



**White Paper**

The State of Paperless Billing: Multiple Channels and Innovative Marketing Can Help Billers Extend E-bill Beyond Early Adopters



# The State of Paperless Billing: Multiple Channels and Innovative Marketing Can Help Billers Extend E-bill Beyond Early Adopters

A recent study conducted by NACHA's Council for Electronic Billing and Payment (CEBP) and PayltGreen suggests that electronic billing, or e-billing, is gaining momentum as more billers are expected to come online in the next two years. On the consumer side, the rate of electronic bill adoption has been slower than anticipated and billers are challenged with moving consumers that fall outside of the "early adopter" category from paper to e-bill. For billers to reach the next layer of customers, it will be helpful to better understand what consumers want from online bill payment and presentment and to evaluate the opportunities the consolidated channel, also known as the bank, financial institution or pay anyone channel, may provide to meet those needs. Now is also a good time for billers to investigate a new approach to market e-bill that is aggressive but appeals to a consumer's desire to "try before they buy."

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Since e-billing was introduced over a decade ago, we have learned about the value it offers consumers, billers and financial institutions. In the past, the primary motivator for billers to convert customers from paper to electronic bills has been cost savings. Today, leading billers are taking a more holistic view of e-bill that recognizes it as a service consumers want because of the convenience, financial management and environmental benefits it delivers. Taking it a step further, successful billers are recognizing that the benefits consumers hope to gain from e-billing are inherent in the consolidated channel and, as such, are complementing the biller direct channel with the bank channel. What these billers have found is that by extending e-bill to sites other than their own, they have an opportunity to not only increase paperless billing but also enhance customer satisfaction, increase retention and realize revenue faster.

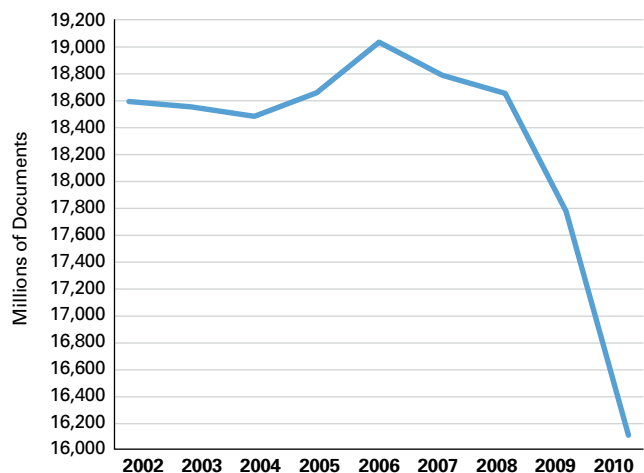
In this white paper, we present research that illustrates the value of distributing bills through multiple channels for both billers and consumers. We also take a look at the current and future state of electronic billing and paper suppression to better understand how and where consumers are embracing these concepts. Finally, we introduce a new concept that has the potential to move e-bills into the mainstream – automatically enrolling customers in a user-friendly, no-risk introductory period.

### The Biller E-bill and Paper Suppression Landscape

Before we dive into this topic, it may be helpful to differentiate between e-bills and paper suppression. E-bills are electronic versions of a consumer's paper bill. Paper suppression involves the consumer shutting off the paper bill. The ultimate goal for billers is for customers to not only adopt e-bills but also turn off their paper bill. Now let's take a look at the current and future state of each.

Each year, the U.S. Postal Service conducts a Household Diary Study (HDS), which surveys over 5,200 households to provide a comprehensive and continuous description of the mail sent and received by U.S. households. One type of mail they measure is "Transactions Mail," which includes bills, statements, payments, donations, rebates and orders. In 2010 transactions sent and received comprise almost 26 percent of all household mail volumes and 61 percent of household First-Class Mail. For purposes of this white paper, we will be looking at the number of bills and statements received.

#### Number of Paper Bills Delivered 2002-2010



Sources: The Household Diary Study, 2004, 2006, 2008, 2010, 2011, United States Postal Service

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Based on the 2010 HDS, approximately about 44 percent of First-Class Mail received by households was bills and statements. From 2002 – 2004, the number of bills delivered by mail was relatively steady. We then see an increase in 2005 and 2006, followed by a decline that began in 2007 and continues today.

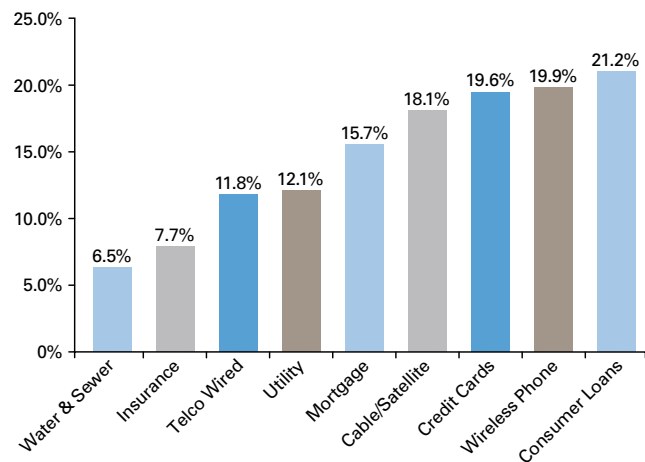
The variations in the volume of bills and statements received by mail may be attributed to both a changing economy and electronic alternatives. When the economy is strong (as seen from 2004 to 2006), consumers tend to spend more, which generates more bills and statements. As the economy starts to weaken, consumers reduce their spending, resulting in a lower number of bills and statements. Trends like bill consolidation where both phone and television services are provided by a single biller, and therefore get bundled together on a single monthly bill, may also be contributing to the decline.

Electronic alternatives, or more specifically, online bill payment and presentment also affect transactions mail volume. While online bill payment impacts the amount of mail households send, e-billing combined with paper suppression affects the amount of mail households receive. Over the course of the last decade, e-billing has been met with slow, but steady, consumer adoption, resulting in the slight decrease in the number of bills and statements households received through the mail. While the number of bills and statements received over the Internet continues to grow rapidly, it is from a small base. Even though e-bills have been around for over a decade, a widespread lack of consumer awareness about the availability of e-bills, how they work and how they can benefit users still exists.

### Paper Suppression Varies by Vertical

When we look at the number of bills and statements delivered electronically by industry, we find a wide variation in overall paper suppression penetration across verticals. According to a 2011 eBilling Benchmarking Study conducted by Blueflame Consulting, more than 20 percent of consumer loan customers receive their bills electronically and no longer receive paper statements as compared to less than 7 percent of water and sewer customers. In addition to consumer loan customers, the industries with the highest percentage of e-bill customers who have turned off their paper bill are wireless phone, credit card, cable/satellite and mortgage.

#### Percent of Customers Who Have Adopted e-Bills and No Longer Receive Paper Statements By Industry



Source: eBilling Benchmarking Study by Blueflame Consulting sponsored by NACHA, 2011

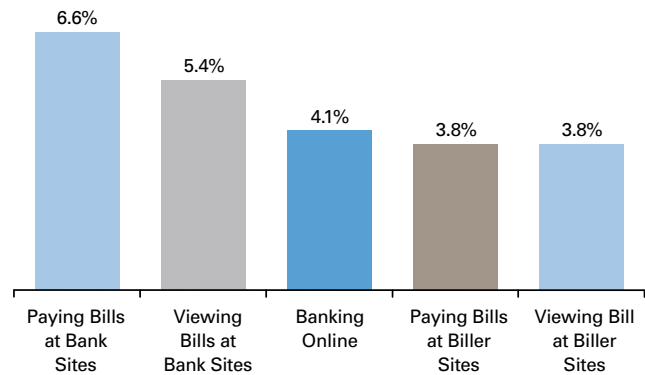
## Forecast for E-billing

In a 2010 study on the future of electronic bill presentment and payment in North America, InfoTrends predicted that the percent of bills that are delivered electronically, without paper, will double by 2014, increasing from 11 percent (in 2010) to 22 percent. This anticipated double-digit increase is still below what billers would like and is significantly lower than the percent of consumers paying bills electronically. Based on the InfoTrends forecast, it appears the increase will come primarily from consumers who currently receive bills both electronically and by mail finally dropping their paper bill. This makes sense as these consumers are already on the path to fully adopting e-bill and after they experience the benefits e-bills provide, they realize there is no reason to hang on to their paper bill. We will revisit this concept later in the paper when we discuss driving e-bill adoption by automatically enrolling customers in a free, no-risk introductory period.

## Bill Payment and Presentment Usage Growth by Channel

In the past, consumers have adopted electronic payments at a faster rate than electronic bills and this trend is expected to continue. In its 2010 Online Banking and Bill Payment Forecast, Javelin forecasts bill payment will continue to grow at a higher rate than e-billing. Perhaps even more important is how this growth will vary by channel. Over a five-year period (2010 – 2015), Javelin predicts, the number of households paying bills at bank sites will increase by 6.6 percent compared to 3.8 percent growth for bill pay at biller sites. E-billing through the consolidated channel is expected to increase by 5.4 percent each year compared to 3.8 percent for biller direct e-billing.

### Forecasted Compound Annual Growth Rates of Household Use of Online Banking and Bill Pay (2010 - 2015)



Source: 2010 Online Banking and Bill Payment Forecast, Javelin Strategy & Research, 2010

The success of online bill payment combined with the growing consumer usage and interest in e-bills delivered through the consolidated channel provides an opportunity for billers to directly reach the “low-hanging fruit,” or segment of customers already paying their bills online at their financial institution or other e-billing portals.

**E-bill Delivery Channels Attract Different Consumer Segments**

When we look at e-bill usage by channel, we find that the consumer segments that use the biller direct channel are very different than those that use the bank, or consolidated, channel. The charts [to the right] show the results of segmentation analysis Fiserv conducted on behalf of two biller clients, Exelon’s Commonwealth Edison (ComEd) and Progress Energy. The segmentation profiles are from Nielsen’s Claritas Prizm Segmentation system, which is based on zip code and other variables.

In both cases, the top five consumer segments, by volume, that receive their bill at the biller’s website were completely different than the top five consumer segments that receive their e-bill through the bank channel. It is also worth noting that four out of the five consumer segments receiving their ComEd bills at a bank site match those receiving their Progress Energy bill through the bank channel (see Who is the “Winner’s Circle?” for a description of the top ranking consumer segment for both billers).

The bottom line is that customers who want to view and pay their bill at their bank are not the same as those who want to view and pay their bill at a biller’s website. Because consumers view billing and payment interactions as an extension of a biller’s brand, it is important for billers to provide customers the option to view and pay bills where and how they want. Leading billers have found the most cost-effective way to do this is through an e-billing strategy that incorporates both the biller direct and bank channels. By enabling customers to receive their bill at their preferred bill payment domain – bank, credit union or biller site – billers can increase customer satisfaction, enhance their brand image and entice more customers to shut off their paper bill.

**Segmentation Analysis Finds Biller Direct Channel Attracts Different Customers than Consolidated Channel**

Top Five Biller Direct E-bill Usage (ProgressEnergy.com)	Top Five Consolidator (Bank) - Progress Energy E-bill Usage
<b>Prizm Segment</b>	<b>Prizm Segment</b>
Executive Suites	Winner’s Circle
Young Influentials	Country Squires
Up-and-Comers	Kids & Cul-de-Sacs
New Beginnings	God’s Country
City Startups	Movers & Shakers

Sources: Progress Energy and Fiserv

Top Five Biller Direct E-bill Usage (ComEd.com)	Top Five Consolidator (Bank) - ComEd E-bill Usage
<b>Prizm Segment</b>	<b>Prizm Segment</b>
Young Digerati	Winner’s Circle
Bohemian Mix	Country Squires
Urban Achievers	Fast-Track Families
Executive Suites	Kids and Cul-de-sacs
American Dreams	God’s Country

Source: ComEd and Fiserv

### The Value of E-bill for Consumers

When it comes to paying bills, consumers have unique and specific preferences on how, when and where they want to get it done. For biller organizations, this presents the challenge of how to satisfy the needs of their entire customer base while keeping costs down. In this section of the paper, we explore how the bank channel can serve as a valuable complement to the biller direct channel and help billers meet the needs of a growing number of customers whose preference is to view and pay bills online at their financial institution. We will begin by taking a closer look at what consumers consider the value of e-bills to be.

### Consumers Enjoy the Convenience and Financial Management E-bill Provides

Regardless of the channel, convenience is the primary reason consumers view and pay bills online. Setting convenience aside, when we compare bank-based e-bill recipients to biller direct e-bill recipients, we find that what consumers want from each channel begins to differ.

According to the 2011 Fiserv Billing Household Survey, the predominant reasons consumers receive bills at a biller's site are convenience and helping the environment whereas consumers receiving bills at their bank or credit union cite bill-due reminders and financial organization as the predominant reasons. Personal financial management (PFM) tools have become increasingly important in today's uncertain economic climate as consumers have an increased interest in monitoring their spending. In this environment, consumers are more likely to view (and utilize) integrated online banking, bill payment and e-bill as valuable PFM tools that can help them maintain better financial control.

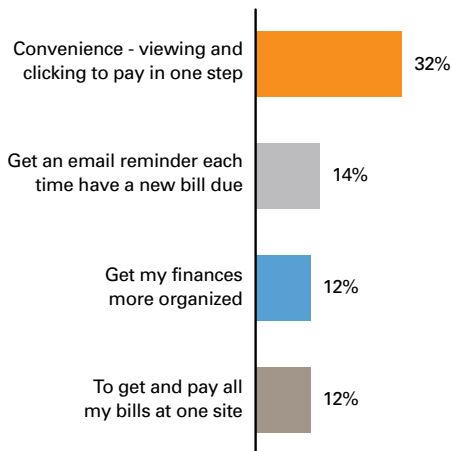
### Who is the "Winner's Circle?"

Based on Nielsen's Claritas Prizm Segmentation System, the Winner's Circle is youngest among the wealthy suburban lifestyles, representing a collection of mostly 25- to 34-year-old couples with large families in new money subdivisions. Symbols of upscale money living such as recreational parks, golf courses and upscale malls surround their homes. With a median income of nearly \$90,000, Winner's Circle residents are big spenders who like to travel, ski, go out to eat, shop at clothing boutiques and catch a show. Source: Nielsen's *Claritas Prizm Segmentation System*

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## Reasons you are receiving bills at your financial institution's website

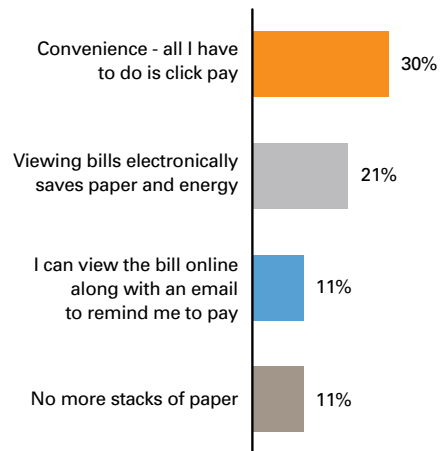
**Bank-based e-bill recipients: Why did you decide to receive and pay bills using your bank's bill pay service?**



Source: 2010 Billing Household Survey, Fiserv, Inc.

## Reasons you are receiving bills at your biller's websites

**Biller Direct recipients: Which of the following reasons was most important in your decision to view bills online?**



Source: 2010 Billing Household Survey, Fiserv, Inc.

The takeaway for billers is that the value of e-bill for consumers lies in convenience, financial management and the ability to view and pay bills in one spot, all of which are inherent in the consolidated channel. By extending e-bill to the bank channel, billers have the opportunity to reach and address the needs and motivators of a significant percent of their customers.



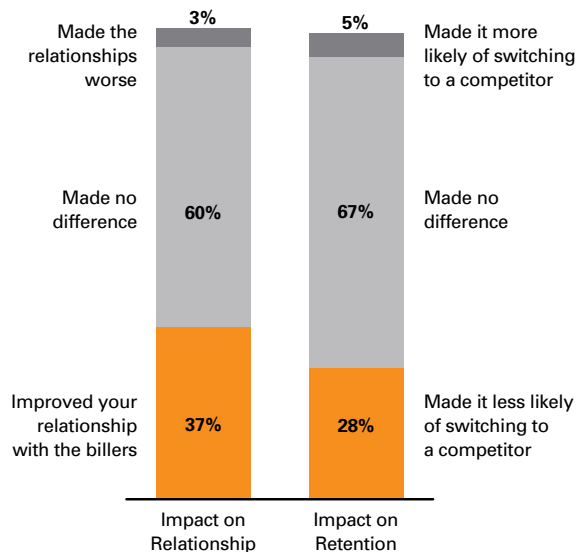
# The Value of E-bill in the Consolidated Channel for Billers

While billers have historically focused on the cost savings e-bill offers, they are starting to realize that e-bill offers key strategic benefits and that when combined with online bill pay and recurring payments, e-billing is an important part of a synergistic offering that consumers are more likely to adopt. In a 2011 eBilling Benchmarking Study conducted by Blueflame Consulting and sponsored by NACHA, over 85 percent of billers said e-billing is significant to their organization. In addition to cost savings, billers cited the ability to improve customer satisfaction, electronic payments, fewer customer service inquiries, the ability to collect funds faster and environmental benefits as reasons why e-billing is important.

## Receiving e-Bills at Financial Improves Customer Satisfaction and Retention with the Biller

### Bank Based E-bill Recipients:

Do you think that receiving a bill electronically has:

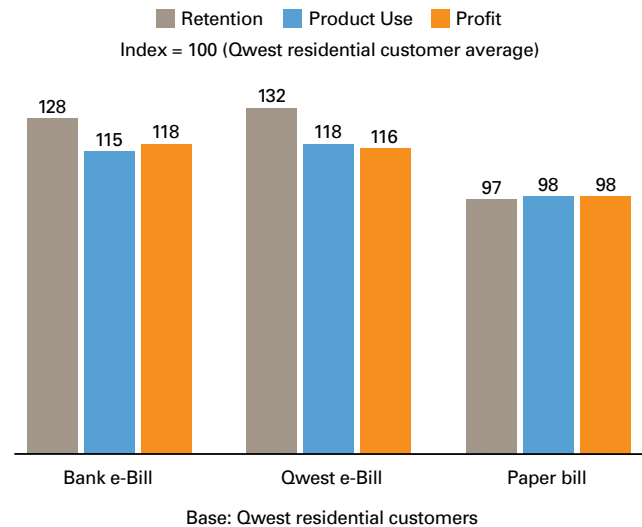


Source: 2011 Billing Household Survey, Fiserv, Inc.

## E-bill Users Are More Loyal, Profitable and Self-sufficient

According to the Fiserv Billing Household Survey, e-bills can help billers build a better relationship with their customers and increase retention. The impact e-bills have on the consumer's relationship with the biller and the likelihood that they would switch to a competitor is virtually the same for bank-based and biller direct e-bill customers. Similar results were found in a case study

## E-bill Benefits are The Same, Regardless of Presentment Location



Source: Research Study on the Impact of Bill Presentment and Payment on Retention and Profitability for Qwest Communications, Aspen, 2009

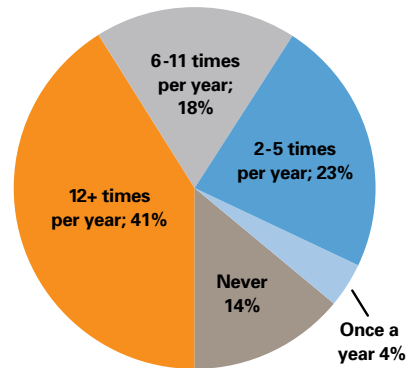
by Aspen Analytics that examined the impact of e-bill on churn, product usage and profitability for Qwest Communications. In this study, Aspen Analytics found that Qwest customers who receive their bill either at their bank or credit union or the biller's site were less likely to leave, used more products and were more profitable than those who receive a paper bill.<sup>i</sup>

<sup>i</sup> Research Study on the Impact of Bill Presentment and Payment on Retention and Profitability for Qwest Communications, Aspen, 2009

In a separate case study on regulated utility Con Edison of New York, AccuData evaluated the correlation between the e-bill delivery channel and a variety of factors including live customer service calls and channel usage. With regard to customer service, bank e-bill customers were the least likely to call live customer service, followed by biller e-bill and paper bill customers. In addition, bank e-bill customers were more likely to use the biller’s website for self-service than biller e-bill or paper bill customers. This is important because many billers are concerned about jeopardizing the customer relationship by delivering e-bills outside of their website. Results from the Fiserv Billing Household also support the Con Edison finding that customers who receive their bills through the bank channel will return to the biller’s site when they need to. More than half (58 percent) of the participants who receive bank-based e-bills said they visit the biller’s website six or more time per year.

**Bank E-bill Recipients Return to the Associated Biller’s Site Frequently**

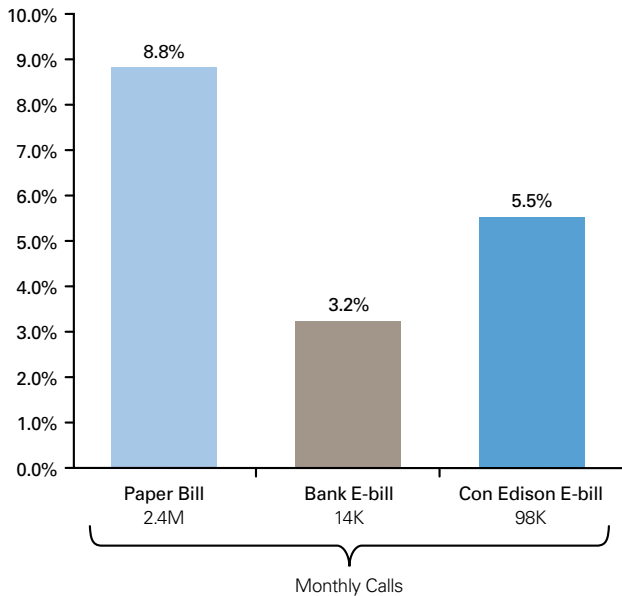
**Bank Based E-bill Recipients: For the electronic bills received through bank bill pay, how often do you visit the biller’s website directly?**



Source: 2011 Billing Household Survey, Fiserv, Inc.

When billers start to consider all of the benefits e-bill offers, it increases the value of e-billing and helps to justify a greater investment in driving e-bill adoption. It also helps billers to understand the importance of developing e-billing best practices that include both the biller direct and consolidated channel.

**Percent of Customers that Called Con Edison Live Customer Service Per Month**



Source: Con Edison e-Bill Study, Fiserv Inc., 2011

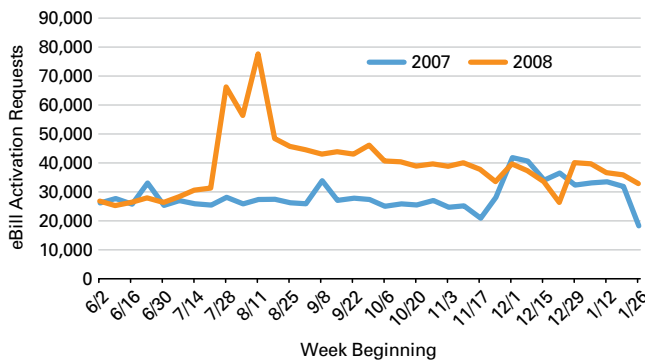
**The Fiserv Commitment to Innovation**

Now that we’ve discussed the paper suppression and e-bill landscape, let’s turn to the topic of driving e-bill adoption. As a leader in online bill payment and presentment, Fiserv strives to provide its biller clients with state-of-the-art technologies, industry expertise and innovative marketing strategies to drive consumer adoption. In this section, we present some of the actions we’ve taken in the past as well as what we suggest moving forward to help billers achieve their paper suppression goals.

**Past Innovations In the Online User Experience Have Driven Results**

To help our billers drive e-bill adoption in the consolidated channel, Fiserv conducts ongoing user experience tests that help to identify ways to enhance the e-bill product. In the past, when we have implemented changes to the online banking user interface or design with respect to our e-bill service, billers offering e-bill through Fiserv have experienced a sharp increase in consumer adoption and sustained usage as well as an improved user experience.

**Weekly eBill Activation Requests - Top 5 Fiserv CheckFree RXP Financial Institutions**



Source: Fiserv Consumer Insights, Fiserv, Inc.

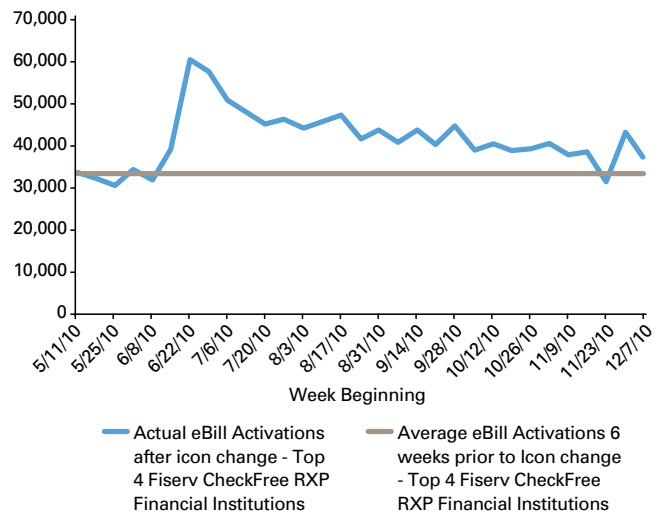
In 2008, Fiserv began including thumbnail-sized images of the full e-bill in the online banking center where a customer would go to pay a bill. This change was prompted by user feedback that it wasn't clear if an e-bill contained all the same details as a paper bill. The thumbnail image helped to increase awareness of the e-bill service and to educate consumers on what e-bills are and, as a result, there was a significant impact on e-bill activation. In just one week after implementation, consumer e-bill activations increased by 145 percent, stabilizing at an average activation rate 30 percent higher than prior to the thumbnails. Thumbnails also

had a draft effect, meaning consumers signed up for additional e-bills after the initial e-bill; e-bill activation requests per customer increased by 34 percent. What the draft effect means for billers is that if you are present in the bank channel, you have a greater opportunity that a customer who enrolls in e-bill through a different bill may eventually activate your bill as well.

Two years later, Fiserv enhanced the user experience again by changing the e-bill icons used in the client's online banking user interface. The new icons were more concise and descriptive, providing consumers with a better understanding of what e-bills are and how they work. In this case, clients experienced an increase in e-bill activations of over 30 percent.

By soliciting user feedback and testing out ideas, Fiserv has been able to help billers increase e-bill adoption in the consolidated channel by improving the way e-bill is promoted in the user interface.

**Weekly eBill Activations Before and After New eBill Icons Top 4 Fiserv CheckFree RXP Financial Institutions**



Source: Fiserv Consumer Insights, Fiserv, Inc.

### A New Approach to E-bill Adoption: “Tryvertising”

When it comes to marketing e-bills, most banks and billers have relied on traditional marketing strategies that lead with educational messaging and incentives to motivate consumer adoption. Using these tactics, banks and billers have been able to produce positive incremental growth in e-bill adoption with response rates in the range of two to four percent. Fiserv actively supports the continued use of such campaigns by billers and financial institutions, but we also believe that for e-bill to become a mainstream consumer service, billers and banks should add a new, slightly more aggressive, approach that involves automatically enrolling customers in a user-friendly, no-risk e-bill introductory period .

“Tryvertising” is a new marketing trend. As opposed to historical marketing campaigns that begin by educating consumers on a new product or service through messaging, Tryvertising takes a fresh approach to education and awareness that actually starts with consumers evaluating the usefulness of a product, and then making a final decision on continued usage. The importance of giving consumers the ability to try before they buy stems from social scientist Everett Rogers who discusses the patterns of consumer adoption of technology innovations in his book, *Diffusion of Innovations*. Rogers’ framework was influential in the well known marketing guidebook, *Crossing the Chasm*, by Geoffrey Moore. However, different from Rogers, Tryvertising advocates trial as the very first step, rather than awareness messaging.

With wide appeal for Gen X and Gen Y consumers, Tryvertising is about becoming familiar with new products by trying or previewing them before a purchase is made. The greater opportunity you have to test a new technology, product or service before you fully invest, the lower the perceived risk associated with making the purchase. Free trials and introductory periods that allow consumers to preview before buying are becoming more prevalent. Examples include: iTunes allowing customers to listen to a 30-second clip of a song before purchasing and Amazon’s “Click to Look Inside” book preview.

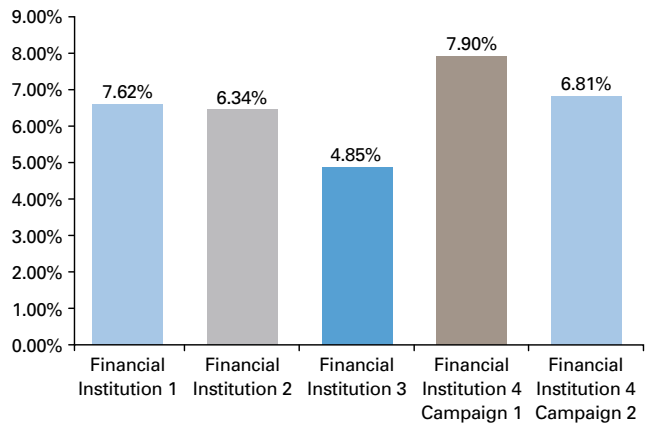
Going one step further, Fiserv is proposing an automatic, or forced, e-bill introductory period. Because the e-bill experience is unique for each consumer, we believe that automatically “forcing” the customer to try e-bill will provide the time necessary for the customer to experience e-bill, get hooked and, ultimately shut off the paper bill. An example of a company using this tactic is Sirius XM Radio, which equips new vehicles from several major automakers with an automatic 30-day free trial of its service.

# Tryvertising in Action

Through consumer surveys and usability trials, Fiserv has found consumers prefer (and respond to) a free, introductory period. When asked what would motivate them to get e-bills, 19 percent of participants in the 2011 Billing Household Survey said the ability to try e-bills before turning off the paper bill. Before Fiserv introduces a new product or enhancement to existing technology, we run extensive usability tests. These tests have shown that consumers clearly want to try something before they will fully adopt it. And based on our experience, simply turning on a new feature in the online channel and letting people try it is the best way to introduce innovation and drive adoption.

Fiserv is now applying the concept of Tryvertising to electronic presentment in the consolidated channel with the Ebill Easy Activation program. Ebill Easy Activation targets consolidated channel bill payers who could be receiving e-bill, but are not. They are paying a biller electronically through their bank website but are not receiving the biller's e-bill there. This program automatically enrolls consistent bank channel payers into a free, 90-day introductory period during which they will receive an e-bill for a specific biller while still receiving their paper bill. When the introductory period is over, the e-bill will be cancelled unless the customer chooses to go paperless. By turning on e-bill for customers already paying their bill online at their bank or credit union and allowing them to try e-bill before turning off the paper bill, billers can motivate the 26 percent of consumers interested in receiving e-bills to activate e-bill and go paperless as well as 50 percent that say they are on the fence.<sup>ii</sup>

## Lift in Biller E-Bill Activations among E-bill Easy Activation Group (90 Days)



Source: Fiserv Consumer Insights, 2011

## Pilot Program Tests Tryvertising

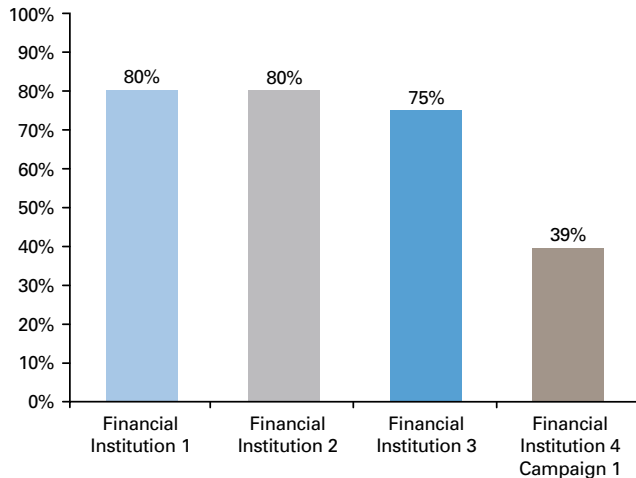
Fiserv worked with a major telecommunications provider to conduct a pilot of the eBill Easy Activation program with over 400,000 of its customers who use the bank channel for bill payment. On average, the telecommunications provider realized the following results:

- **Activation Rate:** the number of customers who chose to suppress their paper bill at the end of the trial was three times higher for customers enrolled in the pilot (7.2 percent kept their e-bill) than for customers who were not enrolled (1.8 percent)
- **FirstTime E-bill Users:** Nearly three quarters (74 percent) of those that chose to keep their e-bill at the end of the trial were first time e-bill users
- **Draft Effect:** nearly 70 percent of pilot participants who kept their e-bill at the end of the trial, added a second e-bill demonstrating that once a consumer better understood e-bills they added others on their own

ii 2011 Fiserv Billing Household Survey

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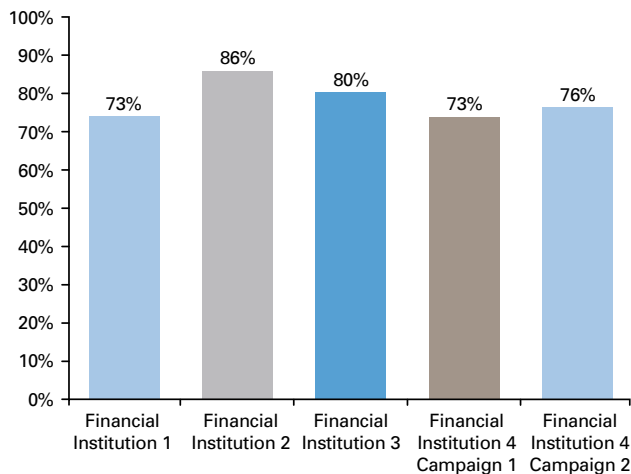
## Percent of eBill Easy Activators that Added a second eBill after activating targeted Easy eBill (within 90 Days)



Fiserv Consumer Insights, Fiserv, Inc.

The pilot results demonstrate the success billers can have by using an introductory period to attract customers already paying bills online at their bank channel. In some cases, the biller experienced five to seven percent adoption from customers paying in the bank channel. While this rate of adoption is considerably

## Percent of eBill Easy Activators that activated their first ebill



Fiserv Consumer Insights, Fiserv, Inc.

higher than traditional marketing programs, Fiserv expects stronger adoption rates from a fully developed and executed eBill Easy Activation marketing campaign.

## Multiple Channels and New Approaches: the Key to Increasing E-bill Adoption and Satisfying Your Customers

Throughout this paper, we've established the value of e-bills for consumers and billers. E-bill can help billers not only save money but also increase customer satisfaction and retention, reduce customer care calls and provide your customers with more choice and greater convenience. We've also demonstrated how e-bill distribution is an effective way to increase e-bill adoption as the consolidated channel continues to grow. Finally, we've introduced an innovative way to attract customers already paying bills online at their bank channel – an introductory trial period – that can generate a higher adoption rate than traditional marketing approaches.

Specific consumer segments have specific preferences when it comes to paying their bills and it is important for billers to meet the needs of various customer groups by offering e-bill in multiple channels. Billers have a greater chance of moving a customer from paper to e-bill by giving customers who have already decided to pay your bill online at their financial institution the option to also receive your bill at their bank or credit union rather than relying solely on your website for e-bill delivery.

Fiserv can help you use the information set forth in this paper as well as additional industry research and consumer marketing insight to develop a comprehensive e-bill strategy that includes e-bill distribution and marketing e-bill through a free introductory period. If you have any questions regarding this paper, or would like to learn more about how Fiserv can help you get started, please contact your Fiserv representative.

## About the Author

Eric Leiserson is a Senior Research Analyst at Fiserv. His responsibilities include the development of consumer related electronic billing and payment research, adoption strategies and marketing programs for Fiserv. He has conducted numerous primary research projects and webinars in the areas of green marketing, consumer segmentation, longitudinal surveys, web usability and focus groups. Prior to joining Fiserv in 2004, Leiserson held marketing and sales positions at Unisys Corporation and Intuit.

## About Fiserv

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