



Privacy Treatise

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For more information on this and other topics pertaining to the greater directory assistance/enquiry market please contact The Pierz Group. The Pierz Group provides consulting services and high value reports on the key issues facing the greater information services market. We focus on providing detailed, actionable research and analysis as well as strategic consulting services. Regular reports cover the issues and trends most likely to influence the current operations as well as future planning of providers of Directory Assistance/Enquiry services and the vendor community worldwide.

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The message is out and we have heard it. Consumers have clear and growing expectations when it comes to the privacy they expect and ultimately demand for their personal contact information. Telecommunications organizations that ignore this need for privacy do so at their own peril. Those who listen and meet, or better yet, exceed consumers' expectations, will ultimately win in the marketplace. Privacy is what your customer says it is – independent of regulation, laws and contract language.

Can You Hear Me Now? (!)

Consumers have spoken, make that screamed, out

Based on recent market occurrences, changes in regulation, carrier pronouncements and the results from several national consumer-level surveys, the trend is clear: consumer privacy matters.

Unmistakable messages from the marketplace:

- In the Zelos Group's National Wireless Usage Study¹, only 2 percent of US consumers indicated that they would list their wireless telephone number without any type of privacy and/or call screening in place.
- In this same Zelos study, 51 percent of the sample and 69 percent of the 13 to 24 year olds within the study are willing to list their mobile number if they have guaranteed privacy protection and/or defined call screening procedures.
- Just over a year ago the EU mandated opt-in directory databases (vs. the current opt-out databases used worldwide). With the implementation deadline approaching, telecommunications companies across the EU face the difficult task on not only communicating the need to be listed, but providing consumers with a valid reason to do so. The Pierz Group projects that the total number of unlisted phones (fixed line and mobile) will grow from the current 53% total unlisted phones (fixed line and mobile) EU wide to approximately 63% of all phones being unlisted within five years, as a direct result of this opt-in regulation.

¹ National consumer survey of 1,295 wireless subscribers in the United States conducted between July 7 and July 21, 2003. Used with permission

- According to the American Teleservices Association, 41% of US consumers subscribe to a caller ID service; 57% of 18-24 year-olds subscribe to a caller ID service.
- Over 20 percent of all fixed line phone numbers and 98% of wireless numbers are currently unlisted in the US. This number exceeds 40 percent for Arizona and Alaska and approach 50 percent in large metropolitan areas.
- As of this writing, over 51 Million telephone numbers in the US have been registered on the national Do-Not-Call registry (to block telemarketing calls). This is over 50 percent of residential phone numbers after only the first three months of the registration process and, all prior to the lists' October 2, 2003 scheduled implementation date. The US market has never seen a more clear indication that consumers are fed up with unwelcome commercial contacts.
- Noted privacy expert Dr. Alan Westin's work² in 2001 on DA/DQ to wireless numbers shows that 88 percent of wireless subscribers said that their number one reason to not list their mobile number would be to avoid receiving telemarketing calls.

² A national study of wireless subscribers in the US market, Presented at GDD2002, Alexandria, VA, November 6-8, 2002

The Current Model is Broken

The current model for being “listed / not listed” is no longer viable for today’s consumers in today’s technologically dynamic environment. The number of ways we can be contacted is growing: (if you list all your personal and professional phones, emails, IM addresses, SMS, Push to Talk (PTT) physical addresses, etc, this list exceeds 15 to 20 for most of us) our technological capabilities seems to have at least temporarily exceeded regulatory, not to mention social and ethical, development in the area of communications. It is now possible for almost anyone to locate and communicate with most of us anytime, anywhere. We will not even consider delving into Miss Manners-esk arena of wireless phones that ring at funerals and strange personal discussions in public venues; those social maladies are well beyond our scope. What we do focus on is on the whole range of issues that surrounds connecting people to each other and to businesses. In the US market, the combination of relentless tele-marketing campaigns and poor personal manners has nearly converted this communications convenience into a bane within modern society.

Consumer backlash to this growing erosion of personal privacy is becoming increasingly apparent. From the few examples cited at the beginning of this document it is easy to see that this issue is now reaching the boiling point. Marketers, telcos and database aggregators have not, to date, met consumer privacy needs or expectations. Newly introduced and highly restrictive regulation in the EU, the inability to successfully introduce wireless numbers to a directory database (anywhere they had not been part of a database from the introduction of mobile phones³) and growing public ire are the fruits of this collective inability to address consumer expectations.

Today, for most types of personal and professional contact information, there are two options: listed and not listed. Fixed line telephones carriers offer consumers the choice (for a price) of being unlisted. Although in Europe this has now changed to an opt-in database and subscribers must actually sign a document to be included in any type of directory database.

Many other communications points are “unlisted” in the sense that they are not easily available in a directory format, but some, such as email or websites may be “guessed” or found through provider directory searches. These other communications methods are more likely to be what are categorized as permissions based devices. Those communication methods that require the subscriber to provide their specific contact information to those they wish to reach them.

³ France, Australia and New Zealand all ran national advertising campaigns to encourage subscribers to list their mobile numbers. None of these offer any type of privacy protection scheme or consumer control feature. None of these programs added more than 10 to 20% of mobile numbers to the database.

Privacy is what your customer says it is

As was recently highlighted very eloquently by Judy Frederiksen, Product Manager at Sprint PCS, during the Pervasive 2003 conference in Denver, "Legal and regulatory definitions ultimately matter less than what your customer believes or expects." On most US wireless subscriber contracts today, text appears that states that upon signing the contract the subscriber grants their express permission for their number to be utilized for directory purposes. This does not mean that adding mobile numbers to the DA/DQ database will be easy, or even go unchallenged. In fact very few consumers are aware of the fact that their mobile numbers could, technically, be listed today. Consumers perceive their mobile numbers to be private, so, independent of their current legal status consumers believe them to be private. Any across-the-board move to change this would likely meet with not only customer opposition but possible regulatory intervention stemming from predictable consumer complaints about the introduction of wireless directories without privacy protections.

This discussion, in principle, extends well beyond the introduction of wireless numbers in the US DA/DQ database. It will ultimately expand to include the range of possible ways in which one can be contacted. It is for this reason that the time to act is now. A viable model must be found and implemented that both provides for connectivity, but that also gives consumers control over who may contact them, when, where and how. This is especially true in the US market, given the combination of over zealous telemarketing efforts and a general disregard for personal privacy (in contrast to Scandinavian countries where more than 90% of all phone numbers, including mobile phones are listed). There is a huge upside (revenues from WDA are estimated at \$3.4 Billion annually in the US market) and a huge downside (inability to launch WDA, erosion in fixed line database, inability to launch future services, increased regulation) if the market fails to achieve the precise mix of communications and control.

Consumer Control Over Their Contact Information: The US Market

What We Have To Gain	What We Risk by Delaying Action
\$3.4 Billion in WDA revenues	EU-style privacy regulations: all opt-in
Greater number of listed fixed line phones	Growing consumer ire
Greater number of listed communication points (emails, SMS etc)	Inability to introduce any services that include more consumer contact information
Ability to introduce new services to provide better communications	

Of course, the obvious factor that accompanies the above is the issue of what happens if, as an industry, we get it wrong. Introducing WDA services, or other related expanded contact information without the proper controls (as defined by the consumer) in place could be disastrous. Not only could the offering fail, but an entire cascade of related consequences could be set in motion, not the least of which is regulatory intervention, far more restrictive controls on consumer data and ultimately more importantly, infuriated consumers.

A New Model for Privacy AND Communication

Providing greater consumer privacy and better connectivity at the same time are not mutually exclusive ends. This issue is, of course, germane to the discussion of DA/DA to wireless numbers in the US market, but it extends beyond wireless numbers to include a range of personal contact points. As has been seen in Europe already, consumers want more privacy and greater control over access to their personal contact information. If telco and other directory providers are not giving it to them, regulators have a demonstrated zeal for stepping in and regulating privacy – which can ultimately be to the detriment of all parties. Opt-in databases limit the number of subscribers actually listed and will cause shrinkage in EU directory databases, at the same time that consumers are adding more mobile phone numbers as well as other contact points. The incumbent telephone service providers are required to provide DA/DQ services for their customers. With an ever-shrinking database it is likely that these carriers will be paying union scale wages to operators who spend a growing portion of their day saying “I’m sorry that number is not listed”. This is costly and frustrates both callers and operators. Ultimately, call volumes will decline, and we argue, our ability to communicate with one and other will be increasingly limited.

The Formula

There are five key factors that will define either success or failure in combining both greater privacy and greater communication capabilities for consumers. These factors have been confirmed by several national quantitative research studies as well as in consumer focus groups. Carriers and DA/DQ providers who embrace these elements, both integrating them into their service and effectively communicating them to consumers will ultimately be successful at providing better services to their customers. These factors allow for both greater privacy and better communications services

1. Consumers want control

This issue is the one, make or break issue for consumers. If in fact consumers can control who reaches them, when, where and how, they will generally be disposed to keeping their information, and possibly more information, listed. This has been borne out in several studies, most recently in the national consumer-level research cited at the beginning of this document. If well defined and readily understood consumer controls are introduced, the number of consumers who are willing to be listed in a wireless database should readily increase to something approaching critical mass (over 65% of mobile subscribers) of listed mobile numbers. Research cited above highlights the fact that consumers are 25 to 35 times more likely to list their mobile number if they can in fact control access to

it in some way. The Pierz Group believes that this number could be higher following effective marketing of new services to communicate both their value and the effectiveness of privacy controls. Focus groups conducted with mobile subscribers, where the concept of subscriber control could be more effectively communicated, generated even higher consumer willingness to have their numbers listed if they could control who called them and when. This becomes the litmus test for what consumers will tolerate as far as the availability of their contact information is concerned.

2. Consumers will not tolerate abuse

As was confirmed in Dr. Westin's research, 88 percent of consumers cite unwanted telemarketing calls as the biggest risk associated with listing one's mobile number. It is also a key factor in unlisted fixed line numbers. Existing laws within the EU and the new national Do-Not-Call list in the US market will be useful tools in the process of convincing consumers to maintain not only their residential fixed line numbers in directories, but to add their wireless as well. Carriers and DA/DQ providers will have to ensure that consumers do not receive unwanted telemarketing calls or any other nuisance or harassing calls as a result of DA/DQ services to mobile or fixed line phones. This is a tall order, but well defined and enforced privacy policies on the part of carriers and DA/DQ providers can reassure subscriber.

The distinction between fixed line phones and mobile phones is blurring for many who now consider their mobile phone to be their primary phone (approximately 20% of US mobile subscribers today; this number is higher outside of the US). Research released nationally in August 2003 shows that 7.5 million Americans have eschewed land line phones completely in favor of their mobile phone. This shift toward growing dependence on mobile phones will continue with the growth in subscribers, number portability, competitive calling plans and better coverage for wireless subscribers nation wide.

3. Information must become individual-centric rather than location centric

A third dimension to this discussion is the fact that all directory assistance/enquiry databases have traditionally been built around three core pieces of information:

- **Name**; any name will do, it may or may not be the name of the person who answers the phone
- **Address**; again, any address will do as long as a bill sent to that address is paid
- **Phone number**; just this one phone number

This model has been in place for over 100 years, and while it worked admirably for the first 90 years, it is quickly becoming outdated and, in fact, detrimental to the communications process. Until about 1980, the only contact points for most individuals were name, address and phone for their homes and for their offices. The advent of a score of Internet based communications methods, mobile phones, and even the now-humble pager have forever changed this model. Secondly, a much more loosely defined distinction between work and home contact information has been created with mobile or remote workers, virtual offices, and a more indistinct line between work hours and private hours (long hours, and work teams spread across multiple time zones). Carriers and DA/DQ providers must begin to build databases that are based on the individual and the myriad of ways he or she can be contacted, rather than one that anchors a single phone number to a billing address.

This will be no mean feat. The obvious first step would be for all fixed and mobile carriers to contact their customers and ask for this additional information. This can be done at the time service is initiated for all new subscribers, and must then be coaxed out of current subscribers. Self registration, as we have said in the past, is both the best and the worst method for gathering information. No one knows more about an individual than the individual themselves; however, getting them to provide and update this information can be daunting.

Self Registration Will Play an Important Role

Ultimately, self registration can be developed into a powerful tool for consumers; however, today it remains more of an obstacle than an enticement. If we examine the fact that today, when we move or change offices there are a whole series of steps a consumer must carry out, (repeatedly) in order to communicate their new information to friends, colleagues, clients and contacts, there is some reason for encouragement. Consumers readily use change of address cards from the post office (lots of them); email notification messages to all contacts (hoping they will stop and update their contact file immediately), phone calls and on-going follow up to make sure one can be found. These steps are all required to assure some continuity of communication. If all of these steps could be consolidated into a single database that is accessed for email, phone numbers, addresses and other contact points, consumers would only need to update information once and it would automatically propagate itself out to one's contacts on an as-needed and as-defined basis. While we see little chance of this happening in the near future, it is an admirable goal and, we predict, will ultimately become a reality in some form. In the mean time, we are left to our own devices and must rely on the individuals themselves to provide necessary updates to information across the full range of contact points. Not easy, but not impossible.

4. Timing: Now is the time to act

There is no better time to begin this process than now; in fact we are late. There are clear indicators that consumers are increasingly sensitive about their personal contact information. We are indeed late to the party in this case. It is, in fact, surprising that wireless carriers, in spite of plans to introduce WDA that stretch back at least three years, have failed to add one key line of information to all wireless contracts: "What is the name of the individual who will be the primary user of this phone and what is their home phone number?". While it is never too late, to do so, the assembly of a high quality WDA database could have been furthered substantially by this one simple step. It should be noted that the one line that has been added to most mobile contracts is one stating that by signing the contract they are giving express permission to have this mobile number included in a directory. This may create the legal basis for providing WDA, but if consumers do not agree with exactly how their numbers are included, a large-scale consumer revolt, complete with unwanted regulatory intervention, could be invited. Remember, privacy is ultimately defined by the subscriber, and most new subscribers are unaware of the fact that they have given their express consent for their number to be included in a directory.

5. Education: Consumers Need to Know

The key to meeting consumer needs and expectations within this scope is the fact that the "listed / not listed" model is the only model that is well understood by consumers today. There is an education process that will accompany the shift toward an individual-centric model and one that includes consumer control over contact information. A clear, easy to understand message for consumers is central to this process. It must be clearly articulated, easily demonstrated (prove it to me) and widely propagated and reinforced. Consumers will need to understand and believe that it does in fact give them greater control over who can reach them, when, where and how.

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The Pierz Group was founded by Kathleen Pierz in 2003. Ms. Pierz is one of the best known industry analysts in the directory assistance/enquiry space. She has published over 100 insightful reports on the key issues affecting the industry worldwide and is a sought after speaker. With over 25 years of strategic planning and marketing experience and a solid background in the information services industry from both the carrier and the vendor side of the business, she delivers a focused, actionable perspective within this dynamic market.

Prior to founding The Pierz Group, Kathleen Pierz held senior management positions at Zelos Group, The Kelsey Group, IBM and Ameritech (now SBC)

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