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BROADCASTING FEE ASSOCIATION

# Benchmarking for Broadcasting Fee Collection Agencies Possibilities and Problems

**Bonn, May 6, 2010**

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- **Purpose of the association**
  - (1) The association aims
    - a) to provide information to its members and to upgrade its members in the field of broadcasting license fee management (comparisons of licence fees and licence fee holders)
    - b) to support economic contacts among its members (how can the collection done in an efficient way)
  - (2) The purpose shall be achieved especially by
    - a) the publishing of periodical and non-periodical works concerning information and upgrade of its members in electronic or printed version (regularly newsletters etc.)
    - b) conferences, congresses etc. and other association-supporting activities as get-togethers and expositions (Clustermeetings, interchanging experiences etc.)
    - c) expert consulting by its members concerning broadcasting licence fee management (market surveys)
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- Other activities
  - Give information to member countries if there are local discussions resp. Information (examples) how special problems could be solved
  - Press releases about ongoing changes
  - Information to Ministries, companies etc. about europeanwide fees and regulations
  - Support member countries with facts and figures for presentations, comparable numbers should be used



# Benchmarking of Collection agencies for Broadcasting fees



**Benchmarking** is the process of comparing one's business processes and performance metrics to industry bests and/or best practices from other industries. Dimensions typically measured are quality, time, and cost. 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 results 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 compared with other industries/businesses due to their specific order.

Therefore one of the task of the Broadcasting fee association is to do benchmarks for the advantage of the broadcaster/government to lower the collection costs and to win as much subscribers as possible.

# Benchmarking – Possibilities and Risks



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- Possibilities
    - Get an impression for better processes
    - Learn one from the other
    - Get new ideas
    - Quick improvements can be done using similar processes
    - Look into existing routines and adapt where possible
    - Cost saving possibilities show up
    - Better information – less rumors
    - Networking (giving and getting information about the different situations in the markets)
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# Benchmarking – Possibilities and Risks



- Risks
  - Comparing figures – but on a wrong basis, no background knowledge
  - Comparing different country behaviours (mentality)
  - Not knowing exactly the law and regulations comparing the processes
  - Different economic situations (level of salaries, social costs etc.)

# Evasion rate – private households – businesses and organisations



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- ALL MEMBER COUNTRIES ARE CALCULATING THE EVASION/DODGERS RATE
- Private households:
  - The comparison shows a range from 2,5 % - 26 % (resp. plus 50 %)
  - Similar formulars are used, but there is **NO** common formular for all member countries
  - Evasion rate in households is based on different sources for number of households
    - Census 2001
    - Statistical calculations/estimations from government (latest year)
    - Central personal register – based on households
    - Postal addresses

# Evasion rate – private households – businesses and organisations



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- Other influences:
  - Empty households
  - Economic situation (single households)
  - Registered licence fee holders (paying or not)
  - Real paying licence fee holders
  - X % of households do not own a TV device
  - Usage of PC's for broadcasting – programs
  - Local regulations: no radio licence needed
  - exemptions



# Evasion rate – private households – businesses and organisations

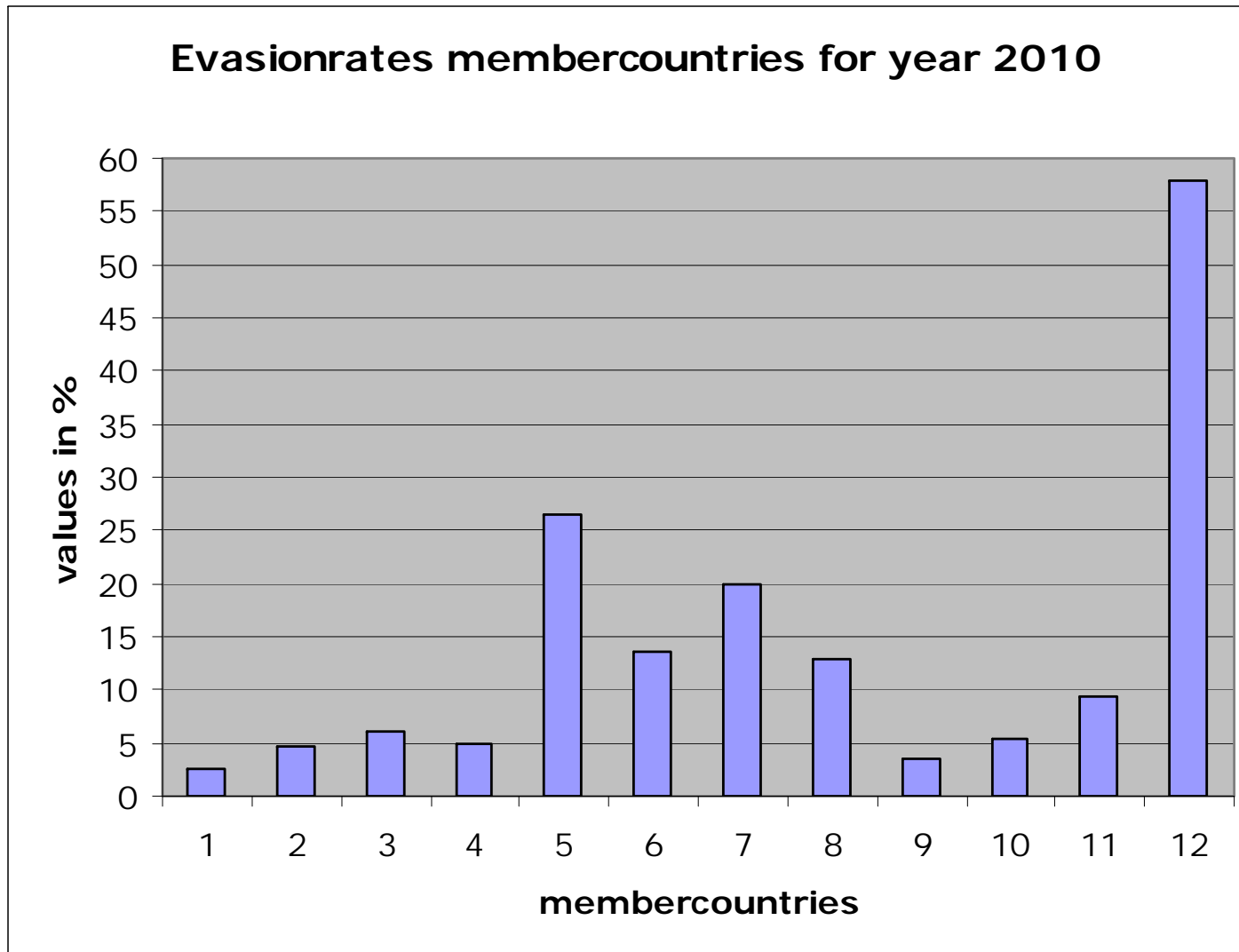


- Evasion rate for companies:
  - Existing company register, but no one can estimate how many of them have devices
  - Hotel regulations (1 licence per hotel, 1 licence per TV in room, etc.)
  - Exemptions – one person companies are exempted (like in Denmark)
  - Licences for PC's in companies
  - Seasonal impact (Gelaterias closed during winter time, huts in alpine regions are closed during summer time etc.)

# Overview evasion rate per December 31, 2009



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## Licence fee (Media fee etc.)



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- What is covered with the licence fee:
    - Private households (unlimited devices, Radio, TV, secondary homes, PC's etc.)
    - Commercial use:
      - Hotels – special regulations
      - Different licence fees (amount)
      - Commercial use of car radios (car rental companies)
  - A comparison can be done from the perspective of the customer or from the net or gross amount that the broadcasting station gets
  - VAT influences highly the amount of licence fee
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## Licence fee (Media fee etc.)

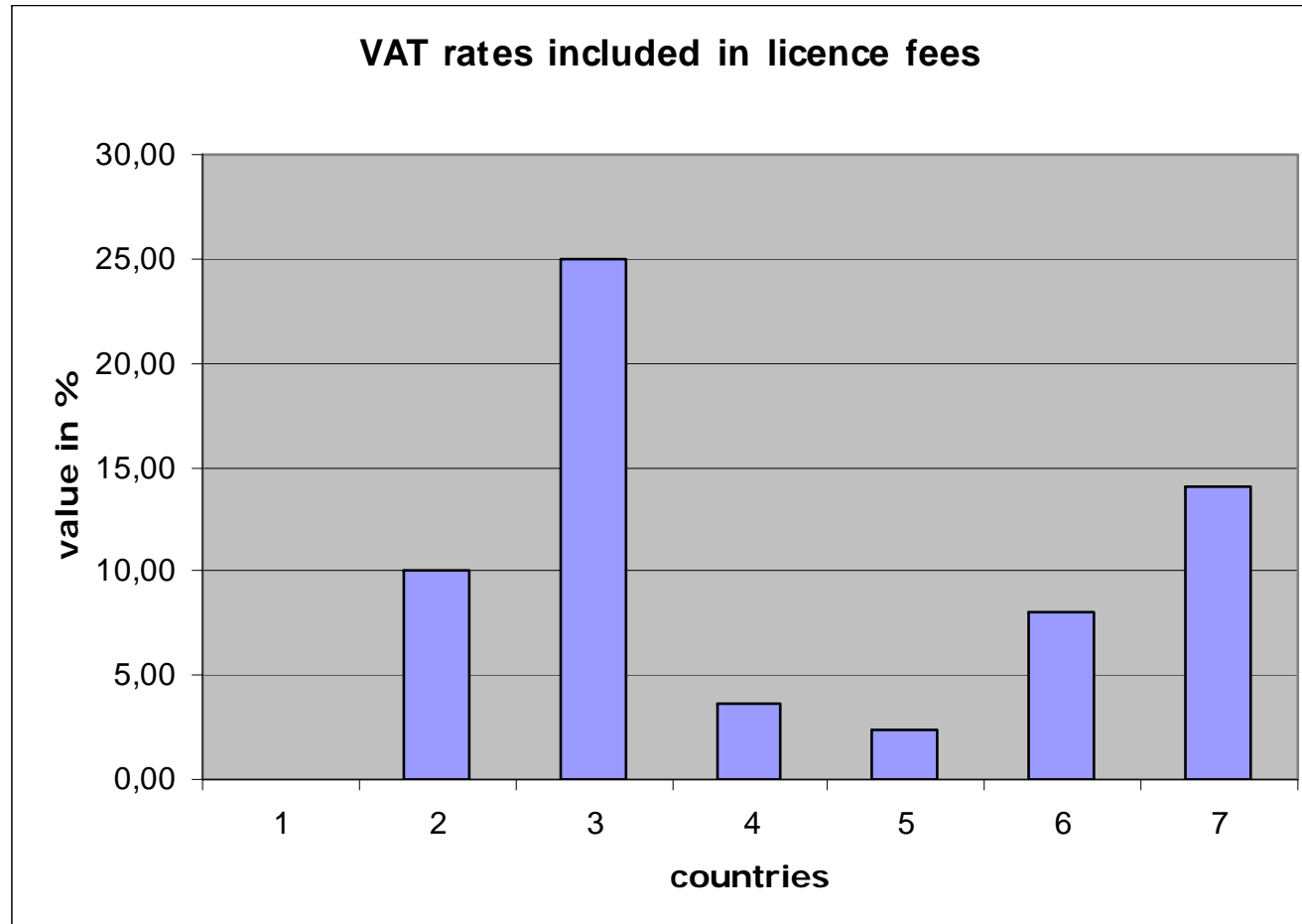


- Are there any other fees included (like in Austria – there are additional fees for government and several counties)
- Do Ministries get a portion of the licence fee
- Broadcaster perspective
  - Which deductions have to be done between gross and net amount
    - VAT
    - % of the fee for local – non commercial broadcasting stations
    - Deduction for government/ministries etc
    - Costs for collection

# Licence fee (Media fee etc.) – VAT influence



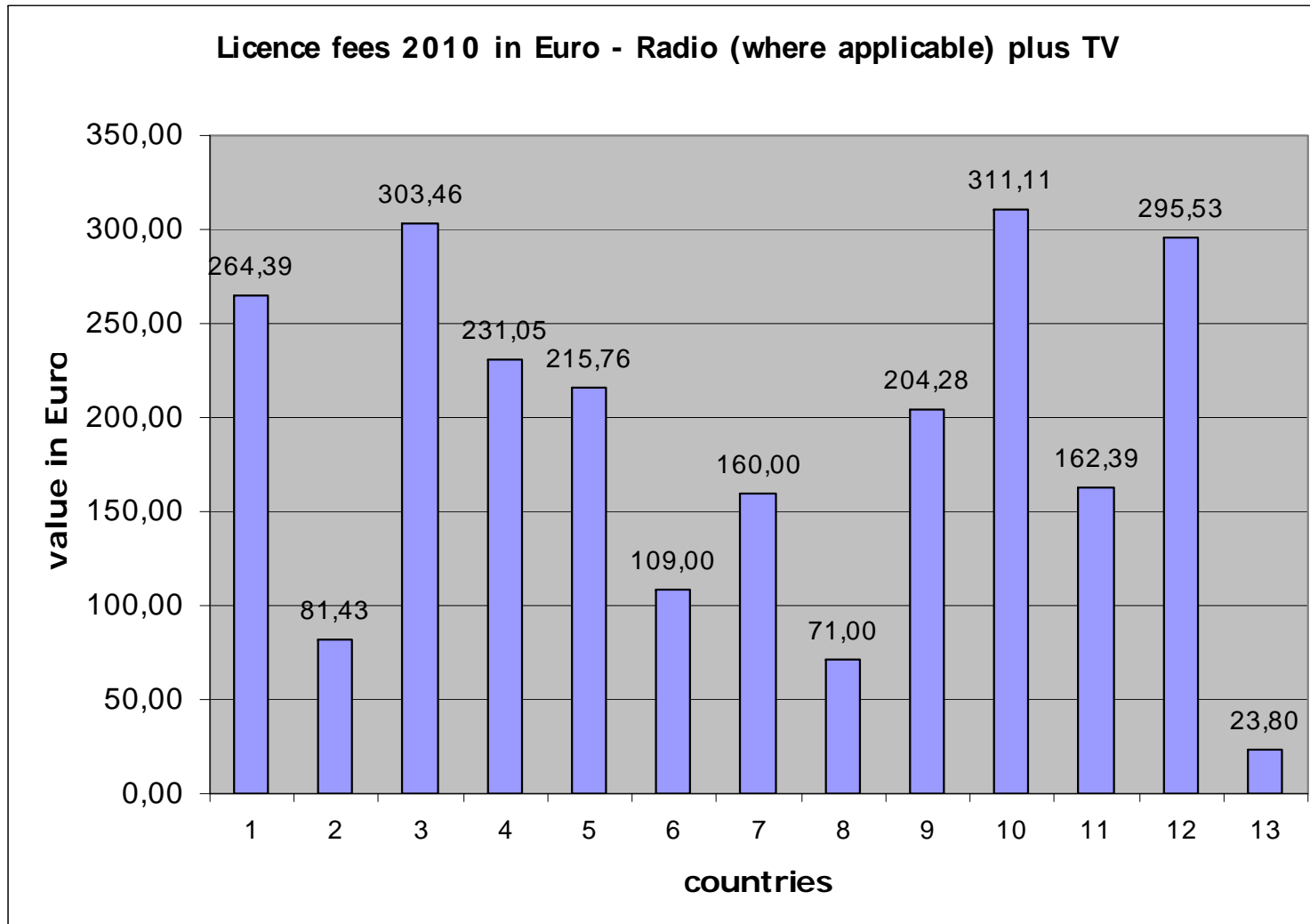
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# Licence fee (Media fee etc.) – Customer perspective



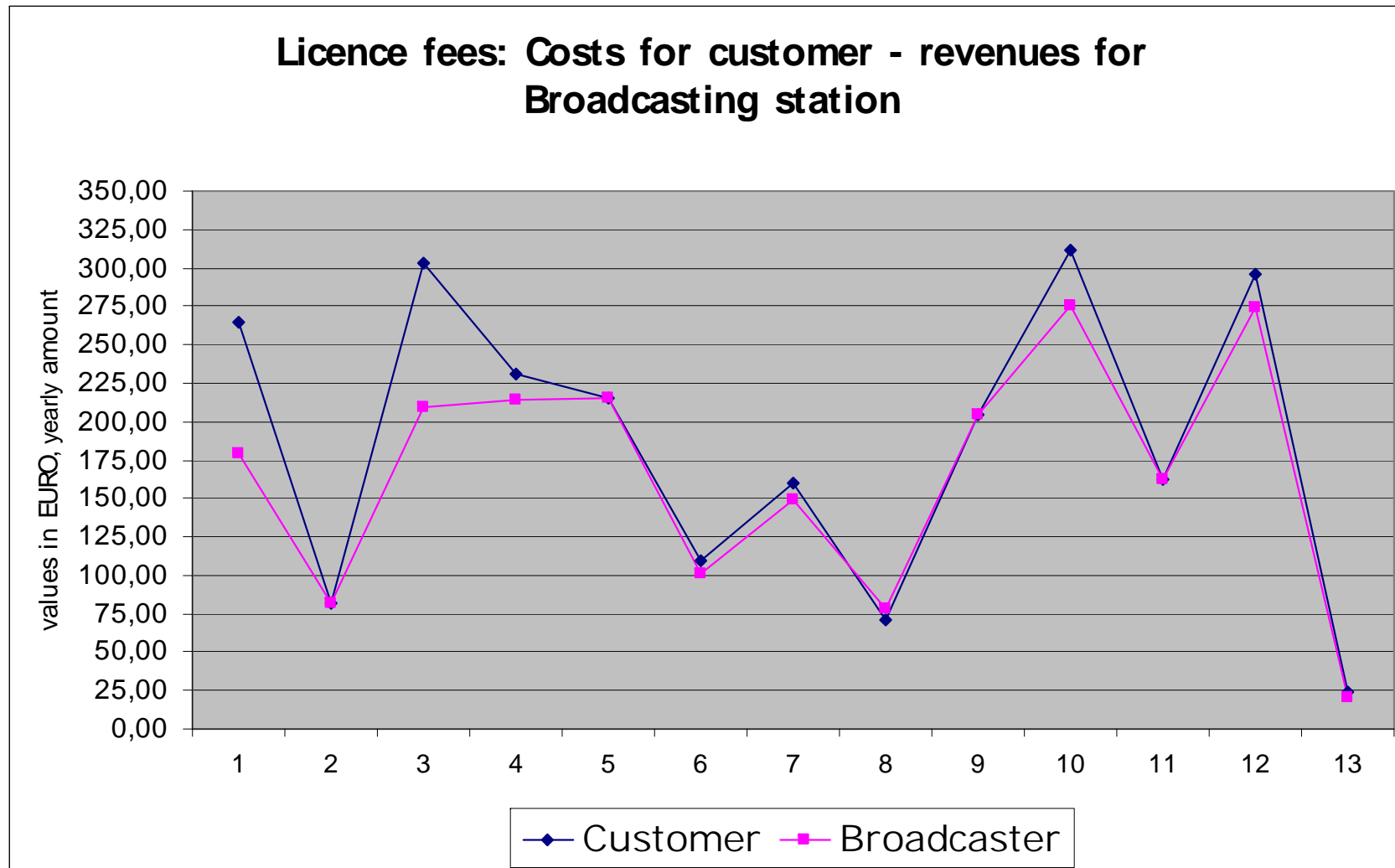
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Licence fee (Media fee etc.) – Customer perspective –  
Broadcasting station perspective (no collection costs deducted)



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## Development of licence fee holders



- Can be easily compared, BUT depending on the local regulation
  - No Radio fee in several countries
  - Regulations concerning enterprises/organisations
  - Special regulations for hotels
  - Car radios – commercial use
  - Exempted – not always registered
- Actions taken in the market
  - Is Telemarketing allowed (storing telephone numbers)
  - Is Direct mailing possible (address resources)



## Development of licence fee holders



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- Which other actions are taken towards customers (advertising, communication)
  - Field force/inspectors
  - Market situation
    - Saturated markets (most bought TV sets are replacements)
    - Dense of population
      - Cities – higher willingness for cancellations/evasions
      - Countryside – more permanent staying customers
  - Financial background
    - Only real paying licence holders are counted
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## Development of licence fee holders

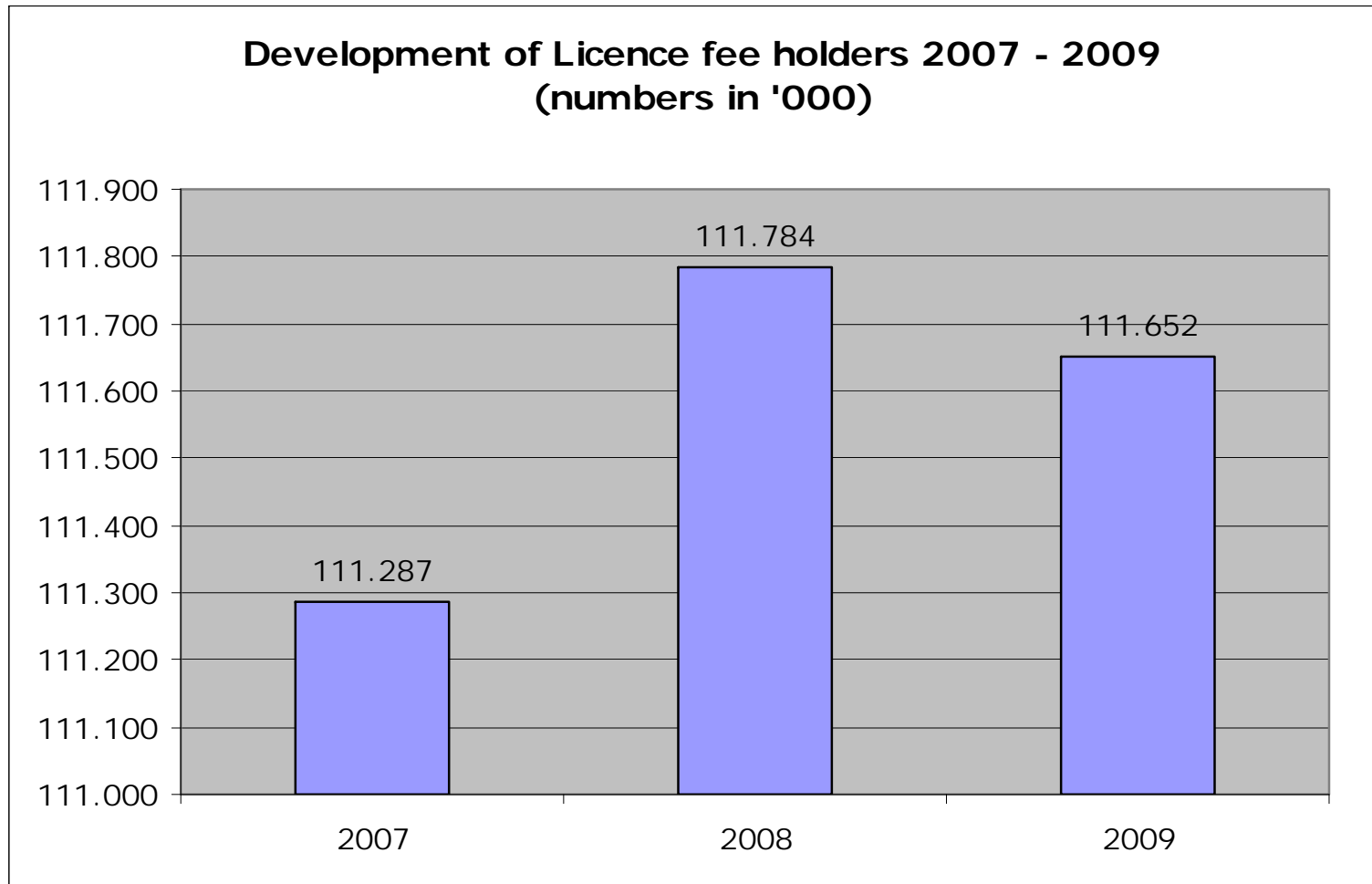


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- All licence fee holders are counted (independent if the customer has paid or not)
  - Licences are valid until cancellation
  - Yearly renewal of licence needed (like UK and RSA)
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# Development of licence fee holders



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- Strongly influenced by ownership
  - Collection agency (full cost basis)
  - Department of the broadcasting station (several costs are covered from the broadcasting station)
- Main cost parts are
  - Postage
  - IT
  - Data processing/scanning/archiving (data resources available or automatic changes based on governmental data bases)
  - Payment ways (direct debiting, Internetbanking, transfer from bank accounts, cash payment over the counter)

# Costs



- Advertising/communication (paying for air time for TV spots yes/no)
- Department which works only on exemptions
- Field force/inspectors
- Comparison of costs
  - In relation to invoiced licence fees
  - In relation to collected money (transaction volume)
  - In relation to licence fee holders (costs per licence)
- Only adjusted costs can be compared
  - But which adjustments have to be foreseen
  - Simulation of similar conditions



- Customer Care Contact Centre
  - Call Centre (first level, Backoffice or All rounders)
  - Customer care – letters etc.
  - Customer care for data input etc.
- Field force/inspectors
  - Material for field force finding dodgers/evaders
  - Working with paper or electronical support
  - Data security

- Data processing
  - Letter opening/scanning/archiving
  - Key word recognition – electronical directing to related departments
  - Forms for new subscriptions/changes/cancellations
  - Information about address changes – what is the source
  - Manual input/control of scanned forms
- Direct mailings/campaigns
  - Changes handled (households – married/unmarried couples, already registered – address changed)
  - Evidence of „non direct mailing“ lists



- Data comparisons (registered – unregistered)
  - Criterias finding unregistered households (male/female, plus 18 years etc.)
  - Customer accounting
    - Manual input for payments which can not be handled electronically
    - Research of payments which can not be accounted to the correct licence fee holder (all are paying the same amount.....)
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# Postage



- One of the most important cost drivers
  - Nearly no possibility for cost saving programs due to local regulations by law
  
  - Costs are influenced by
    - Frequency of invoicing (once a year, every 6 month, 3 month periods, 2 month periods etc.)
    - Reminders
    - Customer correspondence
    - Direct mailing campaigns
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- Costs per letter
  - Invoices towards customers are seen as normal letters with 20 g, the full postage fee has to be paid
    - A.e. Austria sends approx. 1 Mill. Invoices within 2 month, postage fee per letter is Euro 0,55!!!
    - Invoices have all the same text, but the transmittal form is preprinted and this results in the normal postage fee
- Direct mailing
  - Reduced postage fee, seen as mass-mail, costs between Euro 0,50 – 0,22 per letter
- NOT only the collection agencies/departments have this problem, also insurance companies etc.

# Exemptions



- Different regulations for exemptions in more or less all countries
- Some agencies have to handle the whole process (checking, proofing, information towards customers etc.)
- No refund for this work for most of the collection agencies/departments
- Some agencies/departments have „only“ to register the forms which are coming from official social organisations in their licence fee holder register, no need for checking
- Some countries do not register exempted persons/organisations
- Some countries do not have ANY exemptions, therefore no additional work has to be done

# Exemptions

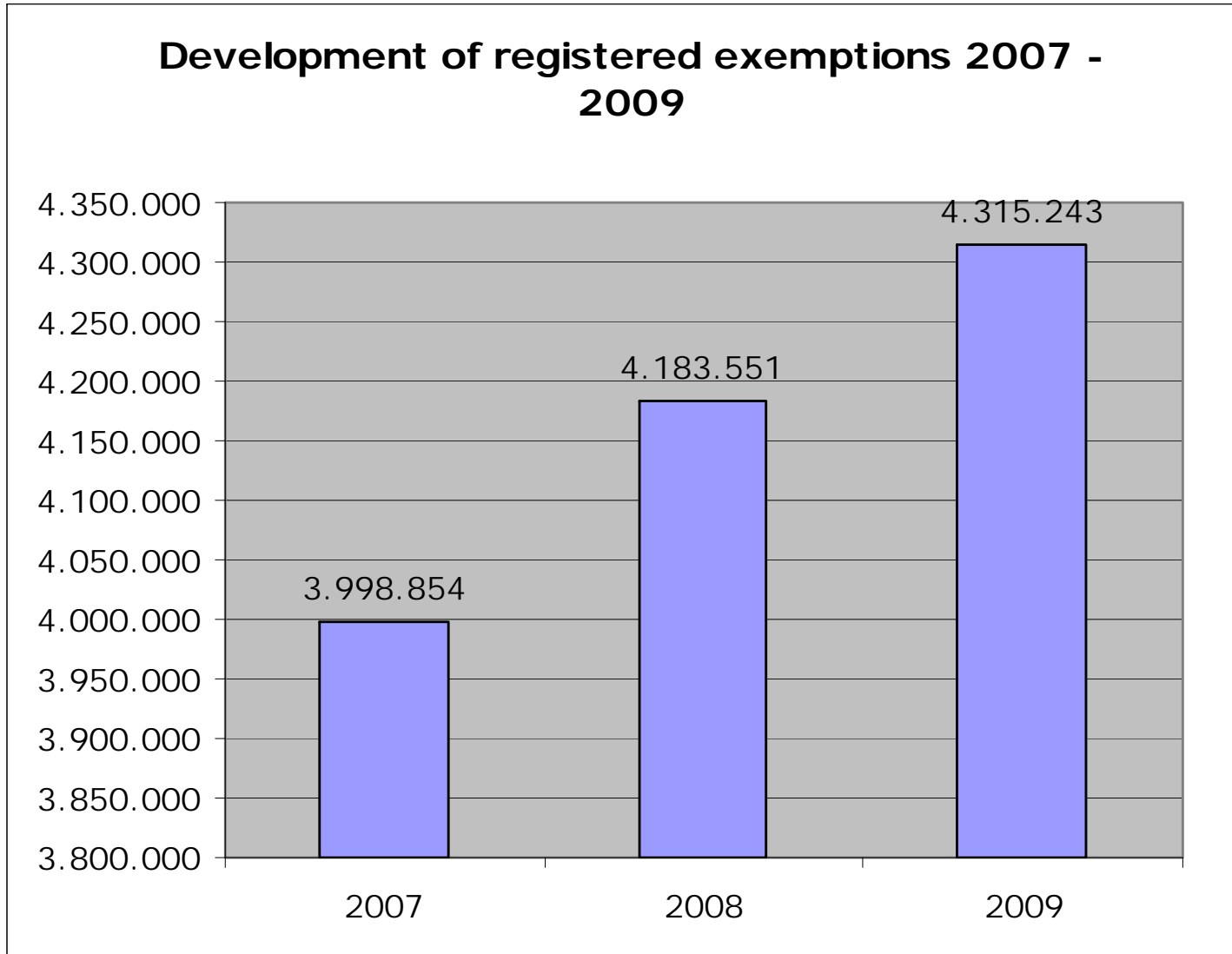


- Financial background
  - Broadcasting station has to cover the exemptions fully/partly
  - Exemptions are lost revenues for the broadcaster
  - Full refund of exemptions for the broadcaster from the government
    - This situation is resulting in the fact, that the efficiency of a collection agency can not be compared without any additional adjustments. The income for the broadcasting station is also influenced
  - The difference between invoiced and collected fees is strongly influenced if a country has exemptions or not (payment behaviour/willingness)

# Exemptions



- Impact on evasion/dodgers rate
  - No exemptions can result in a higher evasion rate, because the social/financial background can influence the subscribers behaviour
  - Possibly exempted persons are not registered – it causes only costs without any revenue



- Mass datas have to be handled
- Nearly no standard program can support the needs of collection agencies
- Therefore mostly individual programs must be used
- Higher maintenance costs
- Changes in law effects the whole system
- Nearly no other company has to work with exemptions
- A lot of „master datas“ have to be changed regularly (approx. 10 % of all registered persons are changing addresses within one year)

# Information technologies



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- In house system
  - Outsourced systems
  - Combination of both (inhouse and outsourced)
  - Printing processes are mostly outsourced
  - Extreme high need for controlling the whole EDP – process
  - Data security – third partners are involved
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# Advertising – gain new subscribers



- Advertising is seen on a broader view – it's COMMUNICATION towards Customers and evaders/dodgers
- INFORM – NOT CONTROL is the message
- Say thank you to subscribed and paying customers
- Remind customers which are not registered – there is a law concerning licence fees and it had to be followed
- Different ways of communication are used – it's important that this is done all over the year
- All available communication channels are used
  - Telemarketing
  - Direct mailings
  - TV and Radio advertising
  - Websites

## Advertising – gain new subscribers



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- Field force
  - Cooperation with different outlets
  - These actions influences the costs
    - Most of the collection departments of the broadcaster do not pay for the air time of TV- and/or Radio sports
    - Others (mainly the collection agencies) have to pay „normal“ air time costs
    - Direct mailings/Telemarketing is costly, but with a very positive response from the customers
    - All communication channels must be used to gain new subscribers
  - All communication channels must be used to reduce cancellations
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attention!

... Thank you for your  
questions!

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