

TABLE 4:

TELEPHONE CREDIT CARD USAGE AND TELEPHONE CALL BILLING KNOWLEDGE

PERCENT OF RESPONDENTS GIVING CORRECT ANSWER

	"HARRIS WORDING 800	"Citizens 800 900	WORDING" 900	REGULAR LONG DISTANCE	EXPECT TO BE BILLED FOR 800 CALL	N OF RESP.
PURCHASE EXPERIENCE						
PRODUCT			*	*	*	
YES	74	97	55	84	12	386
NO	70	96	43	77	14	614
SERVICE						
YES	73	96	53	78	19	90
NO	71	96	47	80	12	910
INFORMATION						
YES	94	100	88	61	7	24
NO	71	96	46	80	13	976

Have you ever purchased any of the following items one the phone by giving out your credit care number.. 1) A product; 2) A service; 3) Information; 4) None of these/Don't know

b. Differences Between Demographic Groups

The income and age differences noted for the knowledge questions are also observed in questions on the preference for billing (see Table 5). Respondents who are between 18 and 34 are more likely to prefer "just punch one" and less likely to say services should not be offered in that manner. Older respondents give opposite responses, particularly those over 50.

Respondents with incomes below \$10,000 are likely to select just punch one and not likely to say services should not be offered in that way.

Combining the demographic and substantive analysis reveals some very strong patterns, as Table 6 shows. Among respondents who got all the 800 number billing questions correct and who are 35 years old or older or have incomes above \$15,000, 47 percent said services should not be offered on 800 number calls. Less than one-fifth said "just punch one."

In contrast, poor or young respondents who got the billing questions wrong were much less likely to say the service should not be offered (12 percent). They were much more likely to say "just punch one" is preferable (35 percent).

TABLE 5:

DEMOGRAPHIC FACTORS AND BILLING PREFERENCES

PERCENT OF RESPONDENTS GIVING
EACH ANSWER

	JUST PUNCH ONE	DO NOT OFFER SERVICE THAT WAY
INCOME:		
UNDER \$10,000	31	19
\$10 TO \$15,000	30	37
\$15 TO \$20,000	19	33
\$20 TO \$25,000	22	45
\$25 TO \$30,000	18	44
\$30 TO \$35,000	29	35
\$35 TO \$40,000	17	36
\$40 TO \$50,000	25	31
\$50 TO \$75,000	26	35
\$75 TO \$100,000	35	28
\$100,000 OR MORE	22	28
AGE OF RESPONDENT:		
18 TO 20	28	24
21 TO 24	32	23
25 TO 29	26	28
30 TO 34	30	28
35 TO 39	22	37
40 TO 44	26	43
45 TO 49	22	36
50 TO 54	18	54
55 TO 59	21	39
60 TO 64	18	51
65 OR OLDER	18	36

TABLE 6

**THE IMPACT OF DEMOGRAPHIC FACTORS AND EXPECTATIONS
ON BILLING PREFERENCES**

	EXPECT NOT TO PAY FOR 800 NUMBER CALL		EXPECT TO PAY FOR 800 NUMBER CALL	
	OLD OR NOT POOR	YOUNG OR POOR	OLD OR NOT POOR	YOUNG OR POOR
JUST PUNCH "ONE"	18	29	32	35
PUNCH IN THE TELEPHONE NUMBER	14	18	30	29
USE A CREDIT CARD	12	16	7	16
DO NOT OFFER SERVICE	47	31	22	12
DON'T KNOW	9	6	8	8
(N)	(387)	(337)	(74)	(83)

III. THE PAY PER CALL 800 NUMBER PROBLEM IN THE CONTEXT OF THE DECEPTIVE MARKETING LITERATURE

The central issue in formulating sound public policy with respect to billing for interactive information services during 800-number calls is the public's perceptions of 800-number calls as "unbilled" and the potential for confusion should billed services be introduced during such calls. With a strong expectation that such calls are free and confusion about charges for telephone billed services, the likelihood that consumers will be misled and services will be incorrectly or inadvertently purchased is high.

A review of the extensive literatures on consumer purchase decisions and deceptive marketing practices clearly suggests that these concerns are well founded.

A. THE CONSUMER

From the consumer point of view, the central characteristic of telephone calls to 800 numbers is that they have traditionally not been billed. The consumer enters the transaction with the expectation that the call is "toll free." Even if there is a warning about billing, there is likelihood for error. When such a warning is contrary to the expectation, it is less likely to be

heeded.¹

Furthermore, the consumer may not even be intending to initiate a purchase,² since the motive may be only to obtain information during a free call.³ Consumers also lack experience with this type of transaction.⁴

The strong expectation about the call and the lack of motivation to make a purchase suggests that consumers will not be attendant to simple warnings about when a billing period is about to begin. A belief that the call is free and no purchase intention results in an unwanted purchase because the warning is not likely to be heard, understood or heeded.⁵

1. W. L. Wilkie, "Affirmative Disclosure at the FTC: Communication Decisions," Journal of Public Policy and Marketing, 6 (1987); G. R. Funkhouser, "The Empirical Study of Consumers' Sensitivity to the Wording of Affirmative Disclosure Messages," Journal of Public Policy and Marketing, 3 (1984).

2. Funkhouser, 1984.

3. Similarity between products has been found to result in confusion between brands (E. R. Foxman, D. D. Muehling and P.W. Berger, "An Investigation of Factors Contributing to Consumer Brand Confusion," Journal of consumer Affairs, 24 (1990); B. Loken, I. Ross and R.L. Hinkle, "Consumer "Confusion" of Origin and Brand Similarity Perceptions," Journal of Public Policy and Marketing, 5, (1986)). Needless to say the similarity between a free 800 number call and the billed 800 number call is great.

4. R. N. Laczniak and S. Grossbart, "An Assessment of Assumptions Underlying the Reasonable Consumer Element in Deceptive Advertising Policy," Journal of Public Policy and Marketing, 8, (1989); Funkhouser, 1984, Foxman, Muehling and Berger, 1990.

5. Consumers lack involvement under these circumstances which results in confusion (J. Jacoby and W. D. Hoyer, The Comprehension and Miscomprehension of Print Communications (The Advertising Educational Foundation, 1987); Laczniak and Grossbart, 1990).

B. THE SELLER

The fact that it is a telephone-billed transaction also creates a problem. Telephone service is a monopoly service and the telephone company has a position of authority, power and trust. Consumers are less likely to challenge these bills.¹

Any warning that billing is about to occur takes place in audio format, the type of information most likely to be miscomprehended.²

The commodity itself is difficult to assess.³ Unless the consumer is prepared to tape the information, it is presented and gone in an instant. There is little ability to subject it to

1. R. A. Bauer, "A Revised Model of Source Effect," and J. A. Howard and L. E. Ostlund, "The Model: Current Status of Buyer Behavior Theory," both in J. A. Howard and L. E. Ostlund (Eds.), Buyer Behavior: Theoretical and Empirical Foundations (Alfred A. Knopf: New York, 1973); S. Chaiken, "Heuristic versus Systematic Information Processing and the Use of Source Versus Message Cues in Persuasion," Journal of Personality and Social Psychology, 39 (1980); P. Cusch, R. F. Bush, and J. F. Hair, Jr., "Social Power Theory in Buyer Behavior," in A. G. Woodside, J. N. Sheth and P. D. Bennett (Eds.), Consumer and Industrial Buying Behavior (New York: North Holland, 1977), J. T. Mentzler and K. A. Hunt, "The Use of Power: A Process Model of Marketing Channel Behavior," Research in Marketing, 9 (1987); Busch, et al., op. cit.; G. Butaney and L. H. Wortsel, "Distributor Power Versus Manufacturer Power: The Customer Role," Journal of Marketing, 52 (1988); M. E. Porter, Interbrand Choice, Strategy and Bilateral Market Power (Cambridge: Harvard University Press, 1980); T. V. Bonoma, "Toward a Social Analysis of Consumption: Buyer-Seller Negotiations in Context," in A. G. Woodside, J. N. Sheth and P. D. Bennett (Eds.), Consumer and Industrial Buying Behavior (New York: North Holland, 1977), p. 350; J. P. Guiltinan, "The Price Bundling of Services: A Normative Framework," Journal of Marketing, 51, 1987.

2. Jacoby and Hoyer, 1987.

3. H. Beales, et al., "Consumer Search and Public Policy," Journal of Consumer Research, 8 (1981).

post-purchase scrutiny.¹

The commodity typically involves a small, infrequent purchase. This reduces the consumer's tendency to seek out other information.²

C. THE TRANSACTION

The transaction is extremely problematic. The consumer has little time to pause to consider the purchase.³ If the warning message is comprehended and heeded, the consumer must typically

1. S. E. Beatty and S. M. Smith, "External Search Effort: An Investigation Across Several Product Categories," Journal of Consumer Research, 14 (1987); Chaiken, op. cit.; D. H. Furse, G. N. Punj, D. W. Stewart, "A Typology of Individual Search Strategies Among Purchasers of New Automobiles," Journal of Consumer Research, 10 (1984); J. L. Zaichowsky, "Measuring the Involvement Construct," Journal of Consumer Research, 12 (1985).

2. J. W. Newman, "Consumer External Search: Amount and Determinants," in A. G. Woodside, J. N. Sheth, and P. D. Bennet (Eds.), Consumer and Industrial Buying Behavior (New York: North Holland, 1977) and the sources cited therein, as well as L. K. Zimmermann and L. V. Geistfeld, "Economic Factors Which Influence Consumer Search for Price Information," Journal of Consumer Affairs, 18 (1984); Chaiken, 1984; Beatty and Smith, 1987.

3. Conditions of urgency and time constraint diminish the tendency of the consumer to search for alternatives. The ability to distinguish between the what must be done without delay and the optional services, which they do not "need", is limited (see J. W. Newman and R. Staelings, "Multivariate Analysis of Differences in Buyer Decision Time," Journal of Marketing Research, 8 (1971); J. W. Newman and R. Staelings, "Prepurchase Information Seeking for New Cars and Major Household Appliances," Journal of Marketing Research, 9 (1972); J. O. Claxton, et al., "A Taxonomy of Prepurchase Information Gathering," Journal of Consumer Research, 1 (1974); Newman; Beatty and Smith; W. Wilkie, "Affirmative Disclosure: Perspectives on FTC Orders," Journal of Public Policy and Marketing, 1 (1982); Funkhouser, 1984.

hang up quickly to avoid the start of the billing period.¹

There is no tender of a bill to be examined and contemplated or agreed to.² Indeed, unless the consumer comes ready with a stop watch, he or she will not know how much was spent for several weeks. The ability to ensure correct billing under such circumstances is virtually nil. Given this lack of concrete evidence of the transaction and the time span between expenditure and billing, the likelihood and ability of consumers to challenge bills is reduced.

The fact that the transaction takes place electronically, in private, compounds problems from the point of view of consumer protection. The offer of services is not subject to public scrutiny.³ It is difficult for consumer protection agencies to view the commodity and virtually impossible for them to scrutinize transactions involving real consumers, although they can stage transactions.

1. A lack of motivation and a lack of control over the pace of the transaction leads to a lack of involvement (H. E. Krugman, "the Impact of Television Advertising: Learning without Involvement," Public Opinion Quarterly, 29 (1965); Jacoby and Hoyer, 1987).

2. Point of purchase information provided for later review assists in decisionmaking (Wilkie, 1982).

3. P. N. Bloom, "A Decision Model for Prioritizing and Addressing Consumer Information Problems," Journal of Public Policy and Marketing, 8, 1989, stresses post-purchase information and scrutiny by expert consumers.

IV. CONCLUSION

The analysis of the nature of telephone-billed interactive information service transactions and the survey results show that consumer expectations and the nature of the transaction combine to create a high probability that consumers will be confused about and misled into purchases of information.

Recognizing this, marketers are likely to design campaigns to exploit this consumer weakness. This may include targeting of particularly vulnerable market segments and design of scripts and sales pitches to deceive consumers.

Consumers are not supportive of the easy billing approaches on which telephone-billed services have relied. Less than one-quarter see the "just punch one" option as preferable. Furthermore, this option is most favored by the younger and lower income respondents -- but even in this group only about one third prefer this approach.

Thus, this report provides evidence in support of aggressive efforts to protect consumers from the abusive potential of telephone-billed transactions. The newness and nature of the potential abuses requires mechanisms above and beyond traditional consumer protections.

Electronic billing for information services during 800 and 900 number calls cannot be treated as a routine purchase. The "Just Punch One" billing approach preferred by marketers is particularly prone to error on the part of consumers and deception on the part of marketers. The public does not understand the

billing situation well and is very likely to be misled about billing. A plurality does not even want any of this type of billing to go on and an overwhelming majority does not prefer this "just punch one" approach.

Consumers are not likely to, nor do they have much chance of, correcting errors. Consumer protection agencies have great difficulty policing these private, electronic transactions. Steps to prevent abuses in telemarketing of information services on 800 and 900 number calls are urgently needed.