Venkatakrishna V. Bellur

Usage of 900 Numbers and Problems Encountered

Abstract

The use of 900 numbers has been growing rapidly and is projected to reach about three billion dollar mark by 1993. The rapid growth in the industry has created both problems and opportunities to the entrepreneurs involved in providing services. Problems encountered are mainly confined to fraudulent practices by con-artists. Opportunities are in the form of increased usage of the services in the coming years and self-regulation by the 900 number industry to overcome the bad-guy image. Data provided by 432 households located in Bakersfield and suburbs during March-May 1991 revealed that only a small number, representing 3%, had used the 900 numbers. Approximately one-half of the respondents felt that there will be an increase in the usage of the 900 numbers in the coming years. The most important sources of information were TV and radio, the majority purchased magazines, electronic products, cameras, and spent on an average $82.50 on these purchases.

Introduction

The 900 number service, which was introduced during the 1980 televised debates of Carter and Reagan, presidential candidates, has grown substantially during the past decade. The four long-distance companies (MCI, Telephase, AT&T, and Sprint) carried a total of 5,400 national 900 programs as of June 1990.[1] Over a period of five years, 1985-89, the revenues derived from 900 services jumped from $27 million to $235 million registering an increase by 770%, and was projected to reach $515 million in 1990. The total revenues for programs and transactions is estimated to reach $1.53, $2.06, and $2.96 billion for 1991, 1992, and 1993, respectively.

The growth in 900 programs is projected to reach 17,000 for 1991, 28,000 for 1992, and 37,000 for 1993.[2]

Data related to uses of 900 numbers show that as of March 31, 1989, callers used the services for more than 320 million minutes at an average cost of 73 cents per minute. The six categories of usage are as follows:

1. Live uses: calls made to individuals and group conversation lines: 15%;
2. Polling: 10%;
3. Event promotion: includes MTV and Monday-night football contests: 3%;
4. Product promotions: consumer products and contests: 2%;
5. Information: news, sports scores, and stock quotes: 2%; and
6. Entertainment: horoscopes, soap opera updates, jokes, celebrity call-in lines, and games: 68%.[3]

The projected growth in 900 number uses in the coming years may be attributed to: (1) increase in the number of customers using the services; and (2) change over from 800 numbers to 900 numbers by those using 800 numbers at the present time. According to the available data, the change over is projected to reach 5% for 1992 and 8% for 1993.[4]

To augment this, increases in Cable TV subscribers may also contribute for the growth in 900 number usage. Between 1980-89, over a period of five years, subscription to Cable TV has increased from 7.6

Thanks to the Direct Marketing club of Southern California for providing financial assistance in the form of Direct Marketing Fellowship for conducting this study.
million to 28.6 million or by 276%. In addition, the number of hours of Cable TV watching increased from 3 hours and 11 minutes to 14 hours and 44 minutes during 1988-89, registering an increase by 364%. This means not only more people are watching Cable TV but also they are watching longer hours.[5]

Taking advantage of the growth in Cable TV subscription and watching, some networks are providing entertainment programs using 900 numbers. For example, the Video Jukebox Network, Miami based interactive Cable channel, airs rock videos by request through 900 numbers. When one uses a touch-tone phone, each video costs $2.50 and three videos can be requested for $6.00. For a dial phone call, the cost per video at the present time is $3.00. The channel plays only requested videos all the time. The viewer calls a 900 number and punches in the request using three-digit code for the video one wants to watch.

Audiotext companies offering information to callers dialing numbers with prefixes in the 900 range are also gaining in popularity. For example, the Wall Street Journal offers Journal Phone: 1-900-JOURNAL, providing information about trading updates, market diary, and what’s News at 95 cents per minute. One may also call 1-800-800-4WSJ and charge on VISA/MasterCard for a surcharge of 25 cents per call. Journal Sports: 1-900-407-7767, provides information about what is happening in pro or college football, basketball and baseball, and pro hockey for 75 cents a minute.

The 900 number is also being tried by an emerging group of catalog marketers for catalog requests. The disadvantage to the potential customers using 900 numbers is the cost of the call. This can be, however, overcome by offering a gift certificate with the catalog requested or outright cash discount on purchases made. Almond Plaza, a food/gift cataloger offered a similar "perk" in its first test of a 900 catalog-request line in full page magazine advertisements. The potential customers were charged $2.50 for the call, but were given a $5.00 gift certificate with the catalogs. Currently, at least two catalog marketers have set up 900 services with catalog requests in mind: (1) Programme Distribution Services of Grand Rapids, Michigan, provides its REQUEST-900 services for Block Out Fashions and Cream of the Crop Catalogs; and (2) Telesphere Communications, Inc., of Oakbrook Terrace, Illinois, offers a catalog request line.[6]

A recent innovation in the 900 number usage seems to be in the state lottery. To increase the dwindling state lottery revenue, Massachusetts introduced full-fledged lottery betting by phone using 900 number. By dialing 900 number, an individual can play the lottery from home and avoid hassles of shopping for the lottery ticket at the corner convenience store or supermarket. The phone company bills 95 cents for each $1.00 bet and simultaneously handles billing for $1.00 bet. "Callers are limited to Massachusetts and may call only twice a day and make one bet per call." The Commetrics, Inc., and the Nynex Corporation share the 95-cent service charge and the state will pay Commetrics 5% commission on sales and a bonus of 1% on winning tickets.[7] It may not be surprising to see that other states such as California wanting to increase the lottery revenues follow the footsteps of Massachusetts contributing for the growth of 900 number usage. Continued innovations in the application of 900 number usage and its increasing number of customers may result in an accelerated growth in the industry.

Problem statement and objectives

The fast growing 900 number industry is besieged with complaints which accounted for about one-third of all the telephone complaints to the Federal Communications Commission (FCC) during 1991. The complaints were mostly related to scams involving con-artists offering "guaranteed" credit cards, easy-to-get loans, and so on. According to Stephen Texeira of San Francisco based consumer rights group, "consumers end up spending $30 to $40 for information they could pull out of a phone book."[8] Approximately 20% of the 200 complaints received by the California Public Utilities Commission (CPUC) represented 900-lines.[9]

Individuals using 900 numbers for scam operations represent a small but visible portion of the total market. The Consumer Action, a nationwide consumer rights group, located in San Francisco, California, polices the scam programs of those providing 900 number services. The organization conducted a survey of 144 pay-per-call information services in 10 cities about the services offered. Analysis of the information gathered resulted in the following distribution:

1. Business/financial/jobs or credit information: 28%