

Do-Not-Call Compliance

For Outbound Telemarketing Centers



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+ Introduction

This paper addresses the current situation facing outbound telemarketing centers as consumers demand more control over telemarketing calls. It will also demonstrate the opportunity for telecommunications carriers to provide a solution allowing telemarketing centers to comply with Do-Not-Call (DNC) list regulations and to enhance their public image with customers, consumers, and regulatory bodies.

+ Do-Not-Call/Call Compliance Regulatory Issues

The rapid growth of DNC rules and regulations by both state and federal governments has raised the sense of urgency among telemarketing companies to find solutions for complying with these mandates. The complexity of the regulations—along with their aggressive enforcement—has placed companies that use outbound telemarketing on notice that each outbound call they make may result in substantial fines, and more importantly, damage to their public image. Under present regulations, telemarketing companies are required to screen outgoing calls against their own DNC lists, DNC lists that may be maintained by the states in which they do business, and the recently established national DNC list. Calls to a person whose name appears on a DNC list may result in significant fines as high as \$25,000 per state infraction. As a result, telemarketing companies are actively seeking economical and efficient call compliance solutions.

The federal government enacted the Telephone Consumer Protection Act (TCPA) in 1991 and the Telephone and Consumer Fraud and Abuse Prevention Act in 1994, setting steep fines for those in violation of the guidelines. Further complicating the issue of compliance has been the enforcement of the FTC's telemarketing sales rules requiring telemarketers making solicitation calls to (a) identify themselves, (b) clearly state that the call is a sales call, (c) state what is being sold, (d) limit calls between the hours of 8 a.m. and 9 p.m. local time, and (e) require the tracking and updating of an in-house DNC list. The DNC lists must include all individuals who have specifically requested that the business no longer make solicitation calls to them.

The main exemptions to DNC legislation are:

- Calls considered political speech including fundraising and survey calls or research calls that do not include a solicitation
- Calls by non-profit or charitable organizations
- Calls to consumers with whom the company has an established business relationship

The number of states adopting DNC regulations is growing rapidly, and the majority of remaining states have legislation pending. By the end of 2002, there were more than 14.5 million names on state DNC lists. In addition, both the FTC and the FCC have initiatives underway for the creation of a national DNC list. It is expected that state lists will be linked to any new, national do-not-call registry maintained by the FTC. This legislative activity has spurred the development of DNC lists and reliable methods of maintaining them.

+ Financial Impacts of Do-Not-Call/Call Compliance Regulation

The impact on the telemarketing community of the proliferation of the state and federal DNC lists and regulations cannot be understated. It is not only the potential of heavy fines that telemarketing companies must address, but also the increasing costs and effort involved in managing a compliance solution. “Companies will have to get a computer or server that can access all the phones so each worker will know whom they can and can’t call,” said Scott Farrow, state government affairs manager for the American Teleservices Association, a Washington, D.C.-based group that represents telemarketers, “They’ll have to hire someone to download and look at the do-not-call lists and update them each quarter.” In addition, businesses will have to deal with other manpower-intensive database management issues, such as keeping track of changing demographics. Joyce McKee, president of Bertram McKee and Associates, a Dallas marketing firm that handles telemarketing for clients, believes that consumers are changing jobs and living situations quickly, “You look at where a lot of people are now compared to a year ago, and they’re in a totally different place, and many databases don’t account for that.” In addition to the financial impact, companies conducting business via outbound telemarketing must also deal with the potential negative public image created when in violation of DNC legislation.

+ Market Outlook

Notwithstanding the flurry of regulation over the last few years, telemarketing remains one of the most robust engines for direct sales in the United States. The telemarketing industry is considered the single largest direct marketing system in the country, representing over 34 percent of total U.S. sales attributed to direct marketing.¹ The telemarketing industry reportedly generates more than \$600 billion annually. By 2004, that number is projected to exceed \$800 billion.² According to the American Teleservices Association, 180 million Americans purchased goods or services over the telephone in 2001.³ Additionally, a January 2002 Datamonitor report said there are approximately 77,000 call centers in the United States employing over 6 million telemarketers, and 66 percent of the traffic at these call centers is attributable to outbound telemarketing.⁴ Estimates regarding the volume of telemarketing calls made in the United States vary, but the numbers are clearly significant. One such estimate, recently referenced by the FCC, is that 104 million telemarketing calls are attempted per day in the United States.⁵

¹ See “The Economic Impact of Direct Marketing by Telephone,” a study presented by Direct Marketing Association Telephone Marketing Council, <http://www.third-wave.net/economics.htm> (visited July 3, 2002).

² Faulkner Information, Research conducted by VeriSign 3, May 2002.

³ Matt Mattingley, Director of Government Affairs for the ATA in an article in *USA Today*, September 14, 2002, page 14a.

⁴ Interview with Erik Lounsbury, TMC Net, conducted by Larry Moores, 22, April 2002.

⁵ Notice of Proposed Rulemaking and Memorandum Opinion and Order, dated September 18, 2002 (“In the Matter of Rules and Regulations Implementing the Telephone Consumer Protection Act of 1991”), pages 6-7.

+ Current Do-Not-Call/Call Compliance Solutions

Scrubbing

The most common method used by telemarketers to ensure compliance with DNC regulations is by “scrubbing.” In this method, a company compiles all applicable DNC lists by creating a database and compares their prospect list against the DNC database, purging any names that were found to be in the DNC database and creating a new, scrubbed prospect list. A company may choose to manage this process internally or outsource to a third-party data provider.

This practice of scrubbing is the most widely used method today, however it is highly labor-intensive and prone to error. The telemarketing center must constantly update their calling lists to avoid inadvertently calling numbers on the DNC lists. With the increasing number of lists, each changing on a frequent basis, the lifespan of a data set is very short. The time and effort involved in keeping current lists increases the cost of IT staff, record keeping, and other related activities. Most importantly, the risk of non-compliance is in direct proportion to the complexity of the data processing task—the more lists and data that need to be scrubbed, the greater the likelihood of error.

Customer Premise Equipment (CPE)

Another compliance method involves the purchase and deployment of a Customer Provided Equipment (CPE) system that attempts to block calls being made to numbers on the DNC lists. Clearly, a more advanced technology to scrubbing, this method delivers additional protection by providing another check against the DNC list prior to a call being completed. The CPE solution allows for a number look-up prior to the call being released to a carrier’s network. However, this method also has its drawbacks. The solution is equipment and office location dependent, and may not be compatible with all calling equipment such as predictive dialers. CPE has made few inroads with industries using computer-based dialing. Further, it requires a user to log-on and use special dialing instructions, extending call-processing times, which translates into additional costs for the call center.

Carrier Network-Based Solution

The newest and most comprehensive solution for ensuring compliance with state and federal DNC regulations is a carrier network-based DNC service utilizing the public SS7 (Signaling System 7) network and the participating carrier’s AIN-enabled switch. This is a service bureau solution offered through the call center’s telephone carrier, eliminating the need for additional hardware or software, and the resources required to maintain scrubbed lists. All outgoing calls are screened via the telemarketing center’s telephone lines or circuits. The carrier’s network queries a centralized SCP with real-time DNC information maintained in a master database, including state, in-house, and third-party DNC lists, to determine if the call should be completed or blocked.

+ VeriSign's TeleBlock® Service

The carrier network-based DNC solution is provided by VeriSign Telecommunication Services. The service uses the VeriSign SS7 network and SCP, and the patented TeleBlock Call Blocking System designed by Call Compliance, Inc. TeleBlock ensures the accuracy of a master database maintained and updated with all government mandated (national and state), proprietary, and third-party DNC lists, eliminating the complex and time-consuming scrubbing process, as well as the equipment and call-processing barriers associated with other solutions. TeleBlock provides control and flexibility, allowing the Telemarketing Center to dictate outbound compliance company-wide, including satellite offices and outsourced call centers. TeleBlock screens all calls against the same customer-specific, centrally administered, secure DNC database.

TeleBlock is the only service that automatically screens and blocks outbound calls against state, federal, in-house, and third-party DNC lists within the network infrastructure of a participating telephone carrier. Offered as an outsourced solution, the process requires no investment in additional hardware or software from the telemarketing center or the carrier. There is no logging in or logging off required. A telemarketing agent or computer generated dialing device simply accesses an outbound trunk, and all dialed numbers are automatically screened. If a dialed number appears on any of the DNC lists, the call is blocked and the telemarketer will receive a restricted number message. The message features a Special Information Tone (SIT) header for clients utilizing predictive dialer equipment.

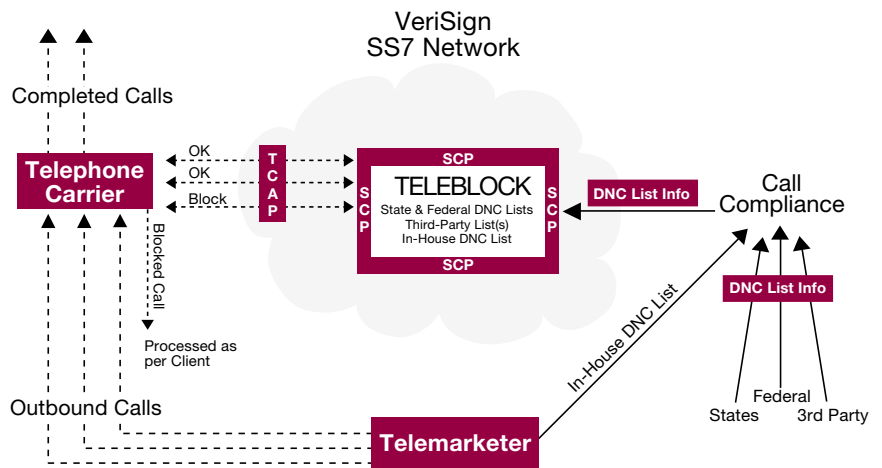


Figure 1:

GRAPHICAL REPRESENTATION OF THE PATH OF THE TELEBLOCK CALL

Learn More:

For more information, please contact your VeriSign Account Manager, call our information center at 888.655.4636 or 1.912.527.4010, send an email to vcs-marketing@verisign.com, or visit www.verisign.com/telecom.

About VeriSign:

VeriSign, Inc. (Nasdaq: VRSN), delivers critical infrastructure services that make the Internet and telecommunications networks more intelligent, reliable, and secure. Every day VeriSign helps thousands of businesses and millions of consumers connect, communicate, and transact with confidence.

+ Call Flow—Carrier Network-Based Solution

The participating carrier must have AIN (version 0.1 or 0.2) enabled in their central office (e.g., 5ESS switch, DMS 100/150/500 switch, EWSD, AXE). The telemarketing center must have connectivity to the carrier's central office typically through T-1 spans (trunks) or PRI lines. The telephone carrier activates the appropriate AIN originating trigger on the telemarketer's inbound lines or trunks.

The AIN trigger results in an AIN message sent from the carrier's central office SSP into the SS7 network. The SS7 network then transports the message to the VeriSign SCP. The SCP receives the message and executes the TeleBlock service logic to determine if the call should be completed or blocked. The SCP, through the TeleBlock application, provides the appropriate response to the carrier's SSP, directing the SSP to either complete the call normally (continue the message), or terminate the call by dropping the call immediately or sending the call to a terminating announcement.

+ Summary

Telemarketers must take steps to be in compliance with the laws relating to DNC lists or be liable for significant fines and possible lawsuits. The current options of scrubbing, use of customer premise equipment, and outsourcing to an ASP are proving to lack the efficiency to stay current and compliant with DNC laws. This shortfall has been demonstrated by the continuing increase in both consumer complaints and fines levied for DNC violations. Blocking is new technology that proves to be a reliable and cost-effective solution. With the existing relationships between telemarketers and their carrier, outsourcing to the carrier is an attractive, low-risk option.

There is also no question as to the demand by consumers for better methods of controlling calls from telemarketers. Carriers with an effective method of screening telemarketing calls will maintain a positive image with their subscribers and regulators. The carrier network-based solution offered by VeriSign TeleBlock Do-Not-Call service provides a comprehensive, cost-effective solution for carriers to offer telemarketers an easy method for compliance with Do-Not-Call laws. Since there are no requirements for infrastructure, it can be quickly deployed with little or no capital expense. With the TeleBlock technology and VeriSign's decades of experience in providing intelligent network services, carriers can be assured of a reliable and fully supported service.