

900 NUMBERS: A CONTROVERSIAL INDUSTRY

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Though the 900-number industry is only a little over ten years old, it has been a source of great controversy for consumers, government, and businesses. The controversy lies in whether 900 numbers provide useful and valuable information and services or are merely tools for con artists. Because 900 numbers are beginning to appear in all forms of media with increasing regularity, it is important for consumer educators to learn more about the 900-number industry in order to help consumers make decisions about use of this relatively new marketplace alternative.

The 900-Number Industry

Industry Background

Pay-per-call telephone services have been around since 1974, when New York telephone customers could "dial-a-joke" and listen to Henny Youngman. However, 900 numbers were first used on a national level to poll viewers during the 1980 Presidential debate between Carter and Reagan. In 1984, the industry took off with the breakup of AT&T. Adult-oriented services were among the first to notice the potential of 900 numbers and the local exchange equivalent 976 numbers. By 1988, the industry had grown to over \$100 million due to advancing technology. In late 1988, marketers introduced "interactive" 900 numbers which allow callers to select different options or topics by pressing a number or set of numbers on a touch-tone telephone [8, 11].

AT&T, Sprint, MCI, and Telesphere lease the lines to facilitate 900 services and collect a percentage of the tolls. Local phone companies also get a share of the profits. In most arrangements local phone companies bill callers and take a percentage from the charge. The long-distance providers also take a percentage and pay the rest to the 900-service business [7, 8, 11].

In 1990 over 225 billion calls were placed to 900 numbers, accounting for about \$690 million collected in tolls [7, 11]. Additionally, an estimated 8,000 new 900-number phone listings were obtained in 1990 [7]. Currently, 900-number services make up a \$1

billion industry. Some analysts are predicting that the 900-number industry will grow to anywhere between \$1.5 billion and \$3 billion by 1994 [2, 3, 7, 11].

Market researchers report that about 55 percent of Americans have never heard of 900 numbers [7, 8]. Ninety-three percent have never dialed a 900 number and won't because it costs money. Of those who have called, 42 percent say they wouldn't call one again [7]. However, because the types of 900 lines offered are expanding, more and more consumers are expected to begin using 900-number services [8].

Types of 900 Numbers

The types of 900 numbers vary greatly. "Gab" lines allow live interactions where people can talk to another person or group of persons. Other applications include event promotions and contests; product promotions and contests; entertainment lines including soap opera updates, jokes, celebrity lines, and games; pure information lines which provide news, stock tips, weather, and travel tips; polling and opinion lines; and the newest application, charities and fund-raising [3, 5, 7, 8, 11, 13].

Sex, entertainment, sports, and gab lines still dominate the 900-number industry. However, businesses ranging from software publishers to credit-reporting agencies to colleges are suddenly waking up to the potential of 900 numbers. 900 numbers are attractive to businesses for several reasons. The services not only spur sales and extra income but also create data bases. Callers do not even have to leave their names; the phone number can be recorded and later matched to a name and address [3, 8]. Callers to 900 numbers are thought to be loyal customers who are actively seeking out products, information, or services. Additionally, many businesses like the added convenience of billing the person's phone service rather than directly billing the customer or obtaining a credit card number over the phone [9].

Consumer Concerns

Criticisms of the Industry

Most 900 numbers are legitimate and offer reasonable services for their tolls. However, there are few restrictions placed upon obtaining a 900 number and thus great potential for consumer fraud [9]. In an industry where the simple act of placing a call incurs a debt to the local phone company, opportunities for consumer abuse are rampant. The business is marred not only by pornographic and sex-related lines, but also with costly and sometimes deceptive telemarketing pitches aimed at both children and adults [15]. Critics of 900 numbers say that pay-per-call services are tailor-made for fly-by-night operators and con

artists who take advantage of consumer trust in the phone companies [10, 11]. Additionally, since information and services are difficult to evaluate until they are obtained, consumers won't know if the information is useless until after the fact [3].

Targeted Groups

Although there has been no formal research as to whom fraudulent 900-number operators target, it is clear that certain segments of the population are more susceptible to frauds and deceptions. Common targets include the elderly, young adults, the uneducated or inexperienced, and low-income groups. Additionally, consumers are particularly vulnerable to frauds and deceptions during periods of economic adversity [16]. As Cunningham and Cunningham [4] also note, consumers who have little information about a product or service or the laws guiding them are also more vulnerable to fraud. Because of the newness of the industry, consumers are more susceptible to many 900-number cons.

Fraudulent 900-Number Examples

One fraudulent practice by 900 services uses announcers who speak so quickly that the caller has to call back, at an additional charge, just to understand the message. Another deceptive practice involves 900 numbers, such as job lines or information listings, that charge a high fee to provide information which is available elsewhere at a lower charge or for free. Other 900-number scams involve promises of quick credit or loans and contests that require calling a 900 number to enter but never award prizes [1, 12].

In Seattle, one television advertisement told children to "Call Santa" by holding the phone up to the TV speaker, which emitted tones that dialed a 900 number and then billed the caller [10]. Even toll-free 800 numbers are not exempt from 900-number fraud. Consumers who phone an 800 number may hear a short message that refers them to a 900 number for further information. However, the 900 number contains worthless information [1].

Because of their potential for consumer fraud, 900 numbers have fallen under a great deal of criticism and scrutiny. Over 200 consumer complaints about 900 numbers were registered with the FCC in 1990 [2, 3, 10, 17]. The rising number of complaints has caused the federal government and the industry to take a closer look at measures to prevent 900-number ripoffs.

Legislation and Regulation

Federal jurisdiction over the 900-services industry is split between the Federal Communications Commission (FCC), the Federal Trade

Commission (FTC), and the U.S. Postal Service. The FCC monitors long-distance carriers and shares jurisdiction with states over billing and collection services. The FTC handles cases of interstate consumer fraud and deceptive practices and investigates complaints of consumers who were overcharged for 900-number services or did not receive the services advertised. Postal Service inspectors may investigate for fraud if any part of a 900-number call involves mail delivery [6, 11].

Despite the three federal agencies' monitoring roles, the 900-number industry has continued to be plagued by fraud. To contain the unscrupulous practices of some 900-number operators, the FCC has developed guidelines, Congress has proposed legislation to regulate 900-number practices, and the industry itself has responded with calls for self-regulation.

Federal Communication Commission's Guidelines

In September of 1991, the FCC announced its own regulations for the 900-number industry. The FCC requires 900-number services to include an introductory disclosure message, termed a "kill message," that clearly describes the service and costs and allows the caller to hang up without charge at the end of the message. It also requires that the preamble tell children to first obtain permission of a parent before placing the call or to merely hang up. However, there is some debate whether this could be more of a temptation than a deterrent for children. Third, it requires that consumers have the option to block all interstate 900 calls, where technically feasible. It also prevents a subscriber's basic telephone service from being disconnected for failure to pay interstate 900-number service charges [2, 10, 12, 17].

Government Regulations

In Congress, new legislation has been proposed to place strict regulations on the pay-per-call industry. In the House, the "Telephone Consumer Assistance Act" was proposed to protect consumers and strengthen the position of legitimate 900-service providers. In addition, the bipartisan House Energy and Commerce Committee approved a bill that would require operators of 900-number services to better inform customers of their prices and services. A similar bill was approved in the Senate.

Each of the legislative proposals lists guidelines similar to the FCC's, including preambles to warn callers of costs and to tell children to obtain permission before calling, kill messages to allow callers to hang up without being charged, and the option for consumers to block 900-number calls. Other elements of proposed legislation would give a one-time option to avoid 900-number fees if calls were unauthorized or the caller misunderstood the costs. Carriers would be prohibited

from disconnecting telephone service due to non-payment of 900 charges; consumers who successfully dispute 900 charges would receive an adjustment on their phone bills or a refund, with no limit to the number of times they could dispute calls. Another requirement would be the use of "beep" tones that let listeners know the amount of time that elapses during some types of 900-number calls. Final approval of legislation regulating the 900-number industry is expected in 1992 [10, 11, 12, 14, 17, 18].

The Industry's Response: Self-Regulation

The National Association for Information Services (NAIS) and the Information Industry Association (IIA), the 900-number industry's two trade groups, generally oppose government regulation. NAIS and IIA, along with many 900-number businesses, argue that kill messages add extra time and expense to the calls, inconvenience those who really want to use the 900-number service, and violate free speech rights. In addition, 900-number businesses strongly oppose the one-time "forgiveness" policy for users, claiming potential revenue losses of tens of millions of dollars. They are afraid that people will intentionally call a 900 number and then ask that the charge be forgiven [10, 17, 18].

Trade groups, phone companies, and 900-number services have proposed self-regulation. NAIS and IIA have developed their own self-regulatory plan. The key elements of the proposed self-regulation include: requirements that all charges be disclosed, prohibiting false or misleading advertising, outlawing programming that is obscene or promotes illegal or violent activities, and additional disclosure and content requirement for children's programming. NAIS also believes that unscrupulous 900 services are better handled by the existing regulations of the FTC, not as an extension of the FCC [10, 17, 18].

AT&T, Sprint, MCI, and Telesphere have also begun to address problems with 900 numbers. Each of the four phone companies has policies requiring preambles for children's programming and other services that involve high-priced per minute charges. Additionally, the phone carriers have placed maximum charge caps on 900 numbers aimed at children. The companies are also making greater efforts to screen the 900-number businesses before providing a line. ²In fact, Telesphere does not accept any 900-number programming directed at children [10]. For those people who wish to avoid 900 numbers all together, local phone companies will place a block on 900 numbers upon request. Depending upon the area, this blocking service may incur a small one-time charge or may be free [6].

Conclusions

Research Opportunities

Because it is such a new industry, there are many research questions related to 900-number services. First, it would be helpful to obtain better demographic information about people who occasionally or regularly use 900 numbers. Another research focus might examine whether regulations address consumers' primary complaints about 900-number services. Yet another research topic is consumer perception of the quality of 900-number services. Similarly, another research avenue may be to explore business' perceptions of the differences between their 800- and 900-number users.

Implications for Consumer Educators

To teach consumers, consumer educators must provide accurate and up-to-date information about 900 numbers including what they are used for and how they work. Consumer educators might collect 900-number advertising from television, radio, print, or other forms of media and use it as examples to illustrate the different types. Students could also examine ads and discuss which ones do or do not meet the basic guidelines proposed or mandated by the government, phone companies, and 900-number industry. A consumer educator might also draw upon personal experiences or real-life examples of people who have actually used a 900 number to illustrate how 900 numbers work, what types of information, services, or products they offer, and whether the information, services, or products were worth the charge of the call. Another educational activity would be to provide information and tips on how to make a claim to dismiss a charge for a 900 number if the toll was erroneous or the service or product provided by the number was not what was expected. The local phone company, Better Business Bureau, and FTC can provide updated and useful information, such as brochures and other literature, about 900-number claims and may be able to provide a representative who could serve as a guest speaker about the subject.

Because the industry and technology are new and the potential for fraud and deception is so great, consumer educators must play a special role in informing and teaching consumers of all ages about 900 numbers, how to distinguish between fraudulent and legitimate numbers, and how to resolve problems with 900 numbers. Additionally, consumer educators can play a role in developing regulations that will benefit consumers and allow legitimate 900-number businesses to provide fun, useful, and valuable information and services.

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Children's Television Advertising Limited

Legislation in 1991 limited the number of commercials that air during children's television shows. The limits are 10.5 minutes of ads per hour on weekends and 12 minutes per hour on weekdays. Local stations must also provide more educational and informational programming for children as a result of the legislation.

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