



Premium Rate Payments

New Entrants Guide

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1.0 Guide Summary

AIME (Association for Interactive Media & Entertainment)* is pleased to bring you this Premium Rate Services (PRS) New Entrants Guide. The guide is aimed at any person or company looking to set up and promote a Premium Rate Service, for example a simple customer information line, a premium rate competition or a 1-2-1 chat service.

AIME has developed this new entrant guide to explain the PRS transaction, delivery and billing process and how to put a PRS billing solution in place to monetise your product or service. This guide provides an overview of the essential information needed, though, if you wish to get the best results from Premium Rate billing, AIME also provides a 1 day training course to provide a more in depth understanding.

Through our strong relationships with the regulatory bodies governing the sector, including PhonepayPlus and Ofcom, AIME has developed an excellent understanding of the sectors' regulation. This guide covers the basics, though, we would strongly advise speaking to AIME should you require advice specific to your service.

*Refer to section 7 for further details of AIME.

2.0 What is Premium Rate?

The Premium Rate billing mechanism is a facility where the charge for a product or service is billed to the consumer's phone bill.¹

PRS transactions are possible on both Mobile and Fixed line telephony systems and through the Mobile Operator billing scheme, 'Payforit'. Billing to the phone bill no longer needs to be intrinsically related to the on-phone related products or services; making PRS an effective charging solution for customers without a credit or debit card.

Whilst the process supporting these two access routes does vary, the principle is the same, in that consumers will respond to a call to action authorising the provider to make a charge, which will be billed by the consumer's telephone Network Operator. The Network Operator will then pass this revenue on to the provider, subject to an agreed deduction for facilitating the transaction. The ubiquity of mobile phones, the speed and simplicity of the PRS transaction and the personal nature of the device has also proved the mechanism to be an excellent acquisition tool for new clients.

*AIME provides a one day **PRS Training** course, to guide new-entrants through the payment mechanism*

¹ Premium Rate Services (PRS) are defined in S.120 of the [Communications Act 2003](#) and a certain class of these, as defined by [Ofcom](#), are considered Controlled PRS and subject to regulation by its agency [PhonepayPlus](#).

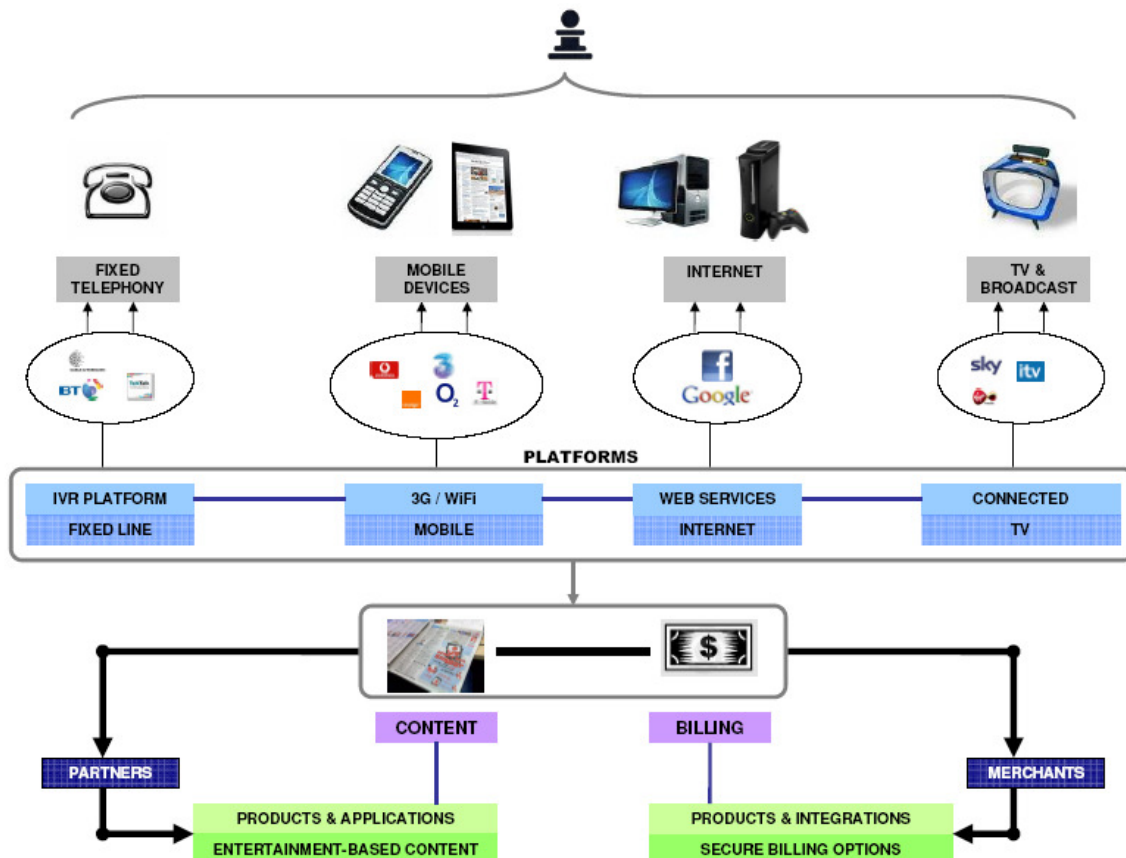
3.0 What is Premium Rate billing used for?

Premium Rate billing has a wide variety of commercial applications, from the traditional handset environment, through to converged media solutions, such as connected TV.

Common services using premium rate billing include:

- Directory Enquiries
- Adult Entertainment
- General Information Services
- Competitions & Quizzes
- Charity Donations
- Gambling Services
- Voting & Participation TV
- Mobile Games
- Flirt, Dating or Chat Services
- Tarot & Astrology
- Virtual Items & Gifts
- Mobile Personalisation, e.g. ringtones, wallpapers

These services are generally consumed or engaged with via a landline phone, mobile, internet or TV. What joins these different channels is the common ability to charge for services by phone or other communications provider bill (e.g. Internet Service Provider). Content is accessed and then billed for as the diagram shows below:

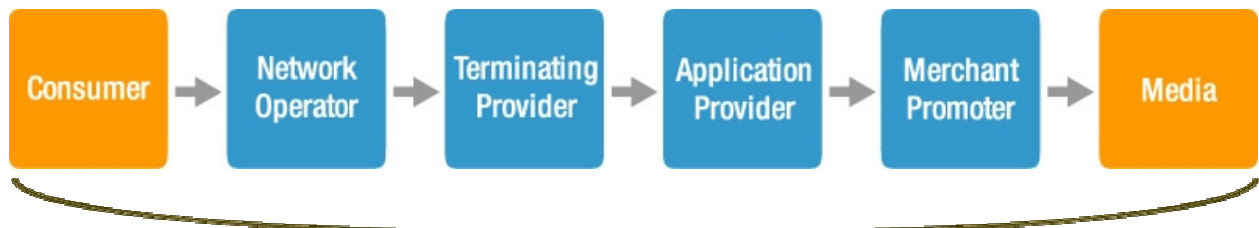


4.0 How does Premium Rate billing work?

4.1 The Premium Rate Value Chain

For the fulfilment of a Premium Rate billing transaction, there are several companies within the ‘value chain’ who all have specific responsibilities for delivering the service and also billing for it.

The Premium Rate Value Chain:



NB: A Premium Rate provider may play multiple roles across the value chain.

Service & Payment flow:

- a Premium Rate Service (PRS) is promoted in the Media (e.g. TV, newspaper, social media, mobile advert, text message etc) by the Merchant Promoter
- a consumer responds to this Call to Action (CTA), e.g. dial 090 or text XXXXX for service XXXX, and different parties in the value chain above will have responsibility to ensure this service is delivered to the customer
- the consumer is billed for the service by their Network Operator (eg BT or Orange) and the transaction charge will appear on their phone bill
- the originating Network Operator will pay a Terminating Provider (usually on a 30 day term), having subtracted their fee for transaction costs
- the Terminating Provider (after a regulatory withhold period of 30 days) will subtract their fee and then pay the next party in the value chain, that being either the Application Provider, or the Merchant Promoter directly.

The Payment flow described above relies on parts of the value chain to play a specific function, which is traditionally paid for by subtracting an agreed % fee, known as ‘revenue share’. Revenue share and other payment terms will vary (usually based on traffic/sales volume) and this will be negotiated on a case by case basis between the Terminating Provider and Merchant Promoter.

Merchant Promoter:

The Merchant Promoter is the party that promotes the Premium Rate service to consumers – they may be TV broadcasters, digital store merchants or other promoters, but in contract law they are the merchant who is contracting to provide the particular service to a consumer. They also carry the customer care responsibility for the particular service provided.

Application Provider:

The Application Provider manages the platform that operates/runs the Premium Rate service; where the business logic of the service is determined. The Application Provider may be a separate company, or the application platform may be run within the Terminating Provider or larger Merchant Promoter.

Merchants wishing to take on the dual role of Application Provider will require programmable kit, or IVR technology, to manage the service flow once the call or message is received from the Terminating Provider.

Terminating Provider:

A Terminating Provider is the gateway to numerous originating Network Operators (BT, Orange, Talk Talk etc) – offering the ability to deliver and bill for a service to a consumer irrespective of their chosen Network Operator.

In **Fixed Line telephony**, the Terminating Provider is the Terminating Network Operator, which holds interconnect licenses and issues the Premium Rate numbers from 10,000 number blocks issued to them from the regulator Ofcom. The Network will retain a fee of around 8%, which will include Ofcom set fees for bad debt. Typical fixed line PRS numbering starts with the prefix 090, 118 or 08XX.

In **Mobile telephony (SMS, VSC – short 5-7 digit voice or text codes)**, the Terminating Provider, commonly called a mobile Aggregator, has the ‘interconnect’ agreement with the Mobile Network Operators (MNO). Numbers are issued by the MNO to the Aggregator. Typically services will be operated on mobile shortcodes, SMS (text) or VSC (voice), video shortcodes are also available. The fee retained by an Aggregator will usually range between 5-10%.

Network Operator: Mobile and Fixed

A Fixed line Network Operator (offering landline phone access) or Mobile Network Operator contracts with customers to provide access and billing for a variety of communication services (phone calls, broadband etc) and they carry the general responsibility for customer care.

Each Network Operator will charge a fee for network costs and this is subtracted from the outpayment. A fixed line network may typically charge 5-10% and a mobile network 5-25%. There are many variables which affect the outpayment, including the £ tariff selected and volume of business generated by a service.

Media and Marketing:

Media and Marketing agencies sit just outside of the PRS value chain, and will work with a Merchant Promoter to provide advertising advice and ensure best return on placed promotions. The responsibility for the compliance of promotions rests with the Merchant Promoter. Creating a marketing campaign to maximise return on investment (ROI) is complex and there are a number of channels to market and strategies to consider, ranging from SMS and web marketing, to print and TV advertising.

4.2 Premium Rate Billing Solutions

There are three main solutions for PRS billing: Fixed Line, Mobile Shortcodes (SMS and Voice) and a web-based payment mechanism, called Payforit (which also enables billing direct to the consumers' phone bill).

A) Fixed Line Services – can be accessed via an 09 prefix number, which is billed either at up to £1.53 per minute, or by a single drop charge upon the call being connected. The same principle applies to 08 prefix numbers, though these are not generally PRS numbers and operate on substantially lower price points. Each number is mapped to a single outpayment and there are a variety of price points to match the required return on different product offerings. Of note, call costs from mobile phones and some landline phones to 090 numbers may cost more than others and adverts should therefore reflect relevant costs in pricing information.

B) Mobile Shortcodes

SMS Shortcodes – enable billing to take place through the consumer texting a key word to a five digit code ('shortcode'). Each shortcode can be loaded with multiple keywords enabling different product offerings to be delivered through a single shortcode. Whilst larger companies may purchase an entire shortcode for their exclusive use, it is common that smaller companies are allocated specific keywords on a shared shortcode. There are SMS shortcodes available at various price points up to £10. The consumer will be charged the same amount regardless of their originating network, though the outpayments may vary.

There are two forms of charging for a mobile Premium SMS transaction. The first charge occurs when users send their text and key word to the advertised shortcode. This is known as mobile originate or MO charge. The second is when the Terminating Provider who has received the user's message sends a response to the user and charges the user for the response. This is known as mobile terminate or MT charge.

Voice Shortcodes (VSC) – work in a similar way to Fixed Line voice services, though rather than dialling a long 09 prefix number the consumer accesses the service by dialling a short five to seven digit number. Voice shortcodes will usually map to a standard fixed line long number and are operated in the same manner therefore as 090 services.

Use of VSC enables pricing clarity on a call to action for mobile users to voice based services. As VSC can only be accessed from a mobile phone, to avoid limiting the customer base the use of VSC is recommended alongside the marketing of an alternative 09 solution for access by landline phones. Currently, there are a limited number of common price points available across all mobile operators, up to £2 per minute.

C) Payforit – is a secure way for people to pay online, using their mobile phone. Users can quickly make a payment by clicking through accredited payment terms or by entering a pin code sent to their mobile number when using a wifi connection. Subsequent purchases can also be made by single click when browsing on their mobile data connection. Payforit also works seamlessly on any computer or tablet.

There are a wide range of tariffs available and on most mobile operators you can bill any amount between 10p and £30 and even exclude VAT from certain purchases. As the charge is added to the mobile bill using direct to bill technology, the payment result is instant and allows a better user experience if the payment is not successful.

Payforit is an ideal payment mechanic for low value, internet based payments. In direct comparisons with popular payment brands like Paypal, merchants regularly find that nearly 50% more consumers choose to make payment using Payforit.

Find out more about Payforit at Payforit.org

5.0 How do I set up a Premium Rate Service?

Once you have chosen what service you want to offer using Premium Rate Billing and know your target audience, follow these steps:

A) Choose the Right Partners to help set up your service

Choosing the right partner will depend on various factors, for example:

- commercial terms
- market access
- content/service partners
- ancillary services offered e.g. mobile marketing, apps build, CRM
- technical support
- customer service support
- regulatory support
- track record etc

AIME has members in all parts of the Premium Rate billing value chain, who provide a high level of professional service but importantly also invest in market growth initiatives through AIME. They work to a high ethical standard of business and as a member commit to AIME's Code of Ethics.

Contact details for the leading Networks, Terminating Providers and Technology & Application providers are available from the [AIME website](#).

B) Choose the Right Billing Solution

In choosing the most appropriate PRS billing solution for your product it is important to note several key factors:

1. Commercials - outpayments and charges will vary between fixed line and mobile solutions
2. Access – choosing the PRS billing solution will be based on the nature of service, target demographic and access to target market. But in general, whilst mobile phones can access both fixed line and shortcode based services, access to shortcodes from fixed line handsets is limited. Mobile device penetration continues to increase and although landline phone penetration is decreasing it still provides access to a particular demographic
3. Consumer Experience – promoting a clearly defined method of access for mobile users and landline users can improve price transparency and the consumer experience

There are other vagaries to consider, for example it is possible to configure a mobile shortcode service so the same number can receive both voice and SMS, although this is not a standard setup.

C) Register with PhonepayPlus

All participants in the PRS value-chain must register with PhonepayPlus before operating services and renew this registration annually. Without a registration number you will be unable to operate a premium rate service or contract with any partners in the value chain.

Registration carries a fee of £135 p.a. During registration you will be required to provide basic information about your company, along with information on its directors, including dates of birth and addresses. Registration is an automated process, which is completed on the [PhonepayPlus website](#) and paid by debit or credit card.

After registration you will be provided with your unique registration number, which you will need to provide as part of the due diligence process when contracting with other parties in the value chain.

As a Premium Rate Provider you must be aware of the regulations and some services, e.g. gambling or chat, require prior permission from the Regulator PhonepayPlus – see section 6 for more details.

D) Promote your service

The PRS market is a competitive environment. Whilst a well conceived service can provide a strong revenue stream, like all businesses, success is reliant upon engagement with potential consumers and ensuring they remain loyal (sticky).

When putting together the initial budget for a service, on top of infrastructure and set-up cost, sufficient provision should be made for promoting the service. Reliance on a single market campaign is a risky move and to increase your chances of success a marketing budget should have contingency reserves to allow for several follow-up campaigns. The cost of acquiring a PRS customer can be up to £17, so a long term plan to maximise return on investment is important and this may include working with AIME members to apply customer relations management (CRM) or other analytical tools.

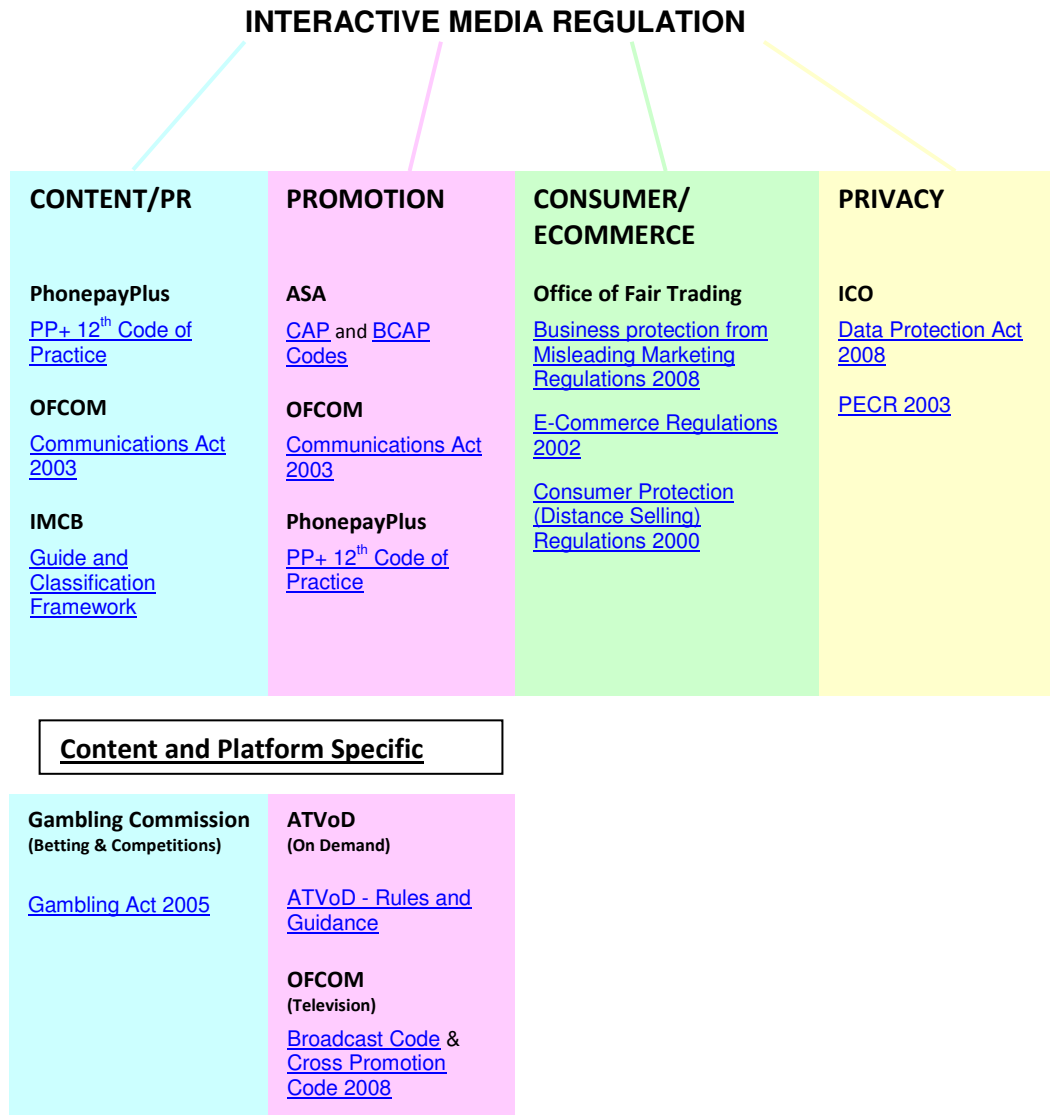
The consumers of different products are often receptive to different promotional mechanisms. A marketing plan should aim to encompass a range of marketing channels to determine the channel best suited to the target consumer group. This might include traditional print advertising, direct marketing through SMS message, web based promotions, or newer forms of promotion such as those linked to Mobile Apps. AIME provides members with advice and access to supporting research around interactive technologies, platforms and the properties of different payment mechanisms.

Like any advertising in the UK, PRS must comply with [Advertising Standards Authority](#) (ASA) guidelines. PRS advertising is also subject to additional requirements, particularly around clear pricing on all promotions, stipulated by the PRS regulatory agency PhonepayPlus. Services operating on Mobile shortcodes should also have regard to the Mobile Operator's own Code of Practice. With heavy fines for non-compliance, as well as potential disruption through services being disconnected from the Network, it is important to carefully monitor all promotions to ensure they comply with the current regulations.

AIME has produced an Advertising Best Practice Guide detailing the requirements of the MNO and PhonepayPlus Codes, available to all members

6.0 What regulations do I need to be aware of?

PRS sit within a complex regulatory framework overseen by several regulatory bodies. Different regulations apply to the content, communication medium, promotional and payment aspects of a service. Understanding these rules and regulations is critical to successful PRS business development.



6.1 Industry Specific Regulation

Controlled PRS is a subset that Ofcom has determined should be regulated by PhonepayPlus under a framework agreement.

In September 2011, PhonepayPlus introduced the [12th Code of Practice](#), which sets an outcome based approach founded on the following 6 principles:

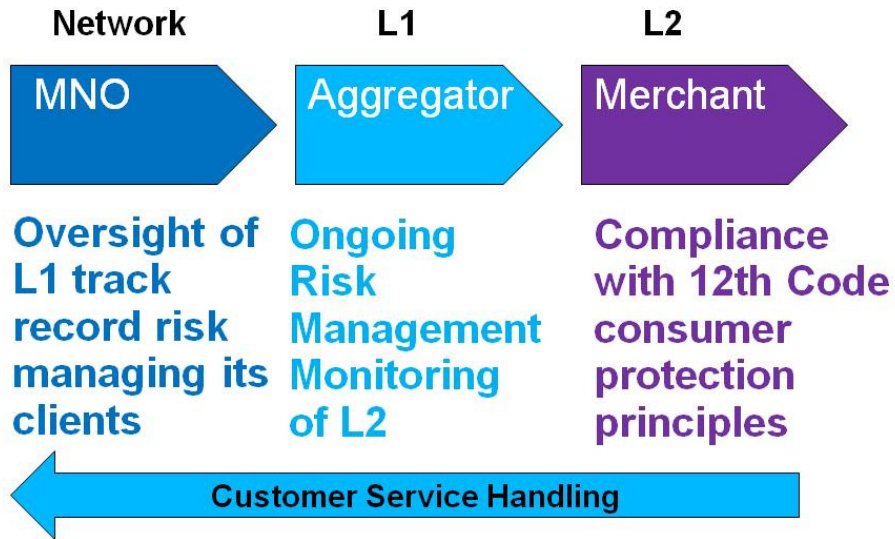
AIME provides a half day 'Regulatory Essentials' – overview course, including PhonepayPlus 12th Code and the MNO, Broadcast, BCAP and ASA Codes.

6 Regulatory Principles

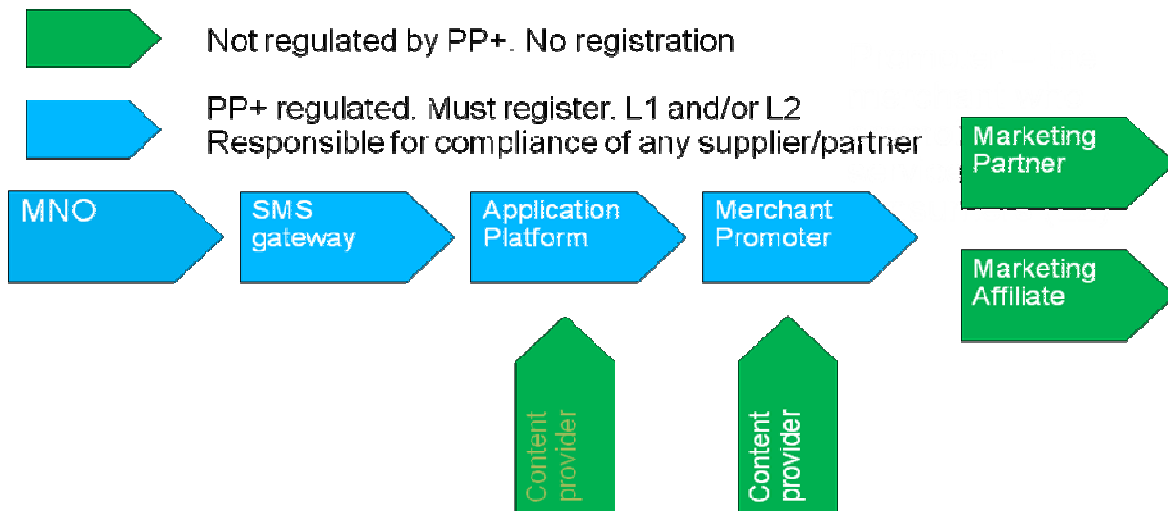
- **Legality** - That premium rate services comply with the law.
- **Transparency and Pricing** - That consumers of premium rate services are fully and clearly informed of all information likely to influence the decision to purchase, including the cost, before any purchase is made.
- **Fairness** - That consumers of premium rate services are treated fairly and equitably.
- **Privacy** - That premium rate services do not cause the unreasonable invasion of consumers' privacy.
- **Avoidance of Harm** - That premium rate services do not cause harm or unreasonable offence to consumers or to the general public.
- **Complaint Handling** - That consumers are able to have complaints resolved quickly and easily by the Level 2 provider responsible for the service and that any redress is provided quickly and easily.

Primary responsibility for service compliance (under the 12th Code of Practice) rests with the Merchant Promoter, which for regulatory purposes is termed by PhonepayPlus as the L2 in the value chain. The L2 will generally be the party closest to the customer, and is responsible for service provision and promotion. Subsequent parties in the value chain (Terminating Provider & Application Provider) may carry regulatory responsibility for parts of the service (such as platform operation) and will generally be termed the L1.

The following diagram illustrates a simple value chain highlighting regulatory responsibilities. In more complex value chains there may be additional L1 companies, though the principles remain the same.



L2s must also take responsibility for the conduct of their suppliers and affiliate marketers in relation to the service:



6.2 Customer Service

Effective customer service is key to the long term success of a service, the reputation of the promoting company, as well as the consumer perception of the wider industry. Presentation of customer service details is required on all PRS promotions, as well being made available to consumers through the PhonepayPlus Number Checker.

Consumers with queries or complaints may contact the Merchant directly, or in some cases may contact their billing Network. Where a Network receives a customer contact related to a PRS transaction it is standard practice that the consumer will be directed to the Merchant or their nominated customer service handler. Should a customer fail to receive redress to a valid complaint then the consumer has the option to escalate this back to the Network Operator, or to PhonepayPlus.

6.3 Prior Permission

Certain types of PRS are deemed by PhonepayPlus to pose a greater risk of harm to users because of their content. These types of services can only be operated once PhonepayPlus has first provided written prior permission.

The current list of services subject to prior permission is:

- Anonymous SMS
- Broadcast PRS
- Call TV quiz
- Consumer credit
- Counseling
- International call routing
- Internet dialler software
- Live entertainment
- Multi-party chat
- Pay-per-page
- Professional advice
- Remote gambling
- Services over £1.28 + VAT per minute
- Services over 85 pence (ex VAT) per minute where total cost exceeds £25.54 (ex VAT)
- Subscriptions over £4.50 in any given seven-day period
- Voice-based, text-charged

Applications for prior permission need to be made to PhonepayPlus and will be subject to a fee of £300+VAT per application.

6.4 Licenses for Live Services

Operation of entertainment services predicated on live 1-2-1 interaction, such as chat lines, require the possession of an additional license from PhonepayPlus.

Licenses are issued subject to a bond being lodged with PhonepayPlus. The bond amount is determined with regard to the characteristics of the service to be operated under the license, though are in the region of £15,000.

Due to the high cost of obtaining a license it is common practice for start-ups to choose to partner with an existing license holder.

6.5 Compliance Advice

AIME works with a number of industry specialist legal firms and consultants who are able to assist with regulatory compliance advice and other commercial law matters. Please contact AIME for a referral.

7.0 Who is AIME?

AIME (Association for Interactive Media and Entertainment) is the UK based trade organisation representing the commercial interests of member companies involved in the interactive media and entertainment industry – where consumers interact or engage with services across converged media platforms, and pay for services or content using a variety of micropayment technologies.

AIME's membership represents the entire value chain - from the providers of end user content to the networks and technical services that deliver and bill them to customers. No other organisation can offer such opportunities for profitable contacts, networking and supporting information. By setting industry best practice standards, AIME builds solid and lasting relationships with legislators, regulators and stakeholders to ensure our members' business is professionally represented and given every opportunity to grow.

Members have access to Industry data, white papers and regulatory updates, along with roundtables and networking events to discuss the latest commercial development. For further information and how to join download the [membership pack from the AIME website](#).

AIME also offers the following:

- [Training Courses](#)
- [Knowledge & Networking Seminars](#)
- [Industry Blog](#)

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