



Institut für Rundfunkökonomie
an der Universität zu Köln

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Benchmarking for Broadcasting Fee Collection Agencies.
Possibilities and Problems

**Working Papers
of the Institute for Broadcasting Economics
at the University of Cologne**

No. 271

Cologne, in October 2010

Arbeitspapiere des Instituts für Rundfunkökonomie
Working Papers of the Institute for Broadcasting Economics

ISSN der Arbeitspapiere: 0945-8999

ISSN of the Working Papers: 0945-8999

ISBN des vorliegenden Arbeitspapiers 271: 978-3-938933-77-0

ISBN of the Working Paper at hand: 978-3-938933-77-0

Schutzgebühr 5,- €

Price 5,- €

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Nothburga Veyer

Benchmarking for Broadcasting Fee Collection Agencies. Possibilities and Problems*

1. Broadcasting Fee Association

First I want to introduce the Broadcasting Fee Association. The purpose of this association is to provide information to its members in the field of broadcasting licence fee management and to support economic contacts among its partners.

These targets should be achieved by publishing of periodical and non periodical works concerning information and upgrade of its members in electronic or printed versions; to organize conferences, congresses and other association supporting activities as get together and expositions. We also use expert consulting by its members concerning broadcasting licence fee management.

There are also other activities like giving information to member countries if there are local information how special problems could be solved, we do press releases about ongoing changes, supporting Ministries, companies etc. about European wide fees and regulations. We also support member countries with facts and figures for presentations. We try to secure that comparable numbers are used.

2. Benchmarking

Benchmarking is the process of comparing one's business processes and performance metrics to industry best and/or best practices from other industries. Dimensions typically measured are quality, time and costs. Improvements from learning mean doing things better, faster and cheaper.

Benchmarking involves management identifying the best firms in their industry, or any other industry where similar processes exist, and comparing the results and processes of those studied (the "targets") to one's own result and processes to learn how well the targets perform and, more importantly, how they do it.

Collection agencies for broadcasting fees have the same task and they could not really be compared with other industries/businesses due to their specific order. Therefore one of the tasks of the Broadcasting fee association is to do benchmarks for the advantage of the broadcasters/government to lower the collection costs and to win as much subscribers as possible.

* This article is based on a presentation given during an international conference concerning "The Future of the Broadcasting License Fee in Times of Media Convergence" which was organized by the Institute for Broadcasting Economics and the Broadcasting Fee Association in Bonn, Germany, on May 6, 2010. Mrs. Veyer is leader of the Cluster "Legal, Facts and Finance" of the Broadcasting Fee Association.



3. Benchmarking Within the Collection Agencies

During our work we have learned, that there are a lot of possibilities, but we also have to see the risks. Normally one possibility brings up another risk, if the comparison is done in the wrong way. One of the most important points in benchmarking is to compare the existing processes, because all collection agencies are doing more or less the same work, BUT under different conditions and laws. Comparing the right processes need deep background knowledge. Such benchmarks can bring up cost saving potentials and high improvements in efficiency. The benchmarking process helps us, to rethink all our routines, because we are all working in mass data processing and in this type of business routines are very important. So it happens that these routines are not changed over the years, because the IT-Systems force us to work in the predefined ways.

4. Benchmarking the Evasion/Evaders Rate

We know that all member countries are calculating an evasion rate on a yearly basis. But we also have seen very quickly, that the percentage could not be compared really one by one. The main reason is, that the main data base (household data or company data) do not come from similar sources, even the age of the data base is quite different.

The main problem is to get correct data for the calculation, but not in all our member countries the newest household numbers are available. Some of us are using the Census 2001, other postal addresses or statistical estimations from the government for the latest year. One of our member countries has access to the governmental data base for households and is therefore using always the latest information.

In all countries data about companies are available, but no one knows, if the company owns a TV Set and there is also the problem of the 1-person-companies, having the same address like the private household.

The regulations for hotels and the commercial use of car radio is quite different in the countries. Only as example, in Austria a hotel needs only one licence, independent how many rooms they have, in Italy it is a combination of stars and number of rooms.

Therefore the evasion rate for companies could not really be compared within Europe; the household evasion rate is more or less comparable. The possibility to get an exemption based on the law influences heavily the behaviour of the customer for a subscription. Especially in economic situations like now, the workless or poor household avoids a subscription, because there is no money to pay the licence.

The next risk in comparing the evasion rate is the wording in the law concerning technical equipment for broadcasting. In some countries only TV-Sets are mentioned, in others the wording is much broader, so that Beamers and PC's are also covered. Specially in the coming years the usage of other technical equip-



ment getting broadcasting services will change the subscription behaviour and therefore also the evasion rate percentage.

The evasion rate benchmark showed a range from 2.5 % up to more than 26 %, always compared for households only.

5. Benchmark of Licence Fee (Media Fee) or Similar

This type of benchmark has to be done from two points of view, from the customer perspective and the public broadcasters view. Customers have to pay a calculated yearly fee for public broadcasting services, but there are different regulations concerning Radio and TV-Sets. In some countries, Radio is absolutely free, in others the customers have to pay also for Radio services. Comparing from the public broadcaster view, a lot of adjustments have to be recognized like percentage of included VAT, which relates to Ministry of Finance. The included VAT percentage in our member countries is from 0 % up to 25 %. Also other questions have to be asked, like provision for commercial stations with public services, commissions for supervisory authorities, amounts for cultural belongings from the governmental part etc.

6. Benchmark of Licence Fee Holders

This type of benchmark seems to be an easy one, because you only have to compare the registered licence fee holders – but you have to know the existing law in the different countries due to the fact as already mentioned, that not in all countries the need for Radio and/or TV-Set subscription is the same.

The law influences the number of licence fee holders mainly in the companies sector. The Hotel regulations and the also the commercial use for car radios has a deep impact on the number of licence fee holders.

The fact, that in two of our member countries the licences are only valid for one year, and have to be renewed on a yearly basis, influences the number of licence fee holders also. Also if only real paying or all registered licence fee holders are counted.

Comparing the number of licence fee holders, we have seen a small growth from 2007 to 2008, but 2009 shows already a stable or declining number of licence fee holders. It has mainly to do with the fact, that in big towns, the subscription behaviour gets worse.

7. Benchmark of Costs

Benchmarking in this sector is always risky, because the structures, processes and activities could be quite different.

In our case we can split the organisations collecting licence fees in two sectors. Some collection agencies are working (more or less) like an independent company, covering all processes of the business; the others are a department within



the public broadcaster. This already shows, that the costs can not be compared – even with adjustments.

The other important cost driver could be the existing law that requires actions in a specific country, which is not valid for other countries.

The main cost drivers are postage costs, IT-department and security, the complete process of data processing and the way of accounting due to customer behaviour and payment ways.

Advertising and field inspectors are an important part of costs also. Mainly countries where the collection agency is a department of the public broadcaster have not to pay for air time, others have to pay the full costs. A similar situation is with field inspectors/sales force. All countries having a sales force are paying more or less per new subscription, but different amounts per subscription, in Germany the inspectors are paid via the public broadcasters.

Some countries invoice the licence fee only once a year, others 6 times a year. Even this simple example shows, that in case 2 the postage costs must be 6 times higher compared on the same licence fee holder basis. The frequency of invoicing is written in the law and can not be influenced from the collection agency.

Exemptions are not possible in all member countries; therefore at least these costs must be adjusted to have comparing costs. Austria and Germany have to do the whole process for exemptions, UK and Ireland, also Denmark do not allow exemptions, therefore there are no costs for doing this process. The named countries are only examples.

Comparing the costs means always a lot of adjustments, but the risk to make to many adjustments is high and therefore a complete cost comparison is risky. Simulation of similar conditions should be done, but the definition of similar conditions is not easy to define.

Doing cost comparisons, the basis has to be defined; it could be in relation to invoiced licence fees, in relation to collected money (transaction volume) and also in relation to licence fee holders, seen as costs per licence.

During our benchmarking work we have learned, that mainly processes should be benchmarked, because a process could be clearly defined, even if the agencies are working in different ways.

8. Benchmark of Processes

As said before, processes could be compared, one main process is the Customer Care Contact Centre, and this process could be divided into several sub processes, like Call Centre, Customer contacts for letters, mailings, faxes etc., and Customer Care for data input.

Another important process is data processing; here the sub processes are letter opening, scanning, archiving, key word recognition, eventually electronically directing to related departments, the use of forms for subscriptions, changes and



cancellations. Specially the data processing part is strongly influenced from the law, where it is stated, which information the collection agency gets about household changes.

The process for Direct Mailings/campaigns is also strongly influenced from the source of data. Governmental sources are having a higher quality than leased. Comparing the data from the subscriber data base with household data bases needs some predefinitions, and during this benchmarking, every country gets new ideas who such a comparison between registered and unregistered could be done in a better and more efficient way.

The process of customer accounting is strongly depending from the payment ways. Customers paying via direct debit are creating a high efficiency with low costs, but if you analyze this process, you could come back to the process of Marketing and Communication. But in some countries payments via direct debit are not common, even if you change the communication strategy.

9. Postage

This benchmark is mainly based on the law which the collection companies have to fulfil. That postage is one of the most important cost drivers is already mentioned.

Doing this benchmark means to compare to postage costs per letter, per reminder or direct mailing. In some countries, there is a reduced postage fee for invoices or direct mailings, in others there is no difference in costs, whatever you are sending towards customers.

10. Exemptions

There are different regulations for exemptions in more or less all countries. Some agencies have to handle the whole process like checking, proofing, giving information towards customers, other do not have any exemption regulations.

Comparing this process, we have learned, that a lot of different processes are used, from the complete execution for exemptions, down to not registering such households.

Another part for benchmarking the exemptions is from the public broadcaster's point of view. The financial impact coming from exemptions is based on the regulation. In some countries, the public broadcaster do get more or less fully refund of the lost licence fees, in others there is no refund, it means, that the public broadcaster is giving social, economic support to defined households.

We have seen during this benchmark, that the payment behaviour of the subscribers could be strongly influenced, if exemptions are possible or not. Poor households or workless people avoid subscriptions, because they know, that they can not pay the fees. Having exemptions in a country could mean that the payment behaviour is better.



Another comparison of existing exemption is the relation to total subscribers. We have recognized that total subscriptions are going down, but the numbers of registered exemptions are increasing over the years.

11. Information Technologies

Already during the start of this benchmark, we have seen that nearly no collection agency is using a standard EDP program; most of us do have individually programmed systems. It has also to do, that the collection agencies are working in mass data processing.

All impacts of the licence fee laws have to be implemented, and we have not seen any program which can work with exemptions. Exemptions can not be programmed as 100 % discount, the related households have to be registered, but it must be secured, that they do not get any invoices during the timeframe of the exemption.

In most cases, a change in the law, influence strongly the used EDP program, if the law is changed, the EDP program has to be changed also, and mostly this is very cost intensive.

Not all collection agencies are using in house systems; some of our member countries have outsourced the IT department. Using outsourced partners is creating strong security regulations, which have to be controlled. The printing process is mainly outsourced, because of the high volume and in some cases also to control in an easier way the postage costs.

12. Advertising

Advertising is seen on a broader view, it is communication towards customers and evaders/dodgers. The main message is to inform, not to control. This positive type of communication can be measured via market survey, controlling has a negative meaning towards not registered households. We have seen, that it is important to say "thank you" to registered households/companies and give the message, that it is not fair, that approx. 95 % or similar are paying, because they also have to cover the broadcaster's costs for the not registered households.

The efficiency of communication towards customers is depending from the fact that the communication is done continuously, not only once a year.

All available communication channels of today are used, like Telemarketing, Direct Mailings, TV and Radio advertising, Websites, field force and also co operations with different outlets.

All these actions influence the cost situation of the collection agency and also the public broadcasters. Efficient communication reduces the evasion rate and brings more new subscriptions.

Even with low evasion rates, Advertising and Communication is necessary, because the behaviour of customers towards cancellations of subscriptions is



growing. Every customer which cancels his subscription increases the evasion rate and lowers the income of the public broadcaster.

13. Summary

Benchmarking is very important for all collection agencies to find improvements in the existing routines and to reduce costs. The named benchmarks are only the start of working closer together and learn from each other. We believe, that every one can understand, that numbers are not given in this overview, because the risks are too high, that misinterpretations will happen.

ISBN 978-3-938933-77-0

ISSN 0945-8999