



12 Essentials for Successful Utility eBilling / ePayment Programs

a Paymentus white paper

Despite significant investment, utilities still aren't seeing the desired customer adoption and savings from their electronic billing and payment initiatives. This white paper focuses on the reasons for these shortcomings and presents 12 essentials for utilities to consider as they work towards greater adoption rates, streamlined operations and better cost-efficiencies.

Paperless billing and electronic payments are surging worldwide. The electronic billing association, NACHA, conducted a 2011 e-billing benchmarking study¹. It indicated that many traditional, paper-based billers, including the financial services and telecommunications industries, are seeing paperless billing adoption rates of well over 30%. According to Fiserv's 2013 Billing Household Survey², nearly four out of five households have paid a bill online. Despite these promising statistics, utility companies have adoption rates of just 12%; even among those that have made paperless billing a priority.

So why aren't these numbers higher?

1 Source: <https://www.nacha.org/news/newsDetail.cfm/RecentBusinessNewsID/237>

2 Source: Fiserv Research Paper: Sixth Annual Billing Household Survey. 2013.

Reasons behind Slow Adoption Rates

In order to convert traditional billing and payment customers to a paperless, automated solution, utilities need to understand the reasons behind customers', and perhaps their organizations' hesitation, including:

For the customer:

- Process is not user-friendly leading to a poor customer experience
- Online registration is or could be a hassle
- Password fatigue for customers who just don't want to manage another log-in credential
- Apprehension that no longer receiving a paper bill could increase the likelihood that they'll inadvertently miss a bill and/or payment
- Concern that late payments won't post quickly enough to avoid service shut-off
- Unease that payment information will not be secure

For the utility company:

- Solution can be difficult and expensive to implement, leading to incomplete solutions that do not serve the utility company's entire customer base
- Since they are offered by different vendors, e-Billing and e-Payment systems are often independent and isolated from one another creating more work for staff
- Incomplete or feature-lacking solutions do not support utility customers' changing needs
- Disjointed solutions make it difficult to cross-promote additional online services such as paperless billing, monthly auto-pay, or mobile payments
- Lack of an efficient way to proactively communicate with customers, since contact data is often incomplete or incorrect
- Rising credit card processing fees, as well as, daunting (and costly) Payment Card Industry (PCI) compliance requirements limit utilities' capabilities

Despite these challenges, it is important for utility companies to get on board with (and convert their customers to) paperless billing and electronic payments. Utility companies can no longer follow the status quo. At the very least, they must start planning for this conversion now. If done thoughtfully, the benefits will surely outweigh any assumed risks such as cost or the seemingly insurmountable task of implementing it. Those who delay will face an uphill battle.

With postage rates increasing, the U.S. Postal Service considering massive reductions in service, and more and more customers turning to web and mobile apps to conduct business, the pressures on utilities' businesses are growing. Those who do not provide a useful electronic bill-pay-communication solution run the potential of losing money and harming customer relationships.

Such losses can be avoided if utility companies ensure that the electronic billing and payment solutions they offer customers are easy to use, convenient, comprehensive and secure. Do so, and adoption rates will surely increase; even more so, if they create a billing and payment solution that doesn't require expensive platforms and multiple vendors.

Make it Easy to Use, Enjoy Repeat Customers

If utilities want to improve adoption rates as well as streamline operations and boost the bottom line, research suggests that electronic billing and payment solutions should be easy-to-use and instill confidence in the online experience. Unfortunately, many utilities over-simplify or take shortcuts in this regard, without considering what customers really need and want – a feature-rich, easy-to-use, secure solution.

Easier said than done right? Not necessarily. But there are 12 essential components to be contemplated first:

1. Consider the customer first when deploying the system.

Before utilities can provide an easy-to-use e-bill/e-pay solution, they need to better understand their customers. Utilities serve a diverse, nearly infinite demographic that includes households, businesses, all income levels, and folks from all walks of life. Understanding customers' concerns, needs and comfort levels will go a long way to ensuring that the solution is one that they will actually use.

A good illustration of understanding customer demographics is a utility that serves a large Spanish-speaking population. This segment could benefit from an interactive voice response (IVR) system with Spanish-language call flows. Another example is a utility whose primary demographic is comprised of young adults who commute to work each day. They could benefit from an easy-to-use, mobile bill-pay solution. The same considerations should pertain to other demographics including mobile options for highly transient populations such as college or military towns. Conversely, provisions should be made for those customers (e.g., senior citizens) who might not be as adept or comfortable with technology. For them, the ability to pay over the phone or in-person should be available. Understanding customer profiles will enable utilities to provide the right bill-pay options for them; thereby increasing adoption rates.

2. Recognize that billing and payment should operate in conjunction with one another.

Utilities have historically viewed billing and payment as separate processes; with one handling the production and mailing of bills, while the other takes care of receiving and reconciling payments. However, today's technologies provide a tremendous opportunity to merge them into a single, cost-saving process. Since many customers already view billing and payment as a single step (i.e.-bill in

hand when making a payment), it only makes sense that technology reinforce this habit. Online and mobile technology further strengthens the bill-pay relationship, since customers can review their balances and make payments in a single step.

Rather than viewing billing and payment as separate functions, utilities (and their customers) can benefit greatly from recognizing the value of bridging these functions into a single process. For utilities, an automated, turnkey solution can help to drive preferred customer behaviors toward additional low cost bill-pay services. For customers, a single, paperless billing and payment process can deliver value-added services as well as enhance their customer experience.

3. Implement a straightforward web interface so customers can pay quickly without having to register.

People are busy and need a fast, easy way to make payments. All too often, utility web sites require customers to undergo a complex registration process. It shouldn't be this way, particularly for those who want nothing more than to make a quick payment. Ideally, utilities want customers to embrace e-billing and other electronic services; however, a hindrance on the most basic level will discourage them from considering additional online services. A recent billing study³ by Forrester Research indicates that half of consumers will leave in eight seconds or less if they do not find what they need.

Instead, utilities should offer a faster way to pay online without registering. A study⁴ of 26 utilities identified customer preferences in this regard – when presented with registration and non-registration payment options, 56% of customers will opt to make a quick payment (without registering a password). This telling statistic points to the fact that customers are 1) often in a hurry and don't want to spend the time registering; and 2) want to avoid the hassle of managing another password (known as “password fatigue”).

The Fiserv Billing Household Survey supports this statistic: nearly 25% of consumers turn to their utility's web site when they need to make a last minute payment, making the case for utilities to provide expedited (non-registration) payment services by Web and IVR even more compelling.

What utilities don't want to do is force their customers to contend with a clunky, time-consuming process. Instead, make it easy, quick and secure. A recent white paper from Aeternum⁵ explains that a positive payment experience will lead to a permanent online relationship with customers that will grow over time. If they enjoy their initial experience, they will return to the utility's web site and consider using paperless billing and other valuable e-services.

3 Source: Webinar “Beyond the Bill” by Forrester Research. 2011.

4 Source: TWI Utility ePayment Study. 2014.

5 Source: <http://ebilling.aeternum.com/pdf/ebilling-util-wp.pdf>

4. Proactively build value and trust through integrated customer notifications.

Customers are afraid that if they don't receive a paper bill in the mail each month that they are going to forget to make a payment as well as incur penalties and late fees or even harm their credit score. By proactively delivering information to customers by phone, text, and email, customers will remain informed and in control of their billing and account status and be more likely to use additional online services.

In fact, proactive customer notifications may be the key to increasing paperless billing adoption rates. According to the Fiserv study, 66% of consumers said an alert when a bill is due would increase the likelihood they would use paperless eBilling. The same study indicated that over 50% of consumers would be interested in a text, email, or voicemail alert to remind them when a bill is due. Providing for such notifications would reassure customers that they won't inadvertently miss a bill and/or payment.

Automated notifications are very affordable, especially when compared to manual alternatives. Reminder calls eliminate the high cost of mailing a late notice, hanging a door hanger, or manually calling each customer. And they are highly effective, leading to greater than 50% reduction in service shut-offs due to non-payment.⁶ An added benefit is that customers will appreciate the reminders, allowing utilities to build stronger customer relationships and an exceedingly accurate database of customer contact information.

5. Tackle integration hurdles to deliver a consistent user experience across all payment channels; real-time data fuels customer confidence.

Consistent integration across all channels leads to a user-friendly solution that accommodates the customer's payment preferences. It starts with an integrated data element that will support the secure, real-time exchange of customer information and will enable payments and balances to post to the customer information system (CIS) the same way, no matter how the customer chooses to pay - web, mobile, IVR, in-person.

Inconsistent user experiences are harmful to customer confidence. For instance, consider the customer who gets a different account balance when he or she visits the utility's website than the one he or she received after speaking with live customer service staff. In that scenario, the customer will immediately lose trust in the automated solution and, in the future, consider that only as a last resort.

To counteract such a scenario, the utility needs to spend time creating complete, real-time integrations to the CIS. Nightly batch updates create delays in posting customer payments, confusion for customers, and data validation issues for staff. Real-time data solutions not only benefit customers but also create a highly efficient back office with fewer manual processes and more simplified daily reconciliations.

⁶ Source: TWI Utility Communications Survey, 2014.

6. Offer multiple payment methods (cash, check, credit card, ACH, direct debit – in person, at counter, web, over the phone (IVR), mobile) for customers.

According to the Billing Household Survey, 60% of customers use three or more payment methods monthly. They may pay their bill by credit card through the IVR one month and in cash the next, citing funds availability, due date, and amount due as the primary reasons for doing so. Customers want to avoid making a late payment and their circumstances are continuously changing.

As such, it is important for utilities to offer customers a wide variety of payment choices, including expedited payment options by IVR, web, mobile web sites, mobile apps, text, and email. Customers value flexibility in payment options. Over time, they may get more comfortable with the additional automated options that are available. This evolution lays the foundation for converting them to additional services like paperless billing and recurring payments.

7. Cross promote services along the way.

Making it easy for customers to pay opens the door to cross-promote (and potentially get them to buy- in to) additional online services. For example, once customers have filled in their payment information, they should be prompted to save that information for future use, if they choose. It is also the ideal time to promote paperless billing and monthly recurring payments.

Cross-promotion should provide/illustrate immediate benefits that are important to customers (not the utility), with convenience being the number one reason people sign up for e-billing⁷. Promoting a paperless solution as being “green” should be secondary. Although customers appreciate green initiatives, utilities’ primary marketing efforts should tout convenience, ease of use, “never lose a bill again” and “view 12 months of past billing statements” – this is the messaging that resonates with customers as they consider paperless alternatives.

Another effective tool in e-billing promotion is the trial period. Known as “tryvertising”, many non-utility firms have employed this technique with great success by giving customers a month of free service prior to paying. Similarly, utilities can offer a trial period that allows customers to try, and get comfortable with, e-billing before turning off their paper bill.

8. Make the move to paperless easy and offer more features.

A 2011 consumer Survey by Janrain and Blue Research⁸ indicates that customers are tired of registering on web sites, and many will avoid it whenever possible. The Survey goes on to say that 86% find the need to register or create new accounts for websites bothersome enough that they will change their habits – i.e. will not return to a website or will avoid the website in the future – if required to register.

7 Source: NSTAR Presentation, “Achieve High Paperless Adoption by Offering Online Services”, July 2011.

8 Source: <http://www.janrain.com/consumer-research-social-signin>

So how can utilities get people to register for e-billing? Make it so easy that they won't think twice about signing up. That means the following: 1) require the minimum amount of information necessary to validate their identity; and 2) ensure that the actual registration process happens quickly after entering the information. This advice extends to how the registration process looks visually. If it appears long and convoluted, few customers will bother. So skip the phone number if it isn't really needed, and if their email address is already available, implement a function that will automatically populate that field.

Typically, customers making online payments afford utility companies the highest adoption rates to paperless billing, since they have already gone through the process of entering account and payment information, as well as most likely provided an email address for their payment confirmation. At this stage, the only thing standing in the way of them registering and having access to a host of online services is a password. Customers should be prompted for a password then.

The more billing and payment features offered and information made available online to customers, the more likely they will move forward with registration and, eventually, paperless billing. Such features as access to consumption and payment history, secure storage of credit card and bank account information, and setup of monthly auto-payments will motivate customers to register for paperless billing.

Giving customers online access to the prior 12 to 24 months of billing statements will alleviate their concerns over losing a bill or needing old statements. A caveat to this function is to ensure that these online statements are exact replicas of the paper bill. If possible, provide any bill inserts as well. The idea is to provide customers with everything they have always had, plus a lot more!

9. Keep convenience fees to a minimum.

Convenience fees are one way utilities can offset a portion of the technology costs or credit card transaction fees. Typically convenience fees, which can range from \$1.00 to \$5.95, are charged to the customer for electronic transactions made by credit card or ACH. A recent study⁹ identifies a direct correlation between the convenience fee amount and the adoption rate of electronic payments. Too high and adoption rates will drop, customers will get frustrated, and utility company-customer relations will suffer. On the other hand, lower convenience fees typically will not alter adoption, customer loyalty, or participation.

A Municipal Electric Utility in Texas recently eliminated its long standing policy of charging a \$4.95 convenience fee for all IVR and Web payments. Within six months, the number of payments received through these channels has increased from 18% of total payments to almost 30%. This surge in automated payments has allowed the Utility to avoid hiring staff as well as bypass an expensive office expansion. They have even reduced their office hours due to greater billing and payment efficiencies.

⁹ Source: TWI Utility ePayment Study. 2014.

Of course, the best way to maximize adoption is to not impose a convenience charge at all. Several utilities have taken it a step further by charging a handling fee for payments that are made through a live person. Such maneuvers help to reduce many manual processes and convert customers to paperless functions, with the overarching goal of being completely paperless within a few years.

10. Consolidate vendors for a more complete, consistent, and cost-effective solution.

Normally, utility companies select a different vendor to handle each function – web portal and payment, IVR phone payment, outbound notifications, paperless billing, credit card processing, etc. These “silos” operate independently and apart from each other.

According to a recent report from First Data on Bill Payment Trends¹⁰, most billers do not offer a “universal view” of bill payments across disparate systems, resulting in a “less-than-optimal customer experience, as well as operational inefficiencies for the business.”

As a result, the goal of implementing a seamless, secure, easy-to-use electronic billing and payment solution ends up being a pipe dream for many utility companies. Customers end up frustrated and the utilities miss out on tremendous opportunities to optimize the customer experience, shape customer behavior, and convert customers to the most cost-effective service channel.

Compounding the issue, many utilities have turned to outsourced application service provider (ASP) solutions that offer limited functionality. For example, an automated phone payment solution (IVR) may not provide real-time balance information or Spanish-language call flows to support a utility company’s large Spanish-speaking population; leaving the customer wanting (needing) more and inundating staff with an influx of calls. And with nearly 60% of all customer service calls already related to billing and payment¹¹, the last thing a utility wants is to use technology that creates more calls and work for staff.

It is incumbent upon utilities to find a vendor that can deliver the majority, or more preferably, all of the essential components to a successful e-billing program. In doing so, utilities will be able to offer an easy- to-use, feature-rich, and consistent solution needed to get customers on board. Not only will customer adoption soar, but a single-vendor solution is significantly more cost-effective than a multi-vendor approach.

10 Source: http://www.firstdata.com/downloads/thought-leadership/fd_billpaymenttrends_whitepaper.pdf

11 Source: <http://mthink.com/utilities/utilities/best-practices-help-billers-drive-consumer-adoption-paperless-e-bills>

11. Take advantage of transactional pricing.

Many electronic bill-pay solutions that are feature-rich and user-friendly can be cost-prohibitive. A sluggish economy means that tighter budgets and expanded “cost avoidance” practices by utilities are the new norm. Simultaneously, customers expect more and better services at competitive prices. As a result, transactional pricing models are becoming more prevalent in the market today.

Transactional pricing provides an opportunity for utilities to add services with little to no up-front investment, and instead the vendor is paid only for successful payment or e-billing transactions. And because the vendor is only paid if there is a successful transaction, the vendor has every incentive to deliver a great solution that leads to wide adoption of electronic services. Though this pricing model might not appeal to or work for every utility, it may be a good option for those who lack funding for new projects but recognize the need to upgrade billing and payment functions.

12. Consider fully-outsourced and hosted solutions to simplify PCI Compliance

Utilities that haven't heard of PCI compliance already soon will. Payment Card Industry (PCI) certification is an information security standard that organizations must meet when they handle cardholder information. It was created to regulate how cardholder data is used and stored to prevent credit card information from being exposed to potential fraud.

Merchants, in this case utility companies, are responsible for certifying that their solutions are PCI-compliant. It is a requirement that is proving expensive, challenging, and confusing for many utilities, even for those with well-staffed IT departments. Today, a bevy of new vendors are offering fully outsourced, cloud-based payment solutions that can dramatically minimize the effort to be PCI-compliant. Moving forward, PCI-compliance will be a major consideration as utilities evaluate an outsourced hosted model versus internal technology infrastructures in the delivery of electronic payment services.

The First Data report states that many billers have taken a “laissez-faire approach to managing customer behavior around billing and payment” ... and that “billers have a lot more control than they think about how their customers pay bills.”

The report goes on to say – “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.”

When it comes to billing and payment solutions, the status quo is no longer feasible. The age old problems of excessive costs, complex integrations, unsecured channels and multiple vendor issues are no longer the norm.

There are achievable solutions out there that effectively address these issues. What's more, if utilities follow the above advice with the right vendor offering the right solution, they will be well positioned to change customer behavior and dramatically increase adoption of paperless billing and electronic payments in the years ahead.

About Paymentus

Founded in 2004, Paymentus is an established leader in paperless billing and payment solutions including online, mobile, IVR, and agent-assisted channels, and a full range of customer communication options. The company's secure, cloud-based Payer Relationship Management Platform enables organizations to improve the customer experience and boost adoption of cost-saving electronic billing and payment services. Paymentus has been recognized by Deloitte to be among the fastest growing companies in North America, with more than 1000 clients, and 40% year-over-year payment transactions growth over the past decade. For more information, please visit www.paymentus.com.

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