



The Global Voice of Mobile Entertainment

Business Plan and Budget 2009/10

MEF's response to the PhonepayPlus Consultation document

MEF RESPONSE | JANUARY 2009

Introduction

The Mobile Entertainment Forum was formed in 2000 to represent companies throughout the entire mobile entertainment value chain. As the global trade association of the mobile media industry, MEF works on behalf of its diverse membership to drive mobile entertainment adoption, shape regulation and deliver competitive advantage to its members.

With global headquarters in London, a Hollywood-based Americas secretariat, an Asian chapter in Hong Kong and the newly expanded EMEA branch, MEF's network of members represents a veritable 'Who's Who' of mobile entertainment businesses and entrepreneurs. For more information and a full list of members please visit: www.m-e-f.org.

Summary response to the consultation

MEF welcomes the opportunity to respond to the PhonepayPlus (PpP) consultation on its proposed budget for 2009/10.

As the PpP consultation itself recognises, the premium rate market in 2008 was estimated at £920m, 15% down on the 2007 figure and that this decline is likely to continue into 2009.. The economic downturn and associated reduction in consumer spending does seem to be having a negative impact - we have seen reductions in work forces, cut backs on marketing and a generally more cautious approach about the prospects of doing better than in 2008.

While we strongly support PpP's aim of providing improved efficiency and effectiveness of regulation, with members cutting back on spending, it is difficult to justify any increase of the PpP budget as proposed. We appreciate that PpP is attempting to provide for the best possible regulatory environment for both consumers and the industry but we must ask that is achieved in a cost effective manner.

We believe that, like many of our members, PpP should be seeking to reduce its budget by concentrating only on the core activities within its remit and seeking to reduce the budget wherever possible. For example:

- Not publishing the current Code or Annual Reports
- Using the industry and, in particular, the ILP more in saving on consultative fees and research
- Leveraging learning's from any consumer surveys already commissioned by members of the industry or the ILP to understand the consumer attitudes and experience:
 - MEF has started a quarterly survey of its members to determine attitudes to and the effects of the current economic downturn and how the mobile market is reacting to the global recession. We will be issuing quarterly updates on market health and robustness around the world – we will ensure that both PpP and Ofcom receive the results.
 - MEF is willing to share with PpP and Ofcom the results of the Consumers and convergence study with KPMG which covers 19 countries and asks 4500 consumers across all demographics for their experience of engaging with all types of mobile entertainment content.
- Partner with the industry on key surveys – MEF is willing to circulate specific questions to its members as and when required by PpP
- Concentrating energies of monitoring of premium rate services and rigorously applying the Code in situations where there is a real risk to consumers – this will itself increase consumer confidence in premium rate services
- We do not believe that the following are core to PpP's role as the regulator:
 - PR campaigns targeting tailored messages at distinct audiences;
 - A further youth marketing campaign in schools;
 - Integrated marcomms launch of 0871;
 - Web-based video tutorials distributed on new media platforms.

Responses to the Specific Questions

Q1. What comments do you have on the five objectives we set out in the Three Year Plan? Do you think they are still relevant and appropriate? What priorities or themes would you identify for consideration as part of our Review?

Whilst we agree with all the five objectives set out in the Three Year plan, we would ask PpP to consider carefully the spending related to ensuring the public are better informed about the services you regulate, your role as the regulator and their rights under the regulations. Embarking on a media literacy plan will be very expensive. Instead, as was mentioned at the Budget ILP meeting, it would be better if PpP could concentrate on more pre-emptive compliance work – preventing the harm from occurring in the first place or by dealing swiftly with any consumer harm. Through this method, consumers will be protected and with the information provided on the PpP website be informed of the services PpP regulates, your remit and their rights under the Code – particularly in relation to redress.

Q2. Do you have suggestions on specific strategic objectives and tasks – or a reprioritisation of existing ones - that you think PhonepayPlus should consider as and when we review our Strategic Plan in 2009?

No. The five objectives as set out can provide for an excellent regulatory environment for both consumers and the industry.

Q3. What information or evidence do you have about market trends and about the overall size of the phone-paid services market in 2009/10?

Q4. What information or evidence do you have about any specific segments or content areas and their potential for real growth or decline over 2009/10?

MEF has started a quarterly survey of its members to determine attitudes to and the effects of the current economic downturn and how the mobile market is reacting to the global recession. We will be issuing quarterly updates on market health and robustness around the world – we will ensure that both PpP and Ofcom receive the results. Please note that the respondents were not solely in the premium rate industry and came from wider a field.

Q5. Do you agree with these priorities as actions for 2009/10? If not, please explain why not with alternative suggestions.

Q6. What action or support could industry providers offer in order to assist us in delivering these priorities?

MEF is willing to provide as much assistance as possible to PpP to help it regulate the premium rate industry. We are happy to work with PpP in developing and executing industry surveys and consumer research. We can provide PpP with access to our membership to discuss issues that PpP believe are important in terms of forward planning or if you need more information.

In relation to the following goals:

Providing effective and proportionate regulation to the industry, based on research, risk assessment, market understanding and strategic intervention

We strongly support PpP putting more resource towards producing a new Code of Practice.

MEF is not convinced that the increase in your budget for 2009/10 in the area of research is entirely necessary. We understand the need to benchmark and report consumer trust in the use of phone-paid services but we believe you can directly approach the mobile network operators and ask for information relating to the queries/complaints they receive.

Continue to benchmark compliance and identify strategic solutions to address consumer Concerns

We agree.

Broaden our consumer education campaigns in targeted ways

Consumer education is an essential component to building trust in premium rate services. The cost involved in undertaking communications campaigns to educate consumers can be considerable and not always measurable. We would prefer more resource was spent on pre-emptive action seeking out services which cause consumer harm. As discussed at the ILP Budget meeting, this in turn will increase consumer confidence in a far more constructive way.

To be more transparent and accountable

We agree with the proposals as set out.

The PpP/ILP relationship has improved significantly in recent times. MEF would welcome greater liaison with the ILP – to use the group as a collection of experts with access to the entire premium rate

Practical Steps and further suggestions from Members

An efficient way of keeping costs down would be for PpP to revisit their commitment to the ‘polluter pays’ principle. Although it is casually referred to in the Draft Plan and Budget (in terms of admin charges being used to meet the CCP’s costs) it is silent on how much admin charge money has been recovered and whether that revenue is also able to cover the investigation teams’ costs, which it should. It would be helpful if PpP could provide more information that demonstrates that it is being efficient - not just in terms of spending but also in terms of ensuring that they have developed robust credit control procedures and are meeting collection targets. A headline objective and associated KPIs around administration charge collection is far more helpful in terms of responding to a budget consultation than information on how many days it takes to post an invoice.

Quarterly (or other regular) reporting along the following lines would provide PhonepayPlus with a clear results-based objective that can be easily measured and implemented:

- How much has been invoiced in administration charges?
- How much of that has been recovered?
- How long did it take to collect?
- How much of the CCP’s and investigations team’s costs are covered by this income?
- How much income is derived from Prior Permission applications?
- How much of the prior permissions income covers the CCP’s costs?

The balance between administration charge income and cost of investigation and adjudication is the figure that impacts on the overall levy; a balance showing a decreasing value will demonstrate PhonepayPlus’ commitment and success in meeting this objective.

There has been a request for greater transparency around the complaints figures that PPP reports. Members have asked PpP can publish frequently a set of complaints metrics and not just “total number of consumer complaints”. The types of information that would be useful is:

- Number of companies complained about
- Number of individual services complained about
- These figures as a ratio of total number of operational short codes, number of complaints per service (will show if more consumers are complaining about rogue services, rather than the number of rogue services increasing per se) and so forth.

If you need any more information or have any questions, please do not hesitate to contact Suhail Bhat at Suhail@m-e-f.org

MEF
29 January 2009