

The Central Role of Billers in the Faster Payments Revolution

Safer, more efficient and faster payments. That's the goal of the Federal Reserve's promised overhaul of the U.S. payment system – a move more and more consumers are clamoring for. Billers play a key role in the push for faster payments, with the power to impact the more than 55 billion payments each year in the U.S. that take place beyond the point of sale.

Bringing greater speed, convenience and consistency to payments, no matter how consumers choose to pay their bills, should be the goal of every biller, including utilities, auto lenders, telecommunications and insurance companies, and credit card issuers. The payment experience is currently fragmented and still too often paper-based, with multiple solutions and providers disrupting the payments value chain for consumers and billers. Now is the time for our industry, including billers, to come together for a common purpose – to meet consumers' expectations for payment speed, which have never been higher.

Life is moving faster and faster and consumers expect their money to move just as quickly. When people pay bills, they're not thinking about how their money gets from one place to another. They're thinking about life's realities – paying the utilities, the cost of education and when they'll be able to pay off the orthodontist bill. They expect their funds to arrive at the speed of life – securely and at a time of their choosing.

Consumers' expectations are influenced by their everyday, real-time experiences. For example, downloading a book or song takes seconds, so consumers are often surprised and dismayed when a payment takes days to settle. In fact, 70 percent of consumers erroneously believe bill payments made at biller sites are credited in real time or on the same day, regardless of the payment method, according to the Eighth Annual Household Billing Survey from Fiserv.

Bill pay services designed to reduce late payments and associated fees have a strong impact on customer satisfaction. According to the Billing Household Survey, 63 percent of online households said crediting their account in the same day or in real time upon payment increases their satisfaction with their biller.

Whether sending money to a friend or family member, paying the rent, paying a bill or receiving money, people expect the option for their funds to be credited immediately – in real time. And not only do consumers expect faster payments, they expect the same immediacy no matter which channel they use, from in-person to over the phone or online via a computer or mobile device. Fueled by 24/7 mobile capabilities, demand for faster payments in every channel will only accelerate.

A Historical Perspective

Just as billers are key to today's faster payments evolution, 20 years ago billers joined ranks with banks and technology providers to make electronic payments cost-effective, faster, more accurate and less reliant on paper. Although electronic payments held great promise at the time, in the beginning they actually slowed down the process. Many in the industry recall the days of "check-and-list" payments clogging paper lockbox flows. By banding together to leverage changes in technology, billers ultimately delivered a better online bill pay experience across a growing segment of the payment ecosystem.

In addition, institutional and regulatory changes such as Accounts Receivable Conversion (ARC) and Check21 offered innovative ways to work together to create standards and workflows to positively impact payment speed, accuracy and costs for consumers, billers and financial institutions. All stakeholders have clearly benefitted from this collaboration, as more than 70 percent of U.S. noncash payments are now electronic.

Billers are now in a similar position to work together to achieve positive results. In a 24/7 broadband-enabled, mobile world, our payment systems are surprisingly disconnected. Many other countries operate in real-time, same-day environments, but our infrastructure and processes have lagged behind.

Opportunities and Benefits

Delivering an integrated payments experience across payment types and channels will facilitate the real-time experience people are used to in other areas of their lives. Consumers have come to accept different payment experiences depending on who they owe and how they're making their purchase. It is not something they want, however.

People want "my bill, my way" flexibility to make real-time, expedited payments, especially when bills are forgotten, payments are missed and funds aren't yet available. They want to receive billing information the way they choose – paper, text, email – and have the option to pay with cash, check, ACH, or credit or debit cards through the channel they choose.

Consumers, especially millennials, expect choices in all areas of their lives. How they pay a bill is no exception. They want to be able to customize their payments experience, choosing how, where and when they pay. Billers must respond by delivering a consistent, real-time payment, no matter what payment choices consumers make.

A closely connected network of billers provides greater opportunity for real-time electronic billing and payments, alerts and reminders across channels. These capabilities, along with integrated one-to-one communications

and a variety of delivery and payment options, help consumers avoid late payments and associated fees.

When consumers have multiple capabilities in a single payments experience, they can choose how to pay and receive money from anyone they know or owe. Beyond customer satisfaction, billing organizations benefit from lower service costs and faster cash flow throughout payment channels.

Plotting a Course

Fiserv introduced NOWSM Network to bring everyone – from individuals to businesses – together to create a frictionless payment experience, enhanced with real-time capabilities. NOW Network unites financial institutions, consumers, small businesses and billers to enable the exchange of money and information at any speed. The network provides real-time connectivity between senders and receivers, as well as providers of payments services.

NOW Network is part of an integrated payments strategy that will result in the combination of three Fiserv digital payments capabilities – billing and payments, person-to-person payments and account-to-account transfers – on a single platform, making it easier for people to pay who they want at the speed they choose and easier for financial institutions and billing organizations to respond to consumer preferences.

Fiserv recently announced a partnership with Early Warning to facilitate real-time bill payment and deposit capabilities for users of NOW Network. Together, the Fiserv and Early Warning networks will reach more than 6,000 banks and credit unions, including the 40 largest financial institutions in the U.S. and thousands of mid-size and community financial institutions, representing more than 75 percent of all deposit accounts in the U.S. Connecting tens of thousands of billers, NOW Network will deliver the essential characteristics of accessibility, distribution, trust and common experiences. The net result is the confidence needed to pay a biller, service provider or individual without knowing where they bank, but knowing that the money will get there securely and on time.

Considerations for Billers

As the leading provider of electronic bills and payments, Fiserv is in a unique position to champion change and bring this new payments approach to the marketplace. Our goal is the delivery of a profoundly simple and consistent payment experience, with billers as a fundamental component. The success of the Federal Reserve's multifaceted plan for improving the U.S. payment system hinges on cooperation of key stakeholders, including billers, who are well-positioned to increase engagement with consumers.

Payment system improvements will change the electronic bill pay landscape – and improve the consumer experience – in profound ways. What will an integrated electronic bill pay experience look like for billers?

Through NOW Network, direct, two-way connectivity between financial institutions, consumers, small businesses and billers will enable the electronic, instant exchange of money and payment-related information. This connectivity will enable a consistent experience across all payment types and help reduce costs, expedite the payment process, electronify more payments and drive customer engagement.

Through efficient network routing, billers stand to benefit from the opportunity to enhance service offerings, increase consumer engagement, drive new revenue, and enable lower-cost payments and higher electronic rates.

To ensure readiness for the faster payments evolution, including real-time payments, e-bill distribution and expedited payments, billers should evaluate individual channels and the timeliness of their service. Consider the consumers' experience across every channel and identify key opportunities to improve.

Billers must work with technology providers and others in the industry to establish an omnichannel environment that delivers the highest possible levels of connectivity, speed and accuracy. Billers have rallied together before, and we now have a new opportunity to serve consumers in a broader, faster way – a new environment that improves the billing and payments experience in profound ways.

About the Author

Bob Craig is Senior Vice President, Biller Solutions, Fiserv.

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For more information call 800-872-7882, email getsolutions@fiserv.com or visit www.fiserv.com.

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Fiserv, Inc.
255 Fiserv Drive
Brookfield, WI 53045

800-872-7882
262-879-5322
getsolutions@fiserv.com
www.fiserv.com

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