The Future of Electronic Bill Presentment in North America

Xplor International Conference & Vendor Forum Presentation

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April 06, 2011
Agenda

- Study Overview
- Presentment Highlights
- Recommendations & Conclusions
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• Presentment Highlights
• Recommendations & Conclusions
Introduction

- The North American transaction market is in a state of change
  - Advances in technology
  - Changing consumer preferences
  - Ongoing focus on cost reduction

- Print and mail costs are substantial
  - 26 billion bills and statements printed and delivered to households in 2009
  - Cost of over $16 billion per year in printing and postage alone

- Key to success is in understanding customer requirements
  - Achieve a balance between printed and electronic delivery and payment
  - Consider the marketing opportunity available with each channel
Objectives

• Identify where electronic bill presentment & payment (EBPP) is being adopted by bill/statement type and demographic comparisons
  ‣ Pinpoint obstacles to faster EBPP adoption
  ‣ Review consumers’ comfort with EBPP and associated reasoning
  ‣ Evaluation of billers’ EBPP strategies

• Identify key vendors and service providers in the EBPP space

• Market sizing and 5-year forecast for the transaction presentment market in North America (print and electronic)
Methodology: Quantitative Research

• Consumer Research
  ‣ 1,032 Web-based interviews with residents of the U.S. and Canada
    ‣ 775 in the U.S. and 257 in Canada
  ‣ Primary person responsible for reviewing finances and paying bills
  ‣ 18+ years of age

• Biller Research
  ‣ 123 Web-based interviews with companies that send bills to consumers
    ‣ 91 in the U.S. and 32 in Canada
  ‣ Responsible for bill production, delivery, marketing, or strategy
  ‣ Banking, financial, healthcare, insurance, telecommunications, utility industries
Methodology: Qualitative Research

- **In-Depth Interviews**
  - 15 in-depth interviews with key decision makers relative to EBPP
  - Coverage included financial institutions, postal service bureaus, transaction document outsourcing providers, vendors, and corporate enterprises.
  - Interviewees were given complete anonymity in return for their honest and accurate feedback
    - Current and projected electronic document adoption rates
    - Service offerings
    - Go-to-market strategies
    - Perspective on competitive solutions
Methodology: Secondary Research

• External Resources
  ‣ Industry trade association and government agencies
  ‣ Published industry reports
  ‣ Trade articles and vendor white papers
  ‣ Industry databases
  ‣ Company Websites

• InfoTrends’ Previous Research
  ‣ *The Internet and the Future of Transaction Documents* (1997)
Consumer Data Skew

• Our goal was to address Internet-connected consumers who were savvy enough to take a Web survey
  ‣ This is likely the portion of the population that is the next most likely to adopt electronic presentment or payment, if they are not doing so already

• Due to the survey methodology, the consumer findings are not representative of the entire North American population

• Consider this skew when reviewing the consumer results
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Household Diary Study – Bills and Statements Delivered

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bills</td>
<td>18,595</td>
<td>18,542</td>
<td>18,481</td>
<td>18,656</td>
<td>19,042</td>
<td>18,788</td>
<td>18,655</td>
<td>17,773</td>
</tr>
<tr>
<td>Statements</td>
<td>6,874</td>
<td>6,429</td>
<td>6,452</td>
<td>6,594</td>
<td>6,923</td>
<td>7,133</td>
<td>6,560</td>
<td>6,666</td>
</tr>
</tbody>
</table>

Billers’ Top Priorities for 2011

- Cost reduction: 42%
- Electronic presentment & payment: 25%
- Security & compliance: 16%
- Increasing communication effectiveness: 6%
- Other: 11%

1. Increased workflow efficiency
2. Turn to electronic delivery
3. More cost-effective devices

1. Reassign existing staff
2. Outsource
3. Hire staff to support this initiative


N = 123 Billers
Current and Expected Delivery of Bills and Statements


Billers’ expectations are not in line with their customers’. 
Consumer Bill and Statement Presentment Channel Preference


N = 1,032 Consumers

Consider if the non-Internet connected population’s response was counted toward traditional mail.
## Importance of Delivery Channels for Billers

<table>
<thead>
<tr>
<th>Within 24 Months</th>
<th>Beyond 24 Months</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Traditional Mail</td>
<td>1. e-Mail</td>
</tr>
<tr>
<td>2. e-Mail</td>
<td>2. Biller’s (“Our”) Website</td>
</tr>
<tr>
<td>3. Biller’s (“Our”) Website</td>
<td>3. Traditional Mail</td>
</tr>
<tr>
<td>4. Mobile</td>
<td>4. Mobile</td>
</tr>
<tr>
<td>5. Partner’s Website</td>
<td>5. Partner’s Website</td>
</tr>
</tbody>
</table>


N = 123 Billers
Benefits by Presentment Method – Consumer

<table>
<thead>
<tr>
<th>Traditional Mail</th>
<th>Electronic</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. A reminder to pay</td>
<td>1. Good for the environment</td>
</tr>
<tr>
<td>2. A good backup/archive</td>
<td>2. Convenient</td>
</tr>
<tr>
<td>3. Easy to review</td>
<td>3. Free</td>
</tr>
<tr>
<td>4. Personal preference</td>
<td>4. Easy to manage</td>
</tr>
<tr>
<td>5. Easy to manage</td>
<td>5. A reminder to pay</td>
</tr>
</tbody>
</table>

N = 1,032 Consumers

## Barriers to Print Suppression

<table>
<thead>
<tr>
<th>Consumer Response</th>
<th>Biller Response</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Archiving and backup reasons</td>
<td>1. Resistance to change</td>
</tr>
<tr>
<td>3. Not easy enough</td>
<td>3. Lack of access to technology</td>
</tr>
<tr>
<td>4. Resistance to change</td>
<td>4. Incentive is not attractive enough</td>
</tr>
<tr>
<td>5. Incentive is not attractive enough</td>
<td>5. Archiving and backup reasons</td>
</tr>
</tbody>
</table>


N = 709 Consumers, 106 Billers
Stolen T.J. Maxx numbers being used

Banks and authorities have been monitoring cards closely since they were recently swiped from low-cost retailer.

January 25 2007: 2:52 PM EST

NEW YORK (CNNMoney.com) -- Fraudulent purchases using credit- and debit-card data stolen from cut-price retailer TJX, the owner of T.J. Maxx and Marshalls, have surfaced in several states and in such faraway places as Hong Kong and Sweden, the Massachusetts Bankers Association said Wednesday.

The thefts are the first signs of such fraud since the Framingham, Mass., company disclosed last week that its computer systems - storing the personal and financial data from millions of customers - had been breached.

Stores in the U.S., Canada and the U.K. were exposed to the breach, said TJX.

A spokeswoman for the company would only say that "substantially less than millions of credit card holders" were affected and that the company found out about the breach in mid-December.

Security Concerns with Traditional Mail

Open postal truck scatters mail for 70 miles
By Leslie Tripp, CNN
January 17, 2011 10:18 a.m. EST

(CNN) -- Hundreds of pieces of mail fluttered onto interstates in eastern Missouri Sunday after the back door of a contractor's semi carrying mail for the U.S. Postal Service popped open.

The mail was scattered along 70 miles of highway near St. Louis, according to Postal Inspector Dan Taylor, who said the tractor-trailer was carrying mostly statements and bills bound for the West Coast. He added that he didn't think any personal mail was lost.

Consumers Compromise on Suppression

N = 1,032 Consumers
Billers’ Strategies for Promoting Electronic Presentment

**Strategies Used**

1. Convenience
2. Environmental benefits
3. Security and privacy
4. Time savings
5. Long-term storage

**Most Effective**

1. Convenience
2. One-time incentive
3. Ongoing incentive
4. Time savings
5. Environmental benefits
   Charging for paper version

N = 106 Billers who offer electronic presentment

*Source: The Future of Electronic Bill Presentment & Payment in North America, InfoTrends, 2010*
Drivers of Change for Consumers Using Mail Only

I would be more likely to start accessing bills and statements electronically if…

- I was offered an ongoing discount to do so: 30%
- My provider started charging me to receive a printed statement: 21%
- My provider started charging me to receive a printed bill: 21%
- I could access all bills and statements at one Website: 14%
- I have no desire to access bills and statements electronically: 41%

Multiple Responses Permitted

N = 266 Consumers who only receive bills and statements by mail

Consumers’ Reaction to Fee for Printed Bills and Statements

- **I’d pay the fee and continue my relationship with the provider**: 9%
- **I’d seek another provider who would offer me the service for free**: 40%
- **I’d opt out of print versions and only review them electronically**: 52%

*N = 1,032 Consumers
Source: The Future of Electronic Bill Presentment & Payment in North America, InfoTrends, 2010*
TransPromo Opportunities – Print versus Electronic

- **Promotional**
  - **Paper**: 53% Not at all, 47% Sometimes, 6% Often, 6% Always
  - **Electronic**: 65% Not at all, 35% Sometimes, 10% Often, 6% Always

- **Informational and Educational**
  - **Paper**: 39% Not at all, 61% Sometimes, 10% Often, 6% Always
  - **Electronic**: 47% Not at all, 54% Sometimes, 37% Often, 6% Always


N = 1,032 Consumers
### Consumers’ Preferences for Electronic Presentment

#### Used Today
1. Biller direct
2. e-mail link to document
3. Bank bill pay
4. Encrypted e-mail attachment
5. Consolidator website

#### Future Preference
1. e-mail link to document
2. Biller direct
3. Encrypted e-mail attachment
4. Bank bill pay
5. Consolidator website

Billers’ Most Significant Growth Potential by Channel

- Don’t know: 4%
- E-mail link to the document: 31%
- Mobile application: 22%
- Biller direct: 20%
- An encrypted e-mail attachment: 14%
- Consolidator Website option: 9%

N = 118 Billers who currently or plan to offer electronic presentment

Consumers’ Familiarity with Consolidator Sites

<table>
<thead>
<tr>
<th>Consolidator Site</th>
<th>% Familiarity</th>
</tr>
</thead>
<tbody>
<tr>
<td>My banking Website</td>
<td>41%</td>
</tr>
<tr>
<td>Quicken</td>
<td>22%</td>
</tr>
<tr>
<td>MyCheckFree.com</td>
<td>8%</td>
</tr>
<tr>
<td>MSN Bill Pay</td>
<td>7%</td>
</tr>
<tr>
<td>Mint.com</td>
<td>6%</td>
</tr>
<tr>
<td>epost</td>
<td>4%</td>
</tr>
<tr>
<td>myEZbills.com</td>
<td>4%</td>
</tr>
<tr>
<td>PayTrust.com</td>
<td>3%</td>
</tr>
<tr>
<td>Manilla</td>
<td>2%</td>
</tr>
<tr>
<td>Zumbox</td>
<td>1%</td>
</tr>
<tr>
<td>MyCheckFree.com</td>
<td>1%</td>
</tr>
<tr>
<td>doxo.com</td>
<td>1%</td>
</tr>
<tr>
<td>None of the above</td>
<td>30%</td>
</tr>
</tbody>
</table>


N = 1,032 Consumers
Emerging Digital Mail Players
Citi (C's Credit Card)
Account Number: XXXX - XXXX - XXXX - 4735

**Account Status**
- **Balance:** $3,771.36
- **Total Amount Due:** $2,440.05
- **Min Amount Due:** $240.00
- **Due Date:** March 23, 2011
- **Previous Amount Paid:** $840.79
- **Date Paid:** February 22, 2011
- **Total Thank You Points:** 12,451

**Mail**
- Current bill: Feb 28, 2011

**No overdrafts, so no overdraft fees, on ATMs or debit cards when you're short on funds.**

**I do the shopping. My card does the shopping around.**

**NEED HELP or HAVE ANY QUESTIONS?**

**Take Control**
Closing Thoughts on Presentment

• Traditional mail remains the preferred delivery channel for consumers, although they expect to have a variety of presentment channels available to them

• Print suppression is a primary focus of billers moving forward

• Consumers see benefits to electronic presentment; however, they are also resistant to change, have security concerns, and lack access to technology

• 70% of consumer respondents would consider print suppression if they could still receive a quarterly summary by mail

• InfoTrends estimates that 11% of bills and statements are delivered exclusively through electronic means in North America, growing to 22% by 2014
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Recommendations for Corporate Enterprises

1. Focus on customer experience
   - Cost reduction should not be at the expense of customer satisfaction

2. Leverage the customer touchpoint
   - Maximize the value of the communication channel

3. Consider outsourcing
   - As processes become more complex, internal costs will rise
Recommendations for Outsourcing Service Providers

1. **Take an integrated cross-media approach**
   - Billers require support across channels and will seek integrated offerings.

2. **Invest in mobile**
   - Mobile is highly important to billers’ long-term strategies.

3. **Go vertical**
   - Billers are seeking expert assistance within their core industries.
Recommendations for Vendors

1. Stay ahead of industry trends
   - Mobile, secure e-mail delivery, digital mail, TransPromo

2. Focus on marketing
   - Product and service awareness testing

3. Maximize customer experience
   - Interconnectivity of products and services
InfoTrends’ Opinion

• While cost reduction is important for billers, they need to consider the impact to their customers
  ‣ Consider the diversity in customer base
  ‣ Maintain a superior customer experience
  ‣ Customer retention is far less expensive than customer acquisition

• There is no “one size fits all” approach to electronic adoption
  ‣ Billers must consider customer demographics, age, and type of bill or statement

• Traditional mail still plays a critical role in bill and statement delivery
  ‣ Due to security concerns, archiving and backup, resistance to change