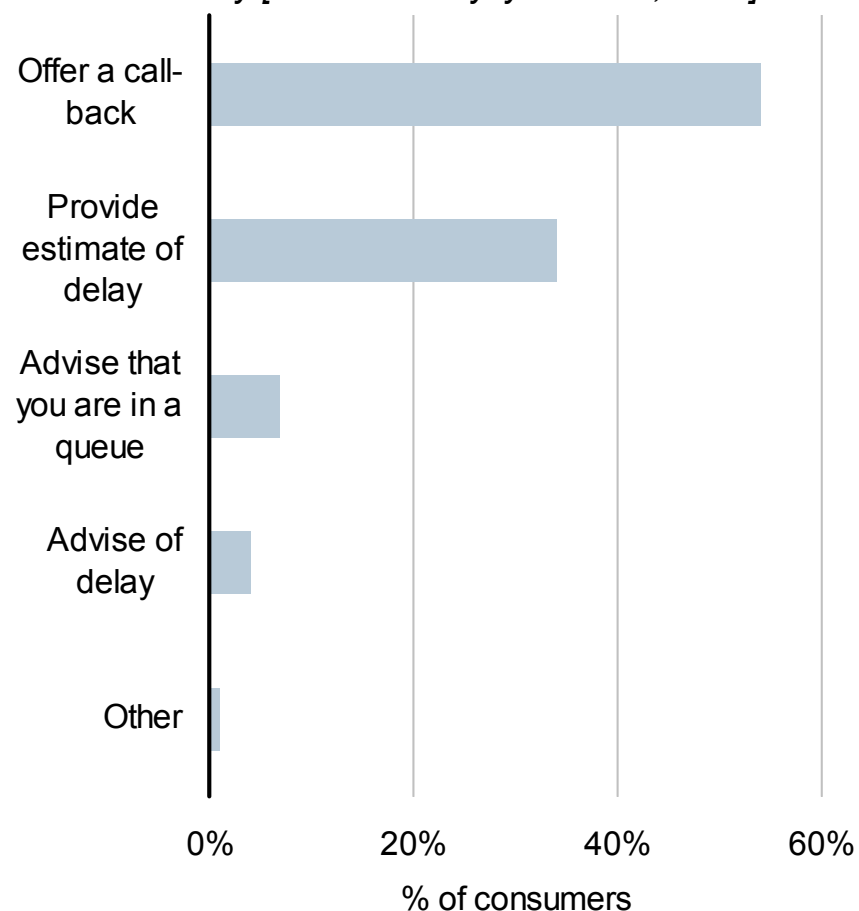
Exact question asked: When calling an 0871 number, how long would you have to be kept on hold before making a complaint

Ref: 14369-123
Confidential

Consumers would prefer options other than simply waiting on hold when calling during congested times

- A survey of businesses has revealed that any times from 8am to 8pm could be subject to congestion.
- Weekdays are generally seen by participants in the industry as being more busy than weekends, but this is not universally the case
- Consumers have expressed strong views on how they would prefer the service to adapt at busy times, with over 50% preferring a service that will call them back once the congestion in the system has eased.
- Notification that the caller is in a queue, or is on hold, without providing additional details is seen as desirable by less than 10% of respondents.

Figure 23: Consumers' preferred response from the organisation when the call can't be answered immediately [Source: Analysys Mason, 2009]



For Figure 23 n=1009

Exact questions asked: Q3c. If your call cannot be answered immediately, there are various ways organisations can respond. Please rank these ways from 1 to 4 to indicate how you prefer this situation to be dealt with, where 1 is your most preferred way, 2 is your second most preferred way, etc.

Annexes

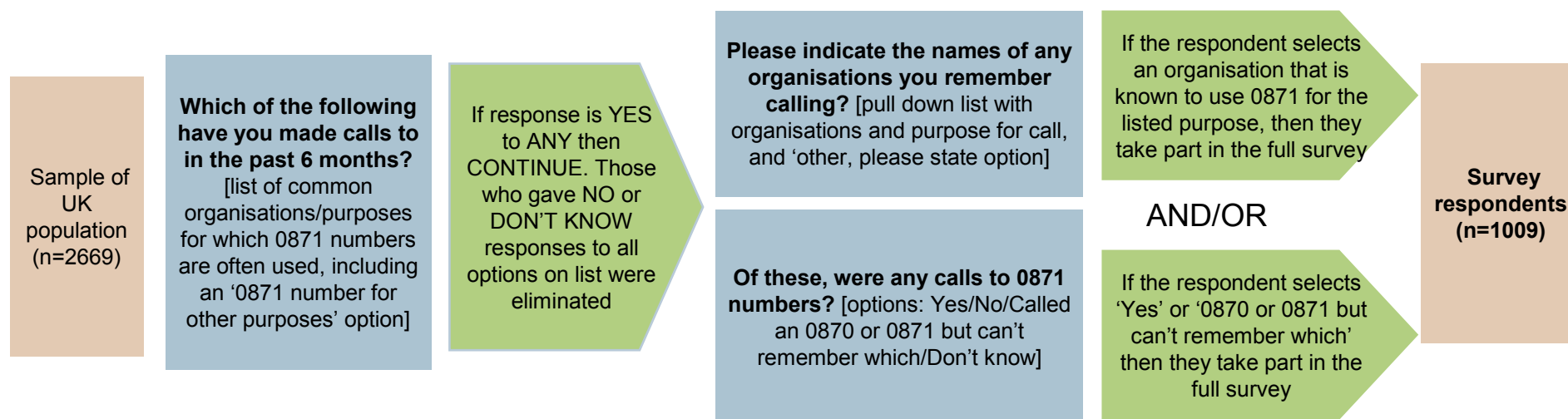
Annex A: Primary research methodologies

Annex B: Market sizing methodology

The consumer survey involved over 1000 users of 0871

- The consumer survey was completed by a nationally representative sample of 1009 adults aged 16+ who had made a call on an 0871 number in the past 6 months.
- As it is often difficult for customers to know or remember whether they had called an 0871 number, a careful screening procedure was applied. This is outlined in Figure 24.

Figure 24: Screening procedure for consumer survey [Source: Analysys Mason, 2009]



The consumer survey covered usage patterns, pricing perceptions, customer experience and complaints

- Usage patterns: this section included types of organisation called on 0871, call durations and proportion of calls from mobile. When covering usage patterns, questions were asked for each of the following organisation types/call purposes:
 - Transport information or reservation offices (bus, rail, coach or airline)
 - Tour operator/travel company booking lines
 - Sales or (non-technical) customer service offices for electricity, gas or water companies
 - Sales or (non-technical) customer service offices for fixed or mobile telephone companies
 - Technical help lines for computer, phone or Internet problems
 - Cinema, theatre, concert or gig bookings
 - Charity helplines/donation lines
 - Central or local government offices or agencies
 - Telephone banking
 - Other calls to banks, credit card companies, insurance companies or other financial services firms
 - An 0871 number for other purposes [please state purpose].
- The pricing perceptions section covered expected prices for making a call from a landline, how prices differed when calling from a mobile and how customers would prefer to be notified about call charges.
- The third section covered customer experience, including experiences of being kept on hold and how respondents would prefer to be dealt with when their call cannot be answered immediately.
- The final section on complaints looked at frequency of complaints, who consumers are complaining to and reasons for complaint.

The stakeholder survey has involved interviews with 10 organisations to date

- To date, interviews have been completed with one major fixed line operator and provider of 0871 numbers, eight other 0871 service providers and a consultancy firm working with service provider clients and specialising in regulatory compliance in the telecoms sector.
- Key themes discussed with stakeholders include:
 - Current usage patterns of 08x and 03x by business end users
 - Value chain, pricing and outpayments for 0871
 - Main 0871 service providers (and their market shares), trends in the total number of 0871 service providers
 - Market size and market trends for 0871 (based on own company experience, and wider understanding of the market)
 - Predicted effects of the decision for 0871 to be regulated by PpP from August 2009
 - Current and predicted migration to/from other number ranges, and whether these relate to company size or sector, etc.

As part of this study, we interviewed 46 businesses using 0870 or 0871 to receive calls

- The survey covered 37 businesses that are currently using 0870 and 0871 to receive calls and nine more that had done within the past two years.
 - It was important to include lapsed users in order to understand reasons for switching.
 - 0870 users were included to assess the impact of proposed changes in 0870 regulation on 0871 adoption.
- In total, 29 small businesses (0 to 20 employees), 12 medium businesses and 5 large businesses were surveyed.

Figure 25: Table showing details of businesses surveyed [Source: Analysys Mason, 2009]

| | 0870 | 0871 |
|----------------------------------------------------------------------|------|------|
| Currently using 087x number to receive calls | 16 | 21 |
| Have used 087x within past two years, but are not doing so currently | 6 | 3 |

Annexes

Annex A: Primary research methodologies

Annex B: Market sizing methodology

The following methodology was used to size the 0871 market

Analysys Mason forecasts for fixed and mobile voice, including minutes and revenue

Data from Ofcom and contributing stakeholders regarding the size/growth of the non-geographic number market

We have constructed a bottom-up model using the consumer survey as the primary data source. Data from the business end-user survey and stakeholder interviews were cross-referenced

Total non-geographic number market

Market Size for 0871

Analysys Mason's published forecasts and data from Ofcom have been used as a top-down sense check for the model

Number of calls

Cost of calls

Usage statistics from consumer survey

Averaged call frequency by service

Averaged call length by service in minutes

Percentage of calls made from mobiles and fixed lines

Pricing data from desk research and stakeholders

When undertaking analysis of 0871 usage, Analysys Mason divided the market into a number of known services

- Analysys Mason has compiled a list of services commonly using 0871 numbers into which we divided our analysis of the market. The services identified as of most importance were:
 - Transport information services
 - Tour operator services
 - Utilities information services - non technical
 - Telephony information services - non technical
 - Technical support - IT
 - Ticket Lines
 - Charity
 - Government
 - Banking lines
 - Other financial services
 - Other 0871 (this has been included to provide a complete picture of the market).

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