Measuring and Deducing Consumer Acceptance of Live Pre-recorded Calls with Prompt Opt-Out Mechanisms Across Ten Companies over Eight Months

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SmartReply
Give Your Brand a Voice™

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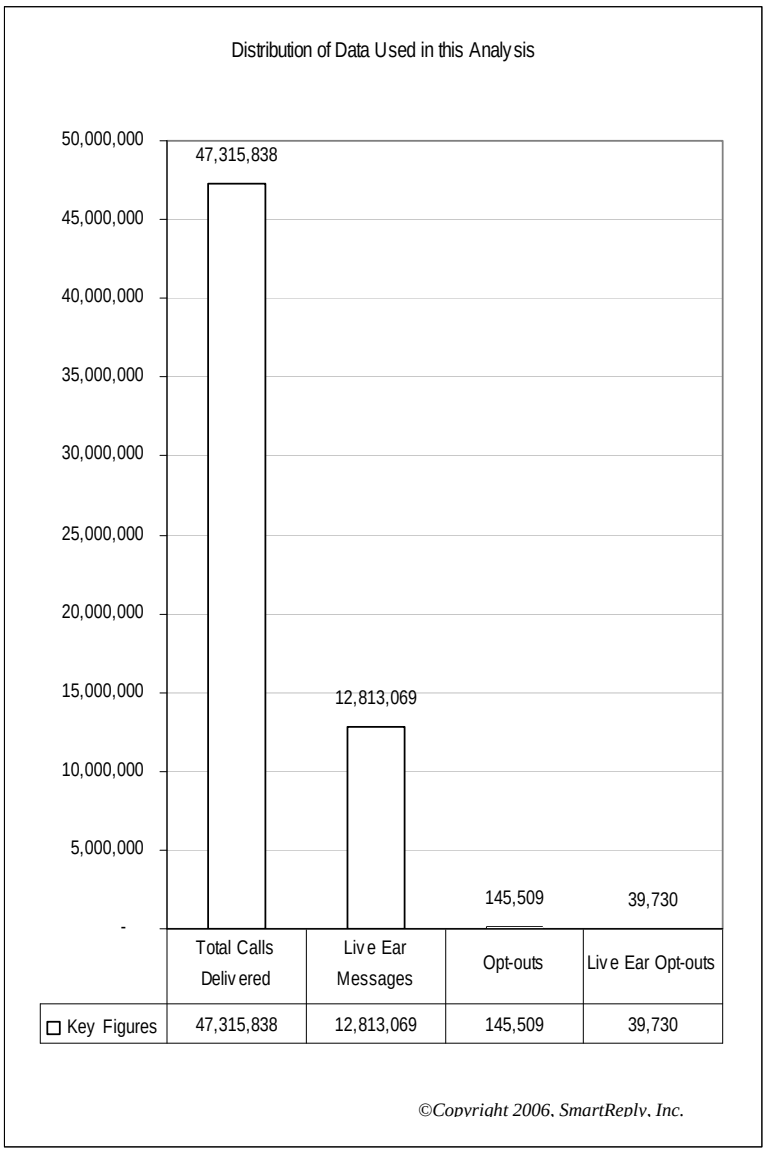
Background

The Federal Trade Commission (FTC) has issued a change to rules of delivery of pre-recorded live ear calls to consumers. In brief, the rules will require businesses to acquire express consent from each customer prior to delivering a call that may become a live ear call. Since it is impossible to predict with sufficient accuracy which call recipients will pick up the phone versus those calls that will be delivered to an answering machine, the implication is that all pre-recorded telemarketing calls must have express consent. This is a change from the existing regulation governed by Existing Business Relationship (EBR) in which a customer must have had a business transaction with the calling enterprise within the prior 18 months.

The FTC has asked for comments relating to the various impacts of this rules change, slated for implementation on January 2, 2007.

The underlying assumption in the rules change is that call recipients do not like nor appreciate live ear calls. Indeed, if a typical person was asked at random if they would like to receive such a live pre-recorded call, most would likely say no. The public's general distaste for all telemarketing is not what this study intends to investigate, nor dispute. It is the fact that some calls are more relevant than others, and that the existing rules regulated by the definition of EBR sufficiently guarantee that most of these calls will be relevant enough that a significant majority of consumers will listen to the call month after month, even when given an easy, free and immediate mechanism to opting-out of future calls.



Objective

It is the objective of this analysis to deduce the consumer's interpretation of the value of receiving live pre-recorded calls and to provide evidence in response to the FTC's specific request for quantification of the value of voice marketing.

Methodology

The data contained in this report is representative of 10 of SmartReply's top 15 clients. The five excluded companies were excluded on the basis of a) they were located outside of the Unites States and all of their calls are place outside of the United States, or b) their inbound calls are handled by a company other than SmartReply, therefore SmartReply does not have complete records on the opt-out behavior, or c) the types of calls placed by the client do not meet the definitions of the FTC's regulations on telemarketing and the rules change would not impact these clients.

SmartReply aggregated the cumulative calling data for these ten clients over the period of January 1 through August 30,

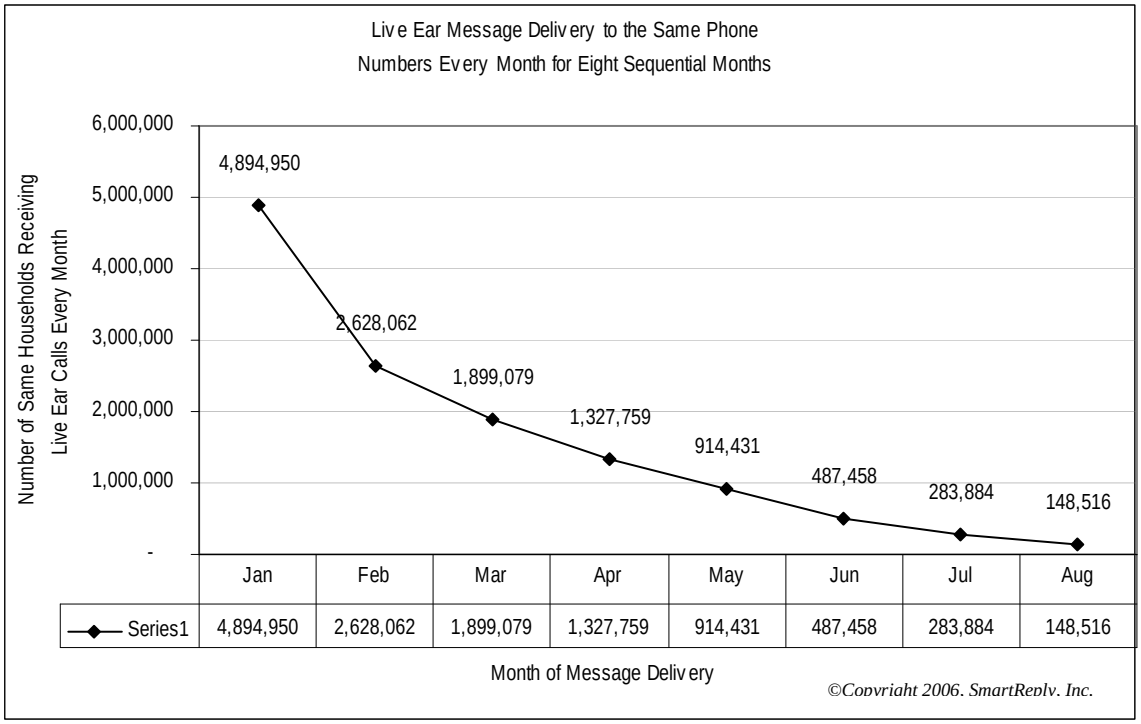
2006. All of the calls were made within the definition of Existing Business Relationship (EBR) and all Live Ear calls included a 'prompt-out-out' capability. The aggregate data included all outbound call records and:

- their delivery disposition (i.e. - "voice mail," "live ear," "other," etc),
- the length of time in tenths of seconds that the call recipient listened to the call (if a live-ear delivery),
- and the actions taken by the consumer as a result (i.e. – hanging up, opting-out, etc).

In total, this study includes:

- 10 nationwide calling clients over eight months in 2006
- 47,315,838 voice marketing messages
    - Of which:
        - 12,813,069 are live ear voice marketing message deliveries
- 145,409 customer opt-outs
    - Of which:
        - 105,679 are opt-outs from customers that received an answering machine message (called in to a toll-free opt-out and information phone number)
        - 39,730 are opt-outs from customers that received a live-ear message and "pressed 1" with the prompt-opt-out mechanism

The Live Ear Message Deliveries studied in this report are of those customers that received call after call every month by Live Pre-recorded message. Once they received a voice mail delivery, they were excluded from further direct study. The chart below demonstrates how very unlikely it is for such an event to happen – starting with 4.8 million Live Ear messages and reducing down to 148,516 people that received all 8 messages via Live Ear.



In addition, SmartReply was able to obtain the transactional response records of one client and match those up to the delivery disposition in order to analyze the call recipient ("customer") actions taken as a result of the call – i.e. – did the customer respond to the marketing?

Definitions

Voice Marketing refers to pre-recorded messages, both live and answering machine delivery, that contains a marketing or selling message to a customer that has made a financial transaction in the prior 18 months

Live Ear refers to the call disposition status when a call recipient picks up a voice marketing call, rather than a delivery to an answering machine

Prompt Opt-out refers to a statement in the pre-recorded message which clearly and nearly immediately states that the call recipient may press 1 at anytime to no longer receive these calls

II. Summarized Key Findings, Conclusions

- FACT: 90% of all Live Ear call recipients (following EBR rules) listen to over 50% of the Live Ear message length, INCLUDING the "Press 1 to opt-out" part of the message.
- CONCLUSION: Given an opportunity to instantly opt-out, 90% of Live Ear recipients continue to listen to a majority of the message, which must mean that they find the message relevant and non-intrusive.

- FACT: Some call recipients receive and answer a live-ear call every month. On their first live ear call, 64.9% of recipients listen to 75% or more of the message. By the time they have received 8 sequential month-after-month live ear calls (a very small percent of call recipients – only about 145,000 of the total) 70.2% continue to listen to 75% or more of the message. This represents an increase of 8.1% of customers listening to more than 75% of the live ear message length.
- CONCLUSION: Even when customers receive monthly calls via Live Ear, more and more of them listen to the message length. This can only mean that they find the messages relevant, non-intrusive, and perhaps have even come to expect the messages on a monthly basis to deliver valued and expected information from companies with whom they conduct business (EBR guidelines apply).

- FACT: Similarly, on their first live ear call, 3.0% of Live Ear call recipients listen to less than 25% of the message before hanging up, but after eight sequential monthly calls, this number drops to only 1.9% - a reduction of 36.6% of customer hanging up in the first 25% of a message.
- CONCLUSION: No matter what kind of call is placed – even a personal one from a friend – some of those calls will be inconvenient and people will decide how important the call is. In this case, the 36% increase in listening rates beyond the first 25% of a message can only mean that the importance and relevance of the calls has become a familiarity – and customers know that in 20 or so seconds, they will have the relevant information and be off the phone. The 1.9% of customer that promptly hang up may represent those few people for whom a call is inconvenient, or perhaps a child or spouse answered the call when it was intended for a different family member – just like happens with calls from friends and family.

- FACT: Live Ear call recipients use 'prompt opt out' mechanism ("please press 1 to opt out") with seeming ease. The first Live Ear call that a recipient receives, we measure 1.52% of the recipients press 1 to out. This steadily drops to 0.84% after they have received eight sequential monthly calls, a reduction of 44% from the first Live Ear call.
- CONCLUSION: Common assumption tells the uninformed person that someone receiving eight monthly Live Ear calls would be in an increasing hurry to opt-out of future live ear messages, but the evidence is contradictory. The more calls that a person receives, the less likely they are to opt-out. Combining this information with the fact that 90% of recipients listen to more than half of the message including the prompt-out-out, then the only conclusion to be made is that call recipients find these messages valuable, relevant, and non-intrusive. That is why they opt-out less over time.

- FACT: In attempting to determine the acceptance of the Voice Marketing, a head-to-head study comparing to the well accepted and completely unregulated marketing medium of direct mail found that customer response is nearly equal (voice takes the lead by fractions of a percent), and that when the customer received a voice message, their spending is 175% greater among identical customers that received only direct mail.
- CONCLUSION: This time-tested fact can only mean that a unique connection is made with a voice message – something that speaks to the recipient in a manner more specific to their needs and interests. This voice message is a welcomed experience that cannot be duplicated in a mailbox.

Do Consumers Listen to Live Ear Pre-recorded Calls?

III.a. Overall Results

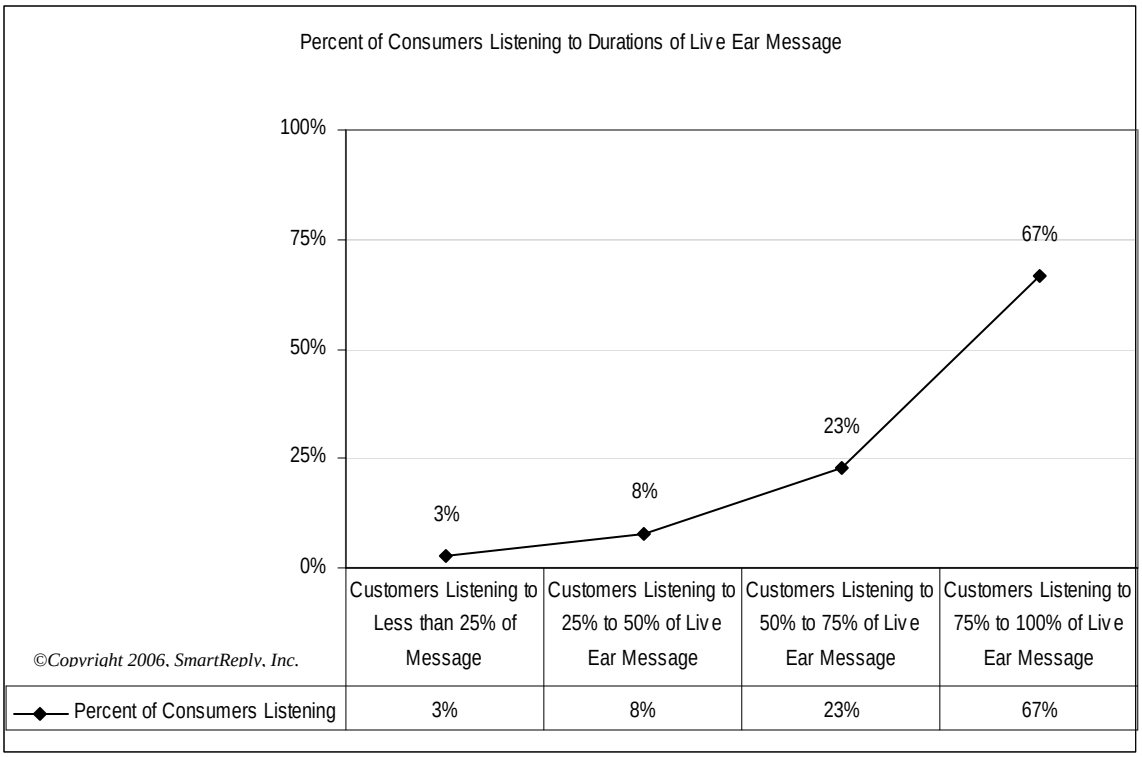
When a live ear call is placed, SmartReply is able to account for every fraction of a second of the message delivery from the time of message pick-up to the time that the customer hangs up. This information is primarily used to reconcile long-distance phone bills with SmartReply calling records. However, when we compare the known message length (for example – if a pre-recorded message is our recommended 17 second length) with the measured listening time (for example, if a customer listens for 15 seconds), we're able to begin to arrive at two important facts:

- What percentage of the message did the customer listen to?
- Did they listen to enough of the message that they heard the "prompt opt-out" message?

From these facts, we can deduce if the customer heard the opt-out message and decided NOT to opt-out.

This section of the analysis simply tries to understand if call recipients stay on the line to listen to the live ear message. The following chart segments the length of time that a call is listened to among the analysis group of 10 clients. Each segment represents 25% of the message length. For example, a 20 second message would be broken into four segments:

- the first 0% to 25% of the message (0 to 5 seconds),
- the second 26% to 50% of the message (5.1 to 10 seconds)
- the third 51% to 75% of the message (10.1 to 15 seconds)
- and the last 76% to 100% of the message (15.1 to 20 seconds)



Conclusion Section IIIa

Conclusion to Overall Results III.a.

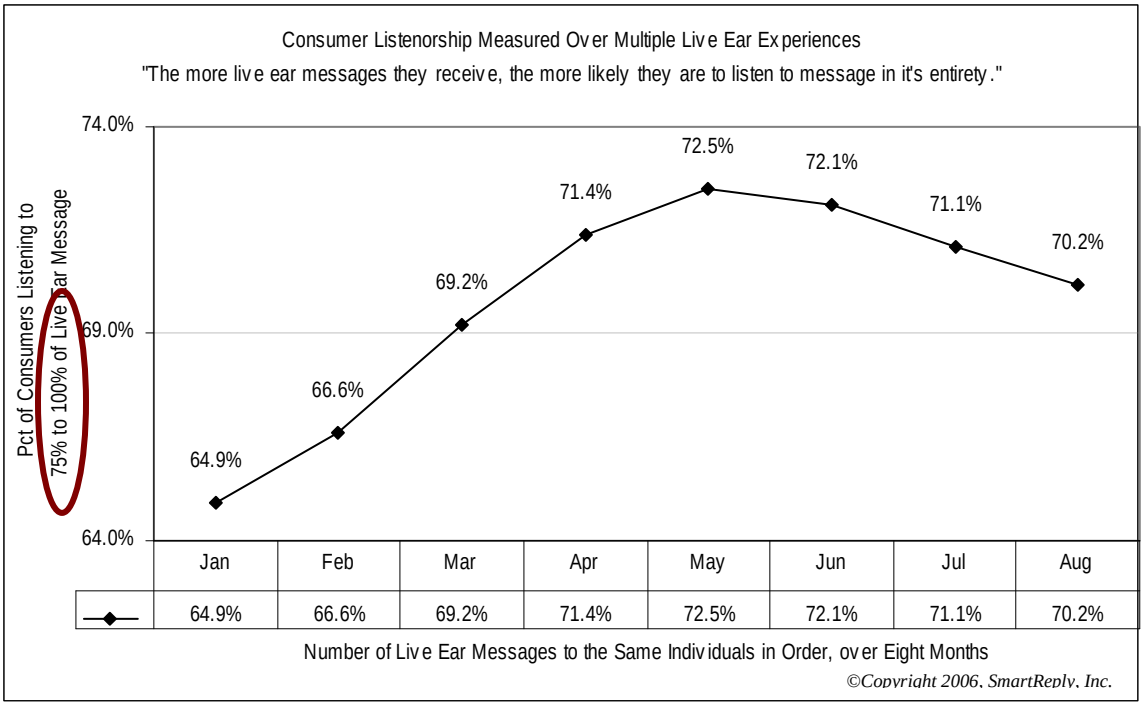
It is clear that 67% - a clear majority of live ear call recipients - listen to at least 76% of the message and up to 100% of the message. It is also notable that 90% of live ear call recipients listen to 50% to 100% of the message. This is important because the prompt opt-out statement is within the first 50% of the message, meaning that 90% of live ear call recipients are hearing the prompt opt-out statement. So, of the 12.8

million live ear calls in this study, 11.5 million listened to 90% of the message and had a clear opportunity to opt-out of future calls.

III.b. Results Over Eight Months

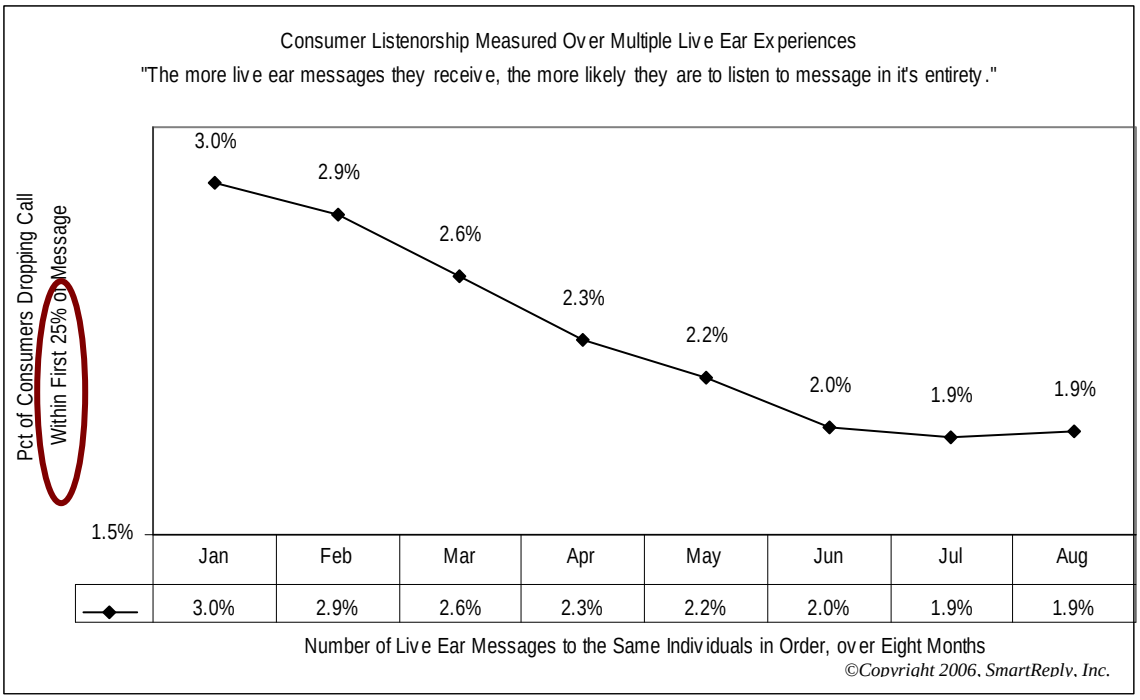
Looking at the rare customer that receives eight sequential live ear calls in an eight month period, does this conclusion change? The intuitive response is that the more messages a customer receives by live ear, the more likely this customer is to hang up earlier. However, according to the facts, this is incorrect.

The following chart specifically looks at the percent of live ear customers that listen to 75% to 100% of the live ear message after having received these live ear calls over the preceding months. **It's important to note – these customers all received 100% live ear messages, never an answering machine message delivery.**



The first message delivered, 64.9% of live ear recipients listened to 75% or more of the message. This reached a peak of 72.5% of customers listening to 75% of the message after these same customers had received their fifth live ear message delivery in May. This then declined to 70.2% of customers listening to 75% of more of the message after the customer received their 8th sequential live ear call. (Evidence from long term studies client-by-client indicate that this stabilizes at about 69% of customers listening to 75% or more of each live ear message.)

Likewise, customers are more likely to listen to more of the message before hanging up in the first 25% of the message. The following chart plots the percent of customers that hang up in the first 0% to 25% of the call. This steep decline from an initial hang up rate of 3% down to leveling out at 1.9% is clear. After eight months of monthly live ear calls, customers are more likely to listen beyond the first 25% and through to the end, then when they received their first live ear call eight months earlier.



Conclusion Section IIIb

III.b. Results over Eight Months

It is clear that customers not only continue to listen to live ear pre-recorded calls month after month, they are more likely to listen to an increasing percentage of the message. The meaning behind this counter-intuitive fact can only be deduced by the value of the message that the customer receives. An important or relevant message should be expected to show more customers listening to a greater message length, as this study demonstrates.

Looking at the chart in III.b. which measures the first 25% of the message listenorship. The customer is receiving their first live ear call and this first one, only 3% of customers find it irrelevant in the first number of seconds. However, very rapidly, customers appear to recognize the brand name and the voice and within only a number of months, the percent of customers that listen past the first 25% of the message almost doubles.

This further demonstrates that the vast majority of customers are listening well beyond the prompt-opt-out message in the live-ear pre-recorded message. All the customer needs to do is to 'press 1' as they have been instructed in the first half of the message recording, and then they are done. This is further addressed in latter sections of this study.

Do Consumers Use Prompt Opt-Out on Live Ear Pre-recorded Calls?

IV.a. Results over Time

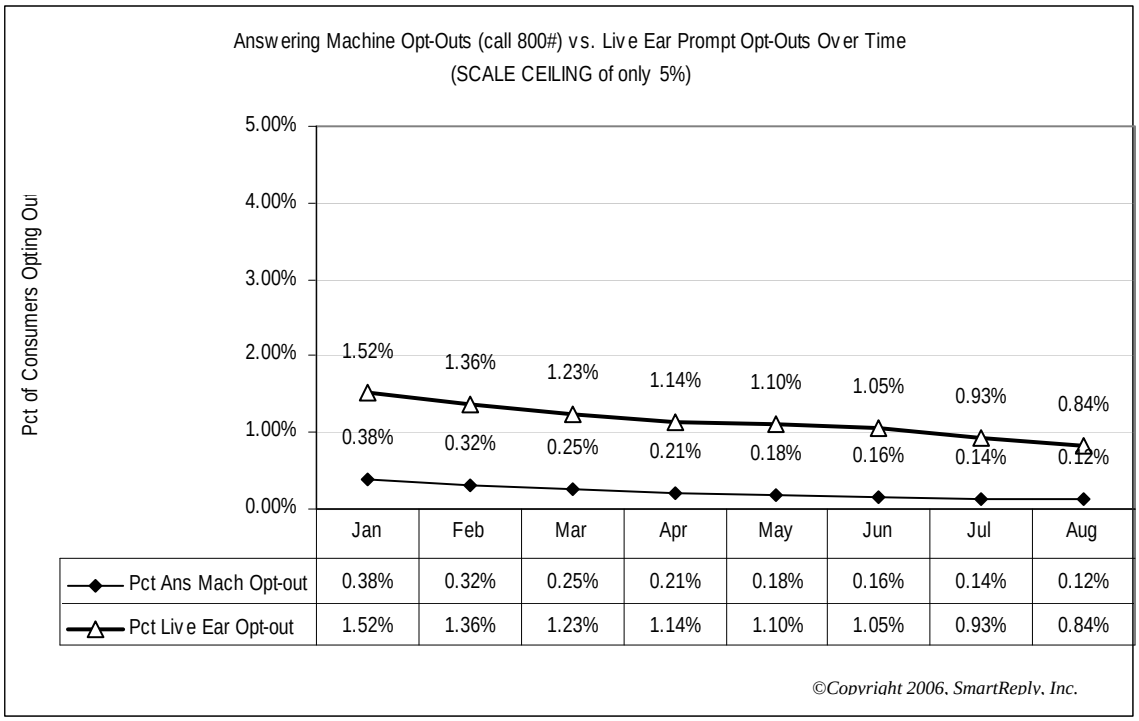
The technology for prompt-opt-out is widely available and SmartReply has always used this solution as part of the total voice marketing solution package. The question of consumer acceptance of prompt opt-out is not addressed in the FTC documents, but certainly is on the minds of interested parties.

As demonstrated in the previous section, live ear call recipients are definitely listening to a majority of the live ear message. The *prompt opt-out* function is generally in the first half of the message recording if not much sooner. Therefore, majority of live ear recipients (90%, according to section III) are indeed listening to the prompt opt-out option.

For a point of contrast, when a message is delivered to an answering machine, there is no option for "press 1 to opt-out" because the call has been recorded onto an answering machine to be retrieved later that day at the convenience of the call recipient. However, within the answering machine calls a toll free opt-out phone number is left for the customer to call anytime in order to discontinue receiving the calls.

Therefore, to understand if customers are using the prompt opt-out live ear call function, we can use the opt-out trends of those customers that received only an answering machine call as the base line metric.

As the following chart demonstrates, the customers that received the answering machine message had an initial opt-out rate of 0.38% (NOT 3.8%. This is only *3.8 opt-outs per 1,000* messages delivered). This number declined rapidly to only 0.12% (1.2 opt-outs per 1,000 calls delivered) to an answering machine.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Pct Ans Mach Opt-out	0.38%	0.32%	0.25%	0.21%	0.18%	0.16%	0.14%	0.12%
Pct Live Ear Opt-out	1.52%	1.36%	1.23%	1.14%	1.10%	1.05%	0.93%	0.84%

The chart also demonstrates the much higher opt-out rates of live ear calls. In the first call, 1.52% of live ear recipients immediately pressed 1 to no longer receive the calls. Eight months later, and eight live ear message deliveries later, only 0.84% (8.4 customers per 1,000 that received the live ear call) were opting out with the prompt-opt-out function. This is a noteworthy 45% reduction of opt-outs among a group of consumers that have received the most significant number of live ear calls.

Conclusion

IV.a. Results over Time

Clearly, live ear call recipients are comfortable and adept at using the prompt opt-out function because they are 300% more likely to press 1 to opt-out than they are to call a toll free number to opt-out. We continue to believe that a prompt opt-out solution is an essential tool to help customers control their marketing preferences, easily and conveniently. In addition, it is clear that the reduced opt-out rate after multiple sequential live ear message begins to demonstrate customer acceptance of the medium.

Response Rates of Live Ear Pre-recorded Calls Compared to Answering Machine Calls

V.a. Media Results Comparison

SmartReply gathers results from a majority of client campaigns. These results generally indicate consumer responsiveness and spending behavior. Clearly, results can measure marketing performance, but may not measure acceptance, except through comparative media analysis.

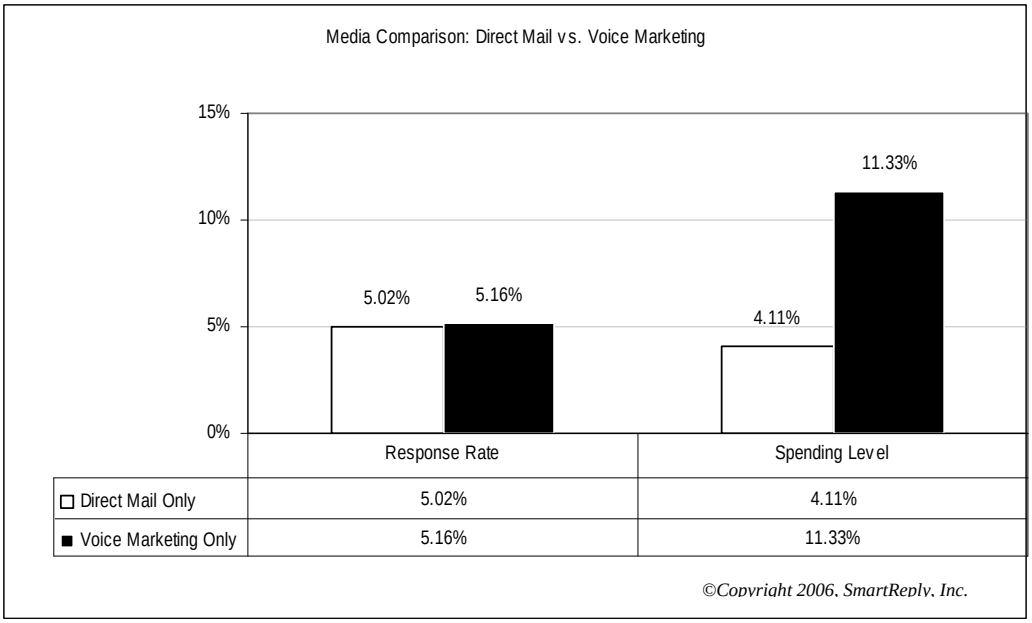
In this section, we analyze the results of Voice Marketing in comparison and contrast to results of Direct Mail. The most important part of this test is that both the direct mail and the voice marketing were executed under Existing Business Relationship (EBR) requirements, even though direct mail has no such requirement.

The hypothesis of this test is that the more accepted medium will be the medium that performs the best in terms of numbers of customers responding and their aptitude for spending following the direct mail or voice marketing campaign. Unfortunately, direct mail does not have the obligation of required opt-out management that voice marketing has, so comparisons regarding direct mail's opt-out rate do not exist.

In this case, 82 client campaign results were submitted and were required to have three criteria:

- A control group that received no marketing (voice marketing nor direct mail) but that was identical to the groups that did receive the marketing (treatment groups)
- One of the treatment groups received only direct mail
- One of the treatment groups received only voice marketing

Of the 82 campaigns, the results were as follows:
Direct mail and voice marketing had virtually identical response rates just above 5%. The spending levels varied widely, with voice marketing out-pulling direct mail by 175%.



Conclusion

V.a. Media Results Comparison

Based on the hypothesis and the results, voice marketing is essentially as well accepted as a marketing medium as direct mail, but the characteristics of voice marketing in delivering a 175% increase in spending level cannot be easily explained away. This phenomena has been repeated not just over the 82 campaigns in this study, but time and again across most client campaigns. The only conclusion is that voice marketing delivers a more relevant and memorable message that speaks to the needs of the recipient in a way that a piece of paper in a mailbox cannot.

End of Report.

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