

SPECIAL TOPIC

Enhanced Services

1. Overview

Several parties have approached the Paisley Group (PGL) regarding the topic of enhanced services, both recently as well as in the past. So this Index's special topic is dedicated to enhanced services – what are they, how are they handled, what are the cost considerations, how important are they?

In one analysis of wireless caller patterns conducted by PGL, 1-2% of callers report that in their most recent DA call they were seeking driving directions, about 5% for restaurant reservations, and 4-5% seeking movie listings. “Other” needs indicated in the study totaled 14%, but individual service results in this category were not statistically significant.

However callers do not always simply state the ultimate need they are seeking to fulfill, since few are aware of even the possibility of getting this degree of service via Directory Assistance. Callers are trained, typically, to ask for the number of the restaurant they want and then make arrangements directly with that restaurant; or to request the business or residential number of their destination in order to get driving directions directly from that party.

Therefore DA providers offering these services may show much lower usage percentages than those stated above unless the target subscriber base is well aware of the service – such as in the case of movie listings, now that knowledge of this service is widespread. Caller education has a tremendous impact on DA enhanced service usage, and actual DA enhanced service requests (as defined below) as a percentage of all calls handled is about 5% in total.

2. DA Service Categories

PGL recognizes four distinct levels of DA service for purposes of this report. Note that call completion is not a factor in this particular discussion, as it may or may not accompany DA service at any level.

1. *Basic Directory Assistance.* This level involves requests for a business or residence phone number and/or an address, based on the caller providing a city/area, a name or partial name, and perhaps a street. DA service on this level is straightforward, involves simple information, and is quick – averaging around 15-18 seconds for an experienced operator.
2. *Directory Assistance Plus.* “DA Plus” builds on Basic DA by including reverse searching and basic category searching. The reverse search service involves two types of requests: the caller needs a name and/or address, based on providing a city/area and a phone number (“search by number”); or the caller needs a name and/or number, based solely on providing a city/area and the address (“search by address”). Category searching is in this level because it has become so widely used and is seen now as a search method rather than an enhanced service. DA Plus service averages around 15-20 seconds for an experienced operator.
3. *Enhanced Directory Assistance.* “Enhanced DA” builds on DA Plus by including requests that involve the need for information outside of name, number, and address – such as movie times & listings, local event schedules, driving directions, weather reports, and others. Enhanced DA begins to fulfill (and often completely fulfills) the caller's root need for placing the phone call in the first place. Instead of calling DA to get the number to call

the theater to get times & listings, for example, the caller can simply call DA to get the times & listings and never needs to contact the theater directly. Enhanced DA average service times vary greatly at this level, from around one minute for movies to over two minutes for directions.

4. *Concierge Service.* As viewed through the DA call stream, Concierge services are those that require the involvement of an additional task or party outside the caller-operator interaction. Some additional arrangement, transaction, or depth of service are performed – such as restaurant reservations, ticket purchases, or even personal calendar information. Concierge service times range all over the spectrum and are highly dependent on the specific needs of the caller. Calls may often top 10 minutes or much longer.

3. Detailed Offerings

Enhanced DA

Service	Description	Service	Description
Movies	Movie listings and show times, by theater or by movie title.	Sports	Real-time scores, end results, trades, news updates, and schedule information.
Events	Venue and schedule information for local events, fairs, festivals, sports and concerts.	Stocks	Timely updates on stocks, bonds, indexes, and currencies.
Directions	Turn-by-turn driving directions to or from the listing location, or between any two points indicated by the caller.	Lottery	Current winning lottery number information.
ATM Locations	Location of the nearest ATM, or all area ATMs, relative to a central starting point provided by the caller.	Horoscopes	Daily horoscope information.
Weather/Ski	Current conditions and/or forecast conditions for any given location. Snow/ski conditions in-season.	Restaurant Info/Reviews	Restaurant look-up by cuisine, with ratings and reviews, and other miscellaneous information.
Flights	Arrival and departure delay information.	Radio Info	Station format, call signs, tuning frequency, syndicated program times, coverage areas.
Traffic	Real-time traffic delay information.	Roadside Assistance / "Taxi Referrals"	Locating a tow truck, mechanic, or other assistance. Identifying a recommended local taxi service.

Concierge

Service	Description
Reservations	Arranging specific restaurant and/or hotel reservations for the caller within set parameters. Requires a follow-up confirmation back to the caller.
Movie Ticketing	Purchasing movie tickets in advance, for customer pickup at the theater.
Personal Assistant * To PGL's knowledge, only Infone is providing this service currently.	After synchronizing the information to the service, the DA operator can access the caller's contacts and calendar information. Also includes text-messaging and email alert service for appointments. Voice e-mail facilitation.

4. How Are They Provided?

There are a number of data providers for information beyond just a listing's name, number, and address. From specifying business categories to up-to-date stock quotes and traffic jams, there are partners ready to put enhanced data information into operators' hands.

A DA operation looking to utilize business category information might go to specialized partners such as infoUSA (www.infousa.com), Dun & Bradstreet (www.dnb.com/us), Acxiom (www.acxiom.com), or Experian (www.experian.com). If in the market specifically for movie listings and movie ticketing, Cinema Source (www.thecinemasource.com) and Tribune Media Services (tms.tribune.com) are potential candidates as they specialize in this area. Cinema Source handles ticketing through movietickets.com, while Tribune handles it through Fandango. For driving directions a provider might go to TeleAtlas (www.teleatlas.com), MapQuest (www.mapquest.com), or Kivera (www.kivera.com) for solutions.

However, data providers such as Volt Delta (www.volt.com), ISx (www.isxinc.com), LSSi (www.lssi.net), and Varetis (www.varetis.com) combine multiple types of data into their offering. Volt, for example, offers these services:

- Business listings by category
- Movie listings
- Restaurant and hotel reviews
- Weather reports
- Ski conditions
- Airport delays (weather-related)
- Sporting event scores
- Cultural event schedules
- Traffic reports
- Directions
- Horoscopes

Some services such as restaurant reservations – Restaurant Row (www.restaurantrow.com) – and ATM locations – VISA (www.usa.visa.com) – are still relatively specialized and have not yet been widely integrated from a data provider perspective.

Due to the nature of some services, like traffic and weather, there is such an abundance of quickly-changing information that some have determined the most effective manner to provide data is through an Internet gateway. Many data providers offer this type of connectivity for

various services, though some DA providers have opted to develop and manage their own direct connection to enhanced information over the Internet for these services in particular.

Finally, depending on a DA provider's emphasis on specific markets or on the frequency of some requests, they may supplement or even handle altogether the data collection via in-house research analysts. For example, collecting local event information in a city of 200,000 might be worthwhile for a smaller rural wireless carrier so their DA provider may expend internal resources to manually do this. However a national wireless carrier might only want to focus on the larger population areas, which are already included in event information provided "off the shelf" by a high-volume data provider.

5. Cost & Price Considerations

On the most basic level when deciding to offer an enhanced service, a DA provider must determine whether to provide it directly at all operators' desktops and through all operators, or to provide it as a specialty service/skill *via transfer* from the original operator answering the call. While speech recognition automation efforts may assist somewhat in "peeling off" enhanced service requests for specialized call routing, currently there is no graceful way up front to determine and route enhanced requests to a specially-skilled set of agents. Thus, the transfer option.

The DA operation must weigh the human cost factors, then, regardless of the 5-10 cents per call that it may cost to obtain access to the data itself. (Cost per call for enhanced data can vary widely based on volume pricing and on multiple pricing structures – per dip or on a subscription basis.) Given that enhanced service call volumes are quite low as a percentage of all calls, if they are spread across all of the operator population then each individual operator will handle a particular type of service's calls so infrequently that their skill level diminishes over a short period of time. Frequent training and test-calling to maintain skill levels across the entire operator population are expensive endeavors.

If concentrated on a specialized set of operators and callers are transferred from the general population of operators if they have an enhanced service request, then there are costly transfer processes and separate operator group inefficiencies to manage.

The expenses can add \$0.10 and more to the base cost per call, for each enhanced service request..., unless the volume of requests is large enough as a percentage of all calls handled, enabling a lower-intensity process to maintain service quality. Then the service can be handled across all of the operator population at a cost very close to the cost of the data itself. PGL sources indicate the breakpoint for this percentage is around 5% before it becomes more efficient and adequately consistent to provide any particular enhanced service through all operators.

For DA providers handling service in-house, the cost considerations can simply be weighed in light of direct revenue per call and potential increased usage revenue. For example if the fully loaded cost of operating normally is \$0.40 per call and the average revenue per call is \$0.60, then the provider must weigh whether it is "worth it" to provide an enhanced service at an incremental cost of \$0.10, or one at \$0.20, or one at \$0.30, etc.

3rd party DA providers must add in the factor of how, or whether, to pass costs for enhanced services on to their carrier clients. The value of using an enhanced service as a differentiator in the market may be worth absorbing some or all of the expense as a cost of doing business, or conversely it may be more advantageous to add a margin into the price charged to the carrier. Both of these approaches exist among 3rd party providers, and the same provider may even take both strategies depending on the situation and factors external to enhanced services.

The primary options for 3rd party DA pricing with enhanced services are:

- a) Baked In – Including the costs of providing enhanced services in the overall price per call offered. The incremental price could range from \$0.005 to \$0.015 per call depending upon the mix of services involved. This has the advantage of being simple and easy to bill, but can be a drawback to a provider attempting to compete on a lowest-price basis since the vast majority of calls could be priced lower and since profitability would depend heavily on the percentage of enhanced service calls.
- b) Per Instance – Charging for an enhanced service request/event only when one occurs. The incremental price could range from \$0.05 to \$0.60 per instance depending upon the service performed. This has the advantage of more accurately setting costs and prices in parallel based on services actually provided, but does present a difficult perception challenge in terms of how to make clear just how expensive some services are to provide.

In either route, operator time is the key factor affecting pricing so generally the longer the service the higher the price. For example, providing driving directions can top two minutes on average and therefore would carry a higher price than providing a relatively quick horoscope report.

6. Importance of Enhanced Services

PGL noted in the beginning of this topic how 10-12% or more of existing calls involve a caller's need for an enhanced service, specifically directions, restaurant reservations, and movie listings. Instead of the restaurant (caller's end-destination) providing that service to the caller, if the caller can get it from their DA service then they may be inclined to call DA for that service in the future - even when they already know the destination number. Furthermore if knowledge of certain services and the need for convenience prompt consumers to call DA in situations when they otherwise would not have, then even more incremental volume will fuel revenue growth in the business.

Also, now that consumers have grown accustomed to the momentum of long-established enhanced DA services (such as movie listings) and to the recent introduction of new services (directions, traffic, etc.), they are likely to expect enhanced services consistently from any future DA experiences. Wireless subscribers have enjoyed this level of service for years; and with wireline carriers such as SBC and Verizon offering enhanced DA now as well, callers will begin to *expect* the same regardless of what phone they use.

Lastly, PGL has noted the convergence of Customer FulfillmentSM over time in the DA industry and is now anticipating a similar convergence of (or at least greater competition in) Customer CareSM in the industry as DA providers turn their attention to service personality. Providing enhanced services, and providing them well, will likely increase in importance as a differentiator in the market place.