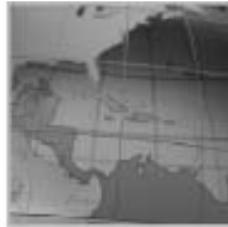


Analysis



July 2011

Trends in Electronic Bill Presentment

Billing Providers

Introduction

With advances in technology, changing consumer preference, and billers' focus on cost reduction, the transaction presentment and payment markets have been in a state of change over the last decade. Vendors, analysts, and billers have been predicting significant increases in electronic presentment and payment adoption, but neither has taken off at the rates, or in the timeframe, that was initially anticipated. InfoTrends recently completed a study entitled *The Future of Electronic Bill Presentment & Payment in North America* to address this market space. The study was designed to understand where electronic bill presentment and payment (EBPP) is being adopted; what are the obstacles to faster adoption; and what should be the strategies for key stakeholders, including billers, service providers, and technology vendors.

InfoTrends' research shows that the adoption of electronic presentment among consumers in North America has reached a plateau in the last few years at approximately 11% of total bills and statements. We estimate over 26 billion recurring bills and statements printed and delivered via the postal services and paid through traditional methods at a cost of over \$16 billion per year in printing and postage alone.

For corporations, shifting from printed pieces to electronic bill presentment can save the company time and money, but with new opportunities come new challenges. The key to success is in understanding customer requirements and behaviors to implement the most effective balance of printed and electronic bill presentment strategies, while also considering the marketing opportunity associated with each delivery channel.

Our research in the United States included 775 consumer interviews, 91 interviews with billers—from Banking, Financial, Healthcare, Insurance, Telecommunications, and Utilities markets—and 15 in-depth interviews with key stakeholders in the electronic bill presentment and payment markets. This paper will specifically focus on billing providers within the Utilities and Financial (lending and credit) markets, which accounted for 33% of the biller research, with 95% of consumer respondents receiving these types of bills. These are the key findings from our electronic presentment research:

Top Priorities for 2011

Billing providers cited electronic bill presentment & payment as their top priority for the next 12-24 months relative to the production and delivery of customer bills and statements. Their second most cited priority was security & compliance, followed by cost reduction. For those focusing on cost reduction, 25% plan to turn to electronic document delivery to achieve that goal. Other priorities identified in our interviews included a focus on improving efficiency of customer communications and expanding presentment and payment offerings to the mobile channel. This broadening of billing providers' multi-channel approach is designed to encourage a superior customer experience while increasing comfort with electronic communications.

Barriers and Benefits of Electronic Adoption

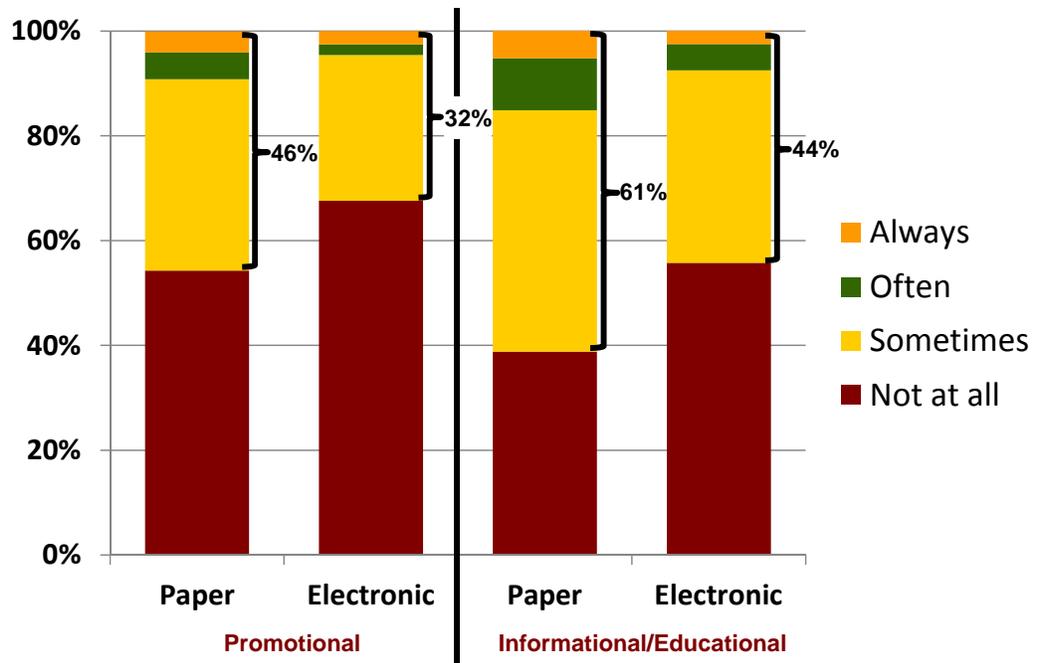
The most significant challenge facing billing providers relative to driving electronic adoption is that most consumers still prefer printed mail. Many consumers are comfortable with the hard copy bill presentment process because it is easy, provides a physical back-up, and serves as a physical reminder to pay (i.e., keeping bills out on the kitchen counter). Billing providers must address these hurdles to achieve significant increases in adoption of electronic presentment. The primary benefits consumers cited for electronic presentment include being good for the environment, convenient, and savings (free service, postage savings). While these benefits are attractive, we do not believe they are sufficient enough to attract mainstream consumers at this time. InfoTrends believes that unless the core concerns (i.e., reminder, physical back up, ease of use) are addressed, or some type of cost or penalty is implemented for presentment by traditional mail, EBPP usage rates will increase slowly as consumers adopt a more digital lifestyle.

Addressing a Diverse Customer Base

The recurring theme of this study is that billers need to address the diversity in their customer base when it comes to EBPP. For instance, as a billing provider, customers will span the technology adoption curve. Some will prefer to maintain traditional communication channels while others will demand mobile access. Alternatively, a healthcare provider may tend to have older customers who are more likely to resist electronic adoption. Overall, our research indicated that over 60% of consumers have no desire to change their current delivery method for bills and statements. For those who plan to change, they expect to receive more bills electronically and fewer by mail. Billing providers need to focus their efforts on customers who can be swayed toward EBPP and appreciate that most have a substantial customer base that is not ready to make that transition. Since consumers place importance on the backup/archive, providers may be able to reach a compromise with their customers by moving the monthly communication online, while delivering a quarterly summary by mail. Over 70% of our consumer respondents said that they would consider this approach.

Leveraging the Customer Touchpoint

Bills and statements represent ongoing points of contact between a billing provider and its customers. For savvy organizations, there is a significant opportunity to leverage this communication to achieve marketing and customer communication objectives using an approach called “TransPromo” where messages and graphics are placed directly on the face of the bill or statement. Figure 1 shows that almost half of our consumer respondents reported paying attention to advertisements on paper bills and statement. That percentage increased to 61% for informational and educational messaging.

Figure 1. TransPromo Opportunities – Printed versus Electronic

While fewer consumers pay attention to the messaging on their electronic documents, that messaging can be highly targeted, interactive, and can be tracked in real-time. Billing providers should focus on leveraging transaction documents, printed and electronic, to support internal marketing as well as educational and informational initiatives.

Future Opportunity

Despite the relatively slow rate of adoption of electronic bill presentment by consumers over the last five years, InfoTrends projects that adoption will increase and reach 22% of total bills and statements in North America by 2014, with substantial progress made within the billing provider space. We believe the key driving forces for increased adoption will include:

- More pervasive digital lifestyle among consumers—especially younger adults
- More targeted marketing by billers on electronic benefits
- Superior customer experience: account management, hard copy back-up and alerts
- More aggressive contextual advertising and promotional offers
- Availability of easy to use mobile solutions
- Continuing pressure on billers to reduce costs

Recommendations for Billing Providers

The electronic bill presentment market represents a growing opportunity. InfoTrends has the following recommendations for billing providers:

1. Focus on customer experience

It is paramount that billing providers maintain a superior customer experience as

they drive electronic presentment initiatives. While reducing costs is important, it will likely be counterproductive if achieved at the expense of customer satisfaction.

2. Employ a targeted marketing strategy

A blanket electronic presentment marketing strategy will miss the mark for sub-cultures within a healthcare provider's customer base. Employ multiple strategies and messages targeted by customer age, geography, and comfort with technology. Some customers will be attracted by messages of convenience and "digital lifestyle," others will respond to messages of environmental benefits, while others may respond to automated reminders and on demand access to a hard copy version.

3. Leverage the customer touchpoint

Bills and statements represent ongoing points of contact between a billing provider and its customers. Ensure that this opportunity is being leveraged through educational, informational, and marketing messages to educate, inform, cross-sell, and up-sell products and services. Vendors and service providers have tools to assist with document composition and message management to help maximize the value of the transaction document regardless of delivery method.

4. Establish an integrated view of customer

Billing providers with multiple communications to customers should focus on achieving an integrated view of their customers, resulting in an incorporated bill presentment strategy. A customer who is willing to suppress one type of printed bill and statement is likely to be comfortable doing so with other documents. By tying together the "opt out" phase for multiple communications, billing providers can accelerate print suppression rates.

5. Consider outsourcing

As the presentment processes become more complex, internal costs will continue to rise. Billing providers should review costs and consider outsourcing bill presentment to a qualified provider. In the selection process, ensure that the outsourcing provider has an end-to-end solution designed for business growth, and that the provider is focused as much on emerging presentment channels (i.e., mobile) as it is on executing traditional presentment.

InfoTrends' Opinion

As billing providers drive forward with electronic presentment initiatives, it is paramount that they maintain a superior customer experience. While reducing costs is important, it is counterproductive if it comes at the expense of customer satisfaction. The previously perceived plateau in the adoption of electronic presentment was not substantiated by our research as biller, consumer, and in-depth interview respondents all projected continuing growth in both markets. In the end, it is clear that there is no "one size fits all" approach to driving adoption. Depending on customer demographics, age, and type of bill or statement, billing providers will need to target their EBPP strategies accordingly.

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