A First Data White Paper

Bill Payment Trends: Major Shifts in Consumer Behavior Require Comprehensive Planning

There are seismic changes happening in the way people are paying their bills. Companies that create a comprehensive plan to manage through this change have opportunities to reduce costs and drive customer satisfaction.

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Introduction

For nearly every business, the simple act of collecting payments from consumers is actually quite complex. Organizations want to make it easy and convenient for customers to pay, so they offer multiple choices of payment types and channels. Customers can mail a check, phone in a credit card number, pay in person with cash, directly debit a bank account, and more. However, making it easy for the consumer often makes it more complex—and costly—for the business.

To further complicate the situation, there are several major trends that are changing the face of consumer bill payment. For example, a full two-thirds of all bills are expected to be paid electronically by 2012—up 20 percent from 2007—with most of the growth destined for Web and phone applications. This kind of seismic shift in customer behavior will have a significant impact on your company's payment processing operations, and will necessitate careful planning to properly address.

This paper reviews five current and predicted bill payment trends for the next five years and discusses some of the key planning parameters your company should consider to best prepare for and benefit from the changing payment landscape. Questions to consider include:

1. With mail-in payments expected to drop by 2.5 billion items or 25 percent by 2012, how will this impact your in-house processing operation? Can you justify new investments in processing infrastructure? How will you manage the cost per item as volumes shrink?
2. With online payments predicted to equal mail-in payments by 2012, is your electronic payment solution ready? Does your electronic bill payment solution bring the expected lower-cost results or are there unexpected factors that are actually driving up costs and hampering a positive customer experience?
3. Most of the online payment growth is expected to be via credit and debit cards. Is your company able to accept card payments? Are you aware of ways to influence customers' choices of payment types to minimize costs?
4. Do your bill payment solutions accommodate the unbanked and underbanked population? What can you do to lower the cost of accepting payments from this customer segment?

5. Are you actively or passively driving electronic bill presentment behavior? Are you taking advantage of all the levers possible—including the environment, security concerns and convenience?

Above all else, does your company have a framework for evaluating all these trends and creating a comprehensive payment strategy? This paper proposes addressing the following three items in a "holistic payments framework":

→ Payment channel optimization

→ Payment type optimization

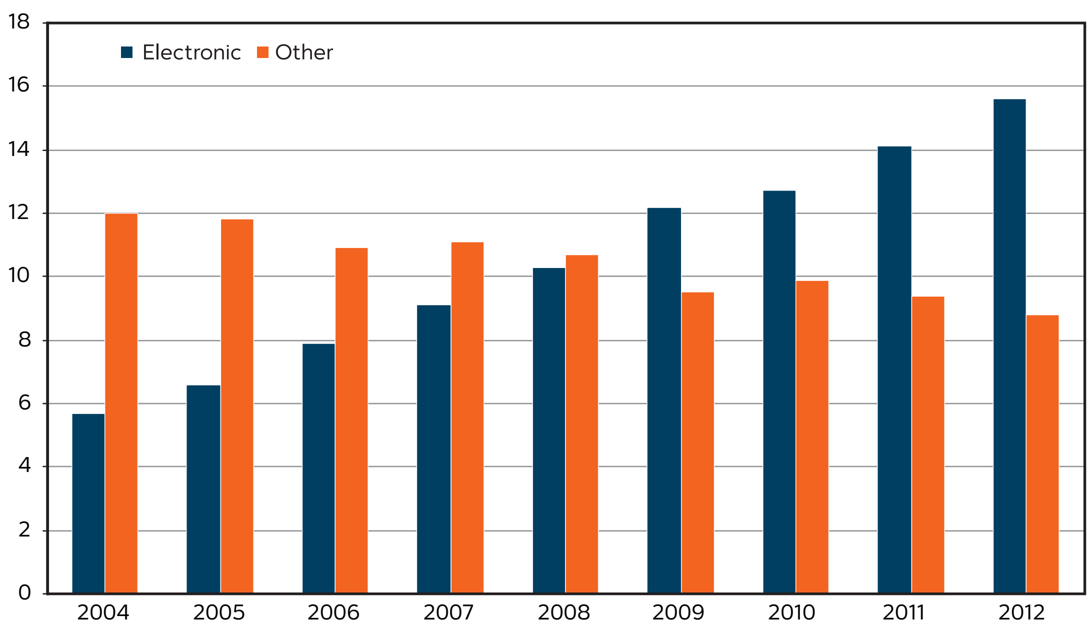
→ Management of the payments customer experience

Trend #1: Mail-In Payments Are Declining Rapidly

The Federal Reserve estimates that the volume of checks paid in the United States peaked around 1995 at 49.5 billion and steadily declined to 30.6 billion in 2006.[1] This downward trend is expected to continue. In contrast, there were 62.7 billion electronic payments in 2006, accounting for 67 percent of all non-cash payments—up from a 54 percent share in 2003.

The trends for U.S. consumer-to-business (C2B) bill payments are in lock-step with the overall payment trends. According to the financial industry research and consulting firm Aite Group, consumers have heartily embraced the switch from paper to electronic payments. By 2009, electronic payments will overtake all other forms of payments, and by 2012, 64 percent of consumer bill payments will be electronic, up from 49 percent in 2008.[2]

Figure 1: Electronic payments are poised to overtake non-electronic payments in 2009



Source: Aite Group

[1]Federal Reserve Payment Studies, 2001-2007

[2]Aite Group, "Online Bill Payment: The Elusive Goal of Cost Recouping," September 2008, p. 5

As mail-in payment popularity fades, there are implications for lockbox payment processing

As consumer bill payment behaviors change, most in-house retail lockbox operations are experiencing declining check volumes and rising costs per item. This comes at a time when many in-house payment systems are in need of replacement or upgrades, as they have been in operation since implementation at the turn of the century in preparation for Y2K. Thus, many billers have reached a "tipping point" where it's time to ask the tough questions:

→ Due to declining volumes, has the cost model of doing in-house paper remittances changed to where there is no advantage to your organization to keep the process in-house?

→ Are you doing yourselves a disservice by processing paper remittances in-house, perhaps by missing out on advances in technology that improve payment processing or customer service?

→ If you are already outsourcing, how "future proofed" is your provider in terms of technology and scale? And, given the current economic environment, is your provider bank-agnostic?

Answering these questions might tell you it is time to revisit the economics of your current remittance processing model. For example, in recent years, many high-profile banks have outsourced their lockbox operations. Due to decreasing payment volumes, increased credit pressure and the recent upheaval in the banking industry, many banks have found that outsourced lockbox operations are a better strategic fit for their businesses. With continued economic pressures and increased industry consolidation, it is anticipated that many more banks will be looking at the outsourcing trend in the near future.

Like banks, corporate billers face many of the same issues. For example, the costs of facilities, system maintenance and support, and labor are increasing, further driving up the per item cost. Enhanced functionality is another key component of the outsourcing value proposition that should be carefully considered. In particular, check truncation and ACH (Automated Clearing House) growth are adding new complexities for remittance processors and billers.

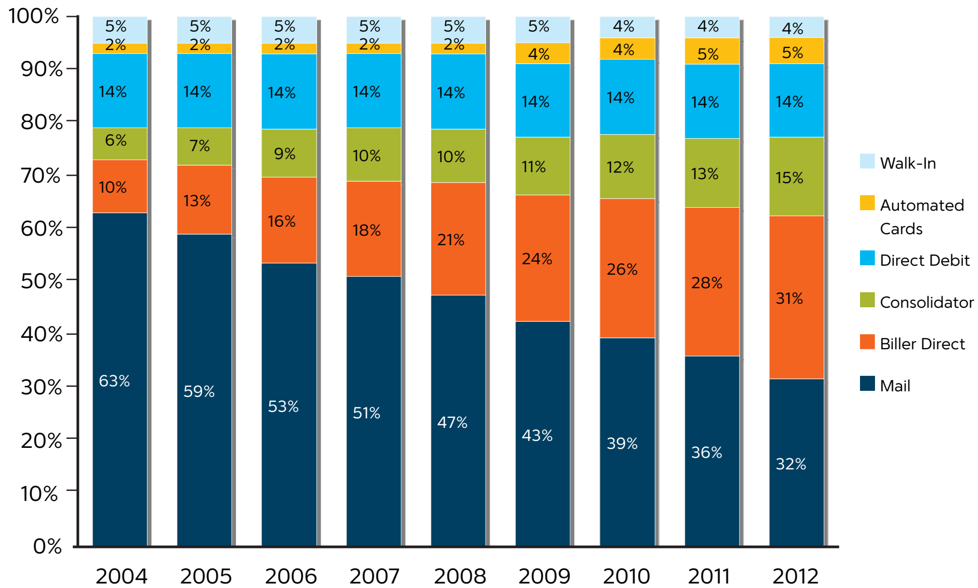
As it relates to check electronification of paper payments, your organization needs to assess its current solution. Is your billing system able to take advantage of technological gains that have occurred in recent years, such as the ability to generate Check 21 Image Cash Letters (ICL) and Accounts Receivable Conversion (ARC) files? If not, system upgrades could be needed, but they might not make economic sense. With declining items to process, is it wise to invest more money in an infrastructure that is already underutilized and possibly nearing the end of its life cycle?

Trend #2: Biller Direct Is Becoming the Preferred Payment Method

As mentioned earlier, many consumers are putting away their checkbooks and embracing electronic payment methods. Increasingly, these electronic payments are going directly to the biller, mostly through biller web sites or via interactive voice response (IVR) systems (a payment model known as "biller direct"). Aite Group predicts that the biller directs' share of consumer bill payments will be 31 percent by 2012, and billing consolidators' share of the payments will be about half that at a 15 percent share.[3] (See Figure 2.)

[3]Aite Group, "Online Bill Payment: The Elusive Goal of Cost Recouping," September 2008, p. 7

Figure 2: The growth in biller direct payments is outpacing all other forms of consumer payments



Source: Aite Group

And it's not just Web-based payments on the rise. Tower Group estimates that phone-initiated bill payment volume will double over a five-year period to reach over 300 million transactions by 2010.

In surveys, consumers cite numerous reasons for their preference for direct payment methods, including faster posting of payment, certainty of payment and convenience. Biller direct gives consumers greater control over when a payment is made as well as confirmation that it has been completed.

Consumers' rapid adoption of biller direct payments has been no fluke. Many billers have consciously hastened this transition. For example, paper invoices often prominently display Web addresses and phone numbers where consumers can pay bills. Direct-mail campaigns encourage people to save time, avoid late fees and enjoy other conveniences by paying online or over the phone. As a result, consumers have heeded the advice, putting their checkbooks, pens and stamps in the drawer and heading to the computer or phone instead.

The Yin and the Yang of Biller Direct

For the biller, of course, a vast increase in direct payments has its own set of implications—some of which are good, and others that create new challenges. On the plus side, for example, billers have an opportunity to interact directly with customers, typically over the Web or via telephone. This presents an opening to up-sell or cross-sell additional products and services to customers, and to draw them into more forms of self-service such as account management and online customer support. In addition, a well-designed Web site reinforces your branding, leaving a positive impression on customers each time they visit. And now with new Web 2.0 technologies, the Web site can deliver a highly personalized and interactive experience for customers, further influencing their desire to return.

Another big advantage of more customers using biller-direct Web site is the opportunity for e-presentment of the billing statements. Web-savvy customers who already pay bills via the Internet—particularly those in the 18-to-35-year age bracket—are much more likely to accept the biller's offer of e-bills versus a printed and mailed statement. This is good news for billers who want to reduce expenditures on paper-based processes and get more customers to migrate to electronic bill presentment and payment (EBPP) systems.

On the other hand, many billers' direct payment systems were never built to handle the volume of payments being made today and expected in the future. When Web-based payment systems were designed five to ten years ago, few developers anticipated how popular they would become with consumers. Consequently, slow performance and convoluted processes are a common impediment to customers seeking to pay a bill quickly and conveniently.

Furthermore, frequently the various applications or solutions that accept different bill payment channel types are not integrated with each other or with business systems such as customer service/support, order entry, or corporate treasury. There is no "universal view" of bill payments across disparate systems. This lack of integration results in a less-than-optimal customer experience, as well as operational inefficiency for the business. For instance, if a customer calls the IVR system to place a payment and then requests to speak to a representative to ask a support question, the customer data in each system may not be integrated to support both tasks smoothly. This leads to a longer, more costly call with increased human intervention, as well as a negative experience for the customer.

As more customers turn to biller direct payment systems, it is easy to see how the requirements for scalability, flexibility, functionality and integration with other systems will grow.

And what about payments via the online consolidator channel?

As a biller, you may be excited about the fact that electronic payments can come via another channel that you do not even have to promote—financial institutions and other third party aggregator sites (the "consolidator" payment model). While you certainly don't get the cross-sale and client service benefits, your company still participates in the savings associated with electronic payments, right? Well, depending on how your organization has approached the online consolidator channel, you may not be realizing the maximum savings. For instance, many consolidator payments that start out as electronic end up as paper check payments being processed in the lockbox. If that is the case for your consolidator payments, the net cost of the total payment cycle is more expensive than your biller direct payments and may be more expensive than the majority of your lockbox payments. In addition, consolidator payments that end up as paper drive customer service inquiries since they take longer to post and are error prone. Electronic bill presentment is also a difficult terrain to navigate for consolidator bill payment channels. Investing in electronic lockbox solutions and researching your consolidator bill presentment options will ensure your company is achieving the greatest financial benefit while preserving customer experience and choice.

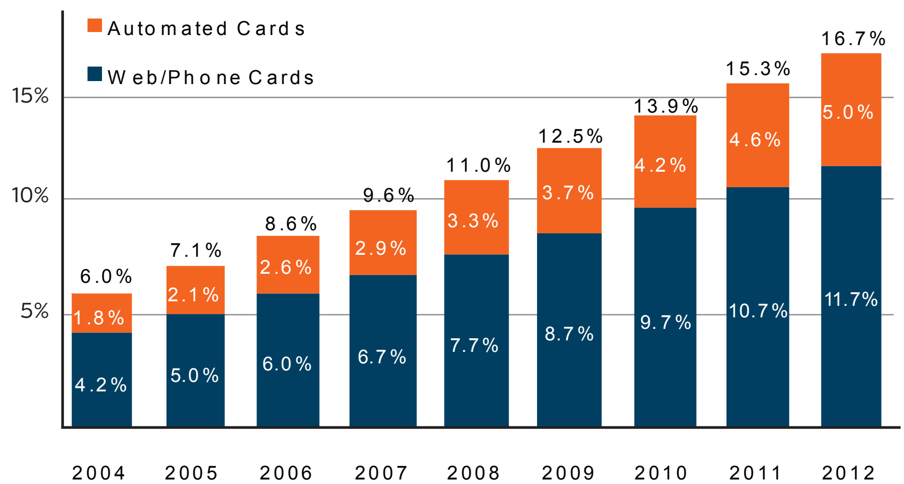
Once again, it's time to ask some difficult questions:

- → Due to multiple payment venues, has the cost model of supporting a variety of remittance channels in-house become a burden?
- → Are you finding that you are not willing to offer all payment types due to the need to support one additional interface?
- → Is it difficult to keep up with all of the compliance initiatives?

Trend #3: Cards Are the Fastest Growing Payment Type

According to Aite, card payments, both credit and debit, are forecasted to grow at over 15 percent annually between 2008 and 2012, reaching nearly 17 percent of all bill payments. (See Figure 3.) This growth will be driven by consumers who prefer card transactions due to convenience and rewards program incentives, as well as by an increasing number of billers electing to accept cards as a payment type to satisfy consumer demand. Reductions in interchange fees in key verticals such as utilities are also leading to the increase in card acceptance.

Figure 3. By 2012, one in six bill payments will be made by cards



Source: Aite Group

The trend toward using credit and debit cards for bill payment has numerous implications for billers in terms of how they balance consumers' desire for payment type choice versus the higher cost of accepting card payments. While corporations certainly want to provide choice, that does not suggest that "all payments are created equal." The chart below compares the cost per item of various transaction types. It's clear that billers have a lot to gain from driving customers to ACH-based online payments. The hypothetical example below shows the clearing impact on a utility with an average monthly bill size of $100 and a customer base of 1 million. The new annual cost assumes half the volume that is paid via credit card moves to debit.

Figure 4. Hypothetical cost savings of shifting payment mix

Payment	Cost	% Breakdown	Annual Cost	New % Breakdown	New Annual Cost
ACH	$0.01	54%	$64,800	54%	$64,800
Check	$0.03	30%	$90,000	30%	$90,000
Debit	$0.25	0%	$0	8%	$240,000
Credit	$0.50	16%	$960,000	8%	$480,000
Total		100%	$1,114,800		$874,800
				Savings	**$240,000**

Your organization needs to keep in mind that the savings are an annuity and will grow as more card payments switch to debit or other lower-cost channels like ACH.

There are simple ways to facilitate consumer choice while balancing the cost of payments, such as:

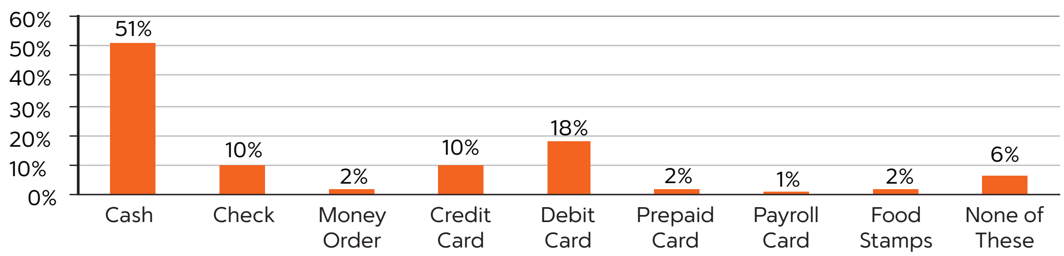
→ Implementing automatic enrollment options (for recurring or one time) that default to ACH

→ Ensuring that PIN debit is an option: while more expensive than ACH, it's less expensive than a credit card payment

Trend #4: Growth in the Number of Underbanked Households Needing Alternative Payment Channels

The underbanked population is large and growing, especially among immigrants. According to the Center for Financial Services Innovation (CFSI), the U.S. underbanked population has 40 million households, for a total of 106 million people. This includes the unbanked population, which the Federal Reserve Board estimates to be in the range of 12 million households. Not surprisingly, cash is the dominant method of payment among the underbanked:

Figure 5: Consumer spending by the underbanked (national study of 2,799 underbanked adults)



Source: Center for Financial Services Innovation

Given the preference this population has for cash transactions as well as the segment's aversion to bank accounts, a common bill payment channel is walk-in. Aite Groups says U.S. consumers will make 859 million walk-in bill payments annually by 2009, up from 749 million in 2005. Unfortunately for billers, this is a high-touch, high-cost channel for accepting payments. But what other payment channels would this audience feel comfortable using, and how do billers encourage them to switch? It's going to take some innovation to solve this dilemma.

How will you service your underbanked consumers?

Prepaid debit cards are a payment device that offers great promise to both the biller and the underbanked customer. Using these cards, consumers can pay bills, make retail purchases and get cash from ATM networks. The growing category of general purpose reloadable (GPR) cards targeted at the underbanked population enables users to direct deposit paychecks onto the card or visit retail/ATM locations to load cash. The cost of accepting a prepaid debit card payment is usually less than accepting a money order or cash payment, and bills are paid more quickly—helping the customer avoid late fees. At the same time, consumers who use prepaid cards do not need to secure a traditional banking relationship or get approval for a deposit account for revolving credit. The question is, how do billers encourage consumers to use prepaid debit cards?

Several vendors are anxious to address this need. For instance, First Data's Money Network™ Solution allows employers to convert to 100 percent paperless payroll by providing underbanked employees with reloadable debit cards that can be used as a virtual spending account. These cards can be used for online bill payment and also come with paper checks for mail-in bill payments. As awareness and usage of this and other general purpose reloadable card solutions increases, prepaid cards will begin to account for an important share of C2B bill payment volume. This presents an opportunity for billers to partner with participating retailers to promote walk-in bill payments as well. For example, say a local utility company wants its underbanked customers to use the prepaid cards to pay bills online or at a kiosk instead of walking in to a payment center or customer service desk. When the utility sends out its bills, a statement message can promote the prepaid cards sold by specific local retailers and tell customers where and how to obtain and use the cards for bill payment.

In another attempt to solve the underbanked problem, one company is installing self-service payment kiosks in convenient and trusted locations such as grocery, discount and convenience stores. These walk-up kiosks allow a consumer to pay bills to thousands of billers using cash, prepaid cards and other payment types—and without costly human intervention. As more kiosks are installed, it becomes more convenient for consumers—underbanked or otherwise—to pay bills at these self-service stations. Some verticals, like card issuing and auto loans, and third-party providers, are looking to integrate expedited bill payment with walk-in payments.

Trend #5: Consumers are (Finally) Embracing E-Presentment of Bills

After a slow start, consumers are now opting to save time as well as trees by accepting receipt of their bills electronically. According to Forrester Research, electronic bill presentment and payment (EBPP) adoption will be robust over the next several years, and by 2011, 60 million households in North America will use it. From 2001 through 2006, the number of households both viewing and paying bills online at least once grew by 23 percent annually. EBPP is fast becoming the presentment and payment method of choice for a growing number of consumers and businesses.

This is great news for billers looking to lower mailing costs, speed payment funding, improve collections and of course, help the environment. A vast majority of customers who receive an electronic bill (also known as an "e-bill") will eventually pay the bill with an electronic payment. In fact, electronic delivery of bills is hastening the general adoption of electronic payments, according to NACHA's Council for Electronic Billing and Payment (CEBP).

Paper-intensive industries such as insurance, property management, healthcare and utilities have a high interest in getting their customers to adopt electronic bill presentment. In some cases, the cost to print and mail a multi-page statement each month can be upwards of one dollar per statement, while electronic bill presentment can cut those costs by half or more. Companies in these industries tend to conduct a considerable amount of marketing to promote e-bill presentment. They have successfully used marketing campaigns that include repetitive messages printed on the bill or envelope, direct mail informational letters, promotions on the Web site and a number of other tactics to encourage customers to try electronic billing statements.

E-presentment offers benefits to customers as well, such as the "anytime, anywhere" delivery of bills. This is of great interest to an increasingly busy and mobile society. Now consumers can view and pay their bills whenever they have a few spare minutes and access to the Internet (whether PC or mobile), and alerts keep consumers in tune with their accounts.

E-billing is getting a boost from the NACHA EBIDS (Electronic Billing Information Delivery Service) solution, which became operational in March 2008. EBIDS allows businesses to deliver electronic bills directly to consumer online banking accounts for presentation to consumers and to receive authorized credit payments through the ACH Network. This makes it easy to reach customers who prefer to use online banking bill pay systems because the financial institutions help market as well as deliver e-presentment to customers.

What is your company doing to push customers toward e-bills?

Historically, consumer adoption of e-bills has been slow, largely because it forces a change in consumer behavior. For the consumer to accept e-bills, he typically needs to go to a Web site or fill out a form to enroll in a program by providing, minimally, an e-mail address and account information. He will probably be asked about discontinuing the paper bills. Such a change can be disconcerting for many people. They need a sufficient reason to act.

Companies that have successfully promoted e-bills have enticed customers to sign up by telling them it's good for the environment; it's more secure than receiving paper statements; and it reduces paper clutter around the home. In addition, successful companies have used multi-faceted marketing programs with repeated communications. And it seems the more innovative the marketing programs, the better the results.

Billers who want more information about promoting the environmental benefits of e-bills can work with the PayItGreen Alliance. This is a NACHA-led coalition of financial services companies that is committed to educating consumers and businesses about the positive environmental impact of choosing electronic payments, bills and statements instead of paper. The PayItGreen Alliance encourages consumers to turn off the paper in their financial lives—specifically to use direct deposit, receive bills and financial statements electronically, and make payments electronically.

Another enticement to get consumers to switch to e-bills is education about identity theft. While some people believe that online banking, e-bills and electronic payments are insecure, the fact is that paper-based information and mail fraud are much bigger threats for identity theft. Thieves may steal mail so they can sift through it and pull out bank statements, credit card bills or anything else that might be of use in stealing an identity. Billers should let their customers know that opting out of paper bills and statements eliminates the risk of having sensitive information stolen from the mailbox. Additionally, it eliminates the hassle of shredding paper statements after they have been read.

Convenience is another selling point for EBPP. For example, some banks and billers use quick "alerts"—typically e-mail or instant messages—to let a consumer know that he has a statement to view, a bill to pay, or some other activity on the account. By integrating an e-mail or mobile payment reminder into an overall electronic communication strategy, banks and billers help the customer make his payment on time while managing their collections.

A Framework for Managing Bill Payment Change

No single trend outlined in this paper should come as a shock to most billers. What can be overwhelming, however, is assessing the cross channel implications of all these trends in order to create an overall payments strategy that minimizes costs and optimizes the customer experience into the future. Many payment operations are still somewhat siloed with different teams owning remittance processing, online payments, IVR payments and walk-in centers. An integrated approach to strategic payments planning is critical because of the many interdependencies. As the number of channels increases, the siloed approach becomes increasingly less viable for both planning and customer support. And, the economic changes driving mergers and acquisitions activity are another dynamic that not only necessitates change but creates a great opportunity to review your organization's best payment practices.

We recommend a three-pronged framework to bill payment planning;

→ Payment channel optimization
→ Payment type optimization
→ Management of the payments customer experience.

Payment Channel Optimization

Companies looking to build a five-year plan for their integrated bill payment operations should start by assessing how industry average forecasts apply to their individual businesses and how much they can influence these trends through their payment offerings and customer management. In terms of channel mix, they must look at the percentage of payments coming in through each channel and how that will evolve by 2014. The questions outlined below provide a framework for creating a payment optimization plan based on predicted cross channel volume shifts. With walk-in bill payment expected to double and another 15 percentage point shift from mail-in check payments to online/IVR, each channel will need to adapt to optimize costs and the customer experience.

As you review each channel, some key strategic questions to ask are:

Mail-In	Is cost/item for in-house processing competitive given declining volumes? Can my in-house operation achieve ROI on capital investments? Is my outsourcing provider future-proofed in terms of scale and technology investments? Are my systems compliant and secure?
Walk-In	Can alternative retail and kiosk models be leveraged instead of company owned walk-in centers? Which alternatives are most likely to gain traction? Could I transition my walk-in customers to a prepaid solution? Is my walk-in channel offering an expedited payment option and is that driving the desired results? Are we facing more compliance and security issues with walk-in traffic? Does my clearing and settlement solution address all my payment needs (check, cash and prepaid)? Do I have unauthorized bill payment centers and what is my strategy for driving any behavior?
Web	Is my current solution built to support forecasted volume growth and the latest feature/ functionality? How can I increase e-billing with paper statement suppression? Are my marketing activities driving more clients to the Web (and is it measurable)? Am I maximizing the marketing value and client service benefits of my online payments process? Am I leveraging an electronic lockbox solution that optimizes the processing of my consolidator online bill payments?
IVR	Are my Web and IVR solutions integrated for maximum re-use? Does my IVR solution allow for all the functions customers expect while still being easy to use?
Mobile	Are my customers demanding mobile payments? How can I create the business case for this future channel? How can I tie my mobile transactions into a comprehensive payment alert strategy that drives down collection activity?

Payment Type Optimization

While many companies are already thinking about optimizing their payment channels to adjust to the major volume shifts expected over the next five years, fewer are actively managing their mix of payments by type.

Some companies that have attempted to keep costs down by not offering card payments are finding that customers are increasingly demanding the card-based bill payment option. By 2012, the Aite Group expects that one in six bill payments will be made by cards. Businesses can influence their payment type mix both by managing the choices they offer customers and by providing incentives for customers to choose lower cost options. Knowing that many customers select card based payments to take advantage of rewards programs, billers can target card paying customers with reward offers of their own as an incentive to select direct debit and ACH based payment options. Similarly, billers who train their customer service representatives (CSRs) to optimize payment behavior at the time of customer activation are much more successful at driving high rates of online bill payment and paperless billing penetration.

Another often unlooked area of opportunity is to actively use customer payment information to optimize days sales outstanding (DSO). Customers with chronic late payment history can be targeted with automated payment alerts and direct debit solicitations. Similarly, customers with a history of bad check payments might be candidates to convert to automated credit card payments. In creating their long-term payment strategies, it is critical for billers to build optimized payment mix forecasts plus the capabilities around proactive management of their customers' payment behavior.

Consumer Choice	Cost	Impact on Days Sales Outstanding
Are you offering all the payment types your customers demand? Do your payment choices provide a competitive advantage/disadvantage?	Do you know your cost/payment by payment type? Do you actively manage your payment mix for cost optimization? Have you evaluated PIN-less debit (e.g. STAR® Bill Payment) as a lower cost alternative to credit? Have you explored "least cost routing"? With walk-in payments, using point-of-purchase/back-office conversion (POP/BOC) and ICL to truncate paper; or with remit/mail-in, using accounts receivable conversion (ARC) or Image Cash Letter (ICL) truncation?	Do you know the relationship between payment type and receivables management? Do you actively manage customer payment types to optimize collections? Do you have risk management services in place, such as the TeleCheck Electronic Check Acceptance® verification and warranty services, that help minimize risk when converting paper checks to e-checks?

Customer Experience Management

The last important element in long-term bill payment planning is for organizations to understand the importance of billing in the overall customer experience. For example, in the telecom and cable industries, it is estimated that 40 percent of all inbound call volumes are related to billing. For these companies, the ability for CSRs to quickly access key customer billing information in order to answer questions, make adjustments and verify payment receipt can be the difference between keeping a satisfied customer and losing an angry one. Integrated payment systems are at the core of a positive customer service experience. Similarly, many of the same billing questions that customers call about can be managed in a self-service mode online or via an IVR solution. A strong long-range payment plan starts with a solid understanding of the drivers of inbound calls, the pain points currently experienced by CSRs in quickly handling these calls and which calls can be migrated to a self-service model. Forecasts and action plans for call reduction based on improved availability of payment information and activity management tools for self-service are a key part of the payment planning framework.

Finally, as billers take a more proactive approach to managing payment costs, customer communications are a key driver. Customers need to be educated about new, convenient payment options. They need to be incented to use payment types that drive optimal cost/item and lower DSO, and they need to be alerted, in some cases, about late payments or insufficient funds.

Companies need to start by setting targets around key payment parameters (channel mix, payment mix, paperless billing, days sales outstanding, online self service for bill inquiry) and then build strong communication tactics to drive the desired customer behaviors.

Customer Service	Communications	Convenience/Ease of Use
Can your CSRs seamlessly access a complete view of payment history regardless of channel? Does your system provide advice to CSRs to guide individual customer payment optimization?	Are you using all communication channels to influence customer payment behavior? Have you set/attained specific goals for online payments, online bill pay and payment mix? Can you easily obtain the information to measure against specific objectives? Are you using targeted customer alerts to drive on-time payments? Do you offer automatic enrollment options (for recurring or one time payments) that default to ACH? Are you promoting enrollment and activation?	Do your online/IVR bill pay solutions offer the best user experience (e.g. integrated information most commonly requested)? Does your mix of payment channels and types provide a competitive advantage/ disadvantage? Can customers easily access their complete bill payment history for self-service inquiries? For financial institutions, is it easy to add billers? And easy to navigate the site?

Growing Payment Landscape Complexity Requires Strategic Payment Partners

The payment landscape is complex and changing rapidly. Channel volumes are shifting. Technology turnover is hastening. Laws and regulations are adding complexity to the payments process. Overall economic pressures are squeezing budgets and increasing risk.

Creating a long-term plan based on the framework provided in this paper requires a cross-departmental approach with involvement of the cash management, customer service, collections, IT and marketing teams. Just as payment operations have long been managed in corporate silos, many payment vendors are not looking at the full picture either. Now is the time to evaluate the solution providers who have the potential to be your long-term partners for a range of bill payment and presentment services. Key considerations when you select your partners include:

→ Is the vendor viewed as a payment expert in the market—a company with vision and intellectual capital, and not just products to sell you? For example, does the company participate in the process of setting industry standards, testing new programs like EBIDS, developing new technologies, etc.?

- → Can the vendor support you across multiple payment channels? Does the support include just "processing payments" or is it a true "payment optimization solution"?
- → What additional tools and services can the vendor deliver? For example, data analytics, fraud prevention, risk analysis, collections, and communications tools/support.
- → Is the vendor intimately familiar with the regulations governing your industry's payment processing? For example, PCI (Payment Card Industry), HIPAA (Health Insurance Portability & Accountability Act), FACTA (Fair & Accurate Credit Transactions Act) and TCPA (Telecommunications Communication Protection Act) are regulations and legislation shaping the bill presentment and payment space.
- → Does the vendor have the expertise to help you develop your five-year payments forecast and associated roadmap to meet your cost optimization and customer experience objectives?

Few companies take a laissez-faire approach to customer acquisition or retention management, but surprisingly, many have followed that path when it comes to managing customer behavior around payments. Billers have a lot more control than they think about how their customers pay bills. By creating detailed five-year plans and proactive customer management tools, they can have a major impact on both the bottom line and customer retention. By partnering with payment vendors who have the ability to support all payment channels and all payment types, plus provide the customer analytics and contact tools to drive behavioral change, billers can manage the complexity of the changing bill payments landscape and optimize for the future.

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