Best Practices to Help Billers Drive Consumer Adoption of Paperless E-Bills

Increase E-Bill Usage While Increasing Customer Satisfaction

CheckFree®

Executive Summary

With rising costs that threaten to erode profit margins, billing organizations are constantly looking for ways to decrease expenditures without sacrificing customer satisfaction. Companies that incur significant expenses associated with the delivery of recurring bills are fully aware of the cost savings to be had by offering e-bills (electronic representations of bills) in lieu of the traditional paper bills. This white paper is intended to be thought-provoking and offer ideas and considerations for driving paperless adoption. It will discuss best practices, what to look for in an electronic billing and payment (EBP) provider, and suggestions for creating a business case for e-bills.

Every interaction with your customers is an opportunity to strengthen relationships and maximize business profitability. Billing and payment touch points are ideal interactions because they command consumers' attention every month. The key is to meet consumers where they choose to view and pay your bill and strategically guide them to low-cost channels, beginning with online payments and ultimately paperless billing.

Many billing organizations have aggressive paper suppression goals as part of an overall cost-savings initiative. A well thought-out strategy with a strong understanding of consumer preferences is necessary to maximize consumer adoption of paperless billing. This white paper will help billing organizations reach their paperless goals by highlighting best practices such as implementing the best EBP user interface and customer experience, utilizing a multi-channel approach, deploying effective marketing tactics and other innovative tactics.

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## Best Practice #1: Choose the Right EBP Solution

It is important to understand customer preferences in order to meet their payment needs while also guiding them from online payment to paperless billing. You want a user-friendly EBP solution that allows you to optimize every customer interaction and supports your paperless billing initiative.

Here are several best practices for creating an effective EBP experience at your site:

Enrollment — It should be very easy for consumers to find where to enroll on your site and the process should be painless. Don't make it an obstacle. The information needed to enroll should be readily available to the consumer and should be limited to only that which is needed to meet your company's security standards for validating a consumer's identity. Minimizing the number of required fields decreases the opportunity for data entry errors that lead to frustration and abandonment from your site. It's also important to make e-bill enrollment available through offline channels as well. Have your customer service reps offer to enroll customers while on the phone. If you have a location that customers visit in person, enable enrollment in these locations as well. Better yet, consider moving the enrollment process to the time of activation with your company so all new customers will be paperless.

User Interface — Customer experience at your site is paramount. Your EBP application should be customizable to match the look, feel and branding of your website to avoid confusing users with a disjointed process. The user interface (UI), if designed correctly, can play a leading role in creating a positive customer experience and driving e-bill adoption. The most important best practice to help drive paperless adoption is to continually educate consumers on what an e-bill is and the many personal

and environmental benefits. The UI should be designed in such a way that e-bill messaging is prominent and eye-catching. In addition to repeatedly defining an e-bill and explaining its benefits throughout your site, include a thumbnail picture of your e-bill to help users make a direct association between the paper bill and the e-bill.
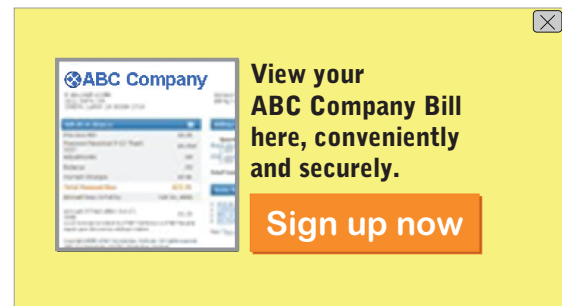
There are other ways your user interface can help drive paperless billing at your website, so make sure your EBP solution is capable of the following:

- Allows and encourages customers to turn paper bills off and on at their discretion from your website. With a highly visible paper bill status indicator on your website, consumers get the comfort, choice and control they are looking for. This will eliminate calls to your call center requesting to turn paper bills off and on.
- Offers various ways to answer questions about bill payment and presentment with easy-to-find help text. Make sure the help text appears on the EBP pages so the user doesn't have to leave the page or interrupt a task to search for help.
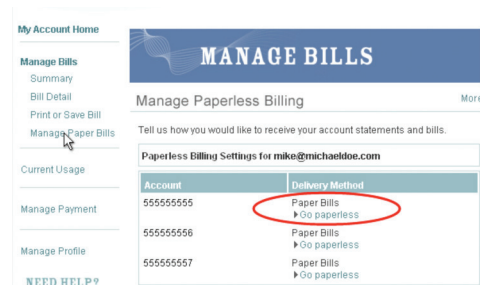
EBP Functionality — A rich customer experience can have a significant impact on driving more consumers online. You can facilitate customers' use of your online channel and ultimately paperless billing by implementing a user-tested application that meets their needs. Based on consumer feedback, you should consider the following best practices:

- Offer real-time information so users can view their bill summary immediately after enrollment
- Develop functionality that seamlessly integrates into your current website so customers don't have to log in separately to view and pay bills
- Display bill presentment and payment within the website without pop-up windows
- Provide customers the flexibility to choose their preferred payment method (scheduled, one-time, recurring, Auto Pay) and their preferred funding source (checking account, credit card, debit card)
- Present e-bill as a mirror image of the paper bill to ensure a smooth transition to your electronic version
- Enable billing-related notifications via multiple channels like e-mail or text messages
- Store a sufficient amount of bill history with quick and easy retrieval capabilities

> *60% of e-bill recipients would be convinced to turn off their paper bills if they had access to at least 12 months of bill history.[1]*

Best Practice #2: Consider a Multi-Channel Approach To Distribute Your e-Bills

New technologies have changed the way consumers choose to pay bills. While more than 51 percent of U.S. online bill payers use biller direct sites, 25 percent prefer the convenience of single bill pay sites[1] and that segment is expected to continue growing. Forrester predicts that bank EBP growth rates will be close to twice that of biller sites through 2011[2] and TowerGroup estimates a bank EBP compounded annual growth rate of 24 percent through 2012.[3] Therefore, in order to meet all your consumers at their preferred payment channels, you need to make your e-bills available at bank and financial websites in addition to your biller direct site.

> *83% of billing organizations have already begun utilitzing the consolidated channel and plan to continue doing so in the future.[4]*

Only 17 percent of U.S. billing organizations have not identified the bank channel as important to their online billing strategy, while the other 83 percent have already begun utilizing the consolidated channel and plan to continue doing so in the future.[4] The days of viewing bank websites as your competition are long gone. Complementing your biller direct site with e-bill presentment in the bank channel is the way to meet all your online consumers at their payment point of preference.
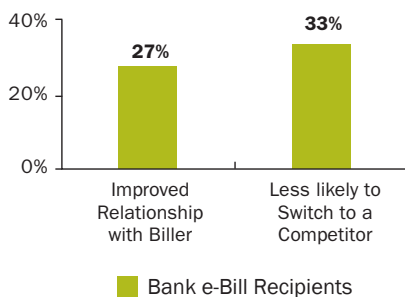
You will not lose cross-sell and up-sell opportunities at your site because approximately two thirds of e-bill recipients visit their biller's website for self-service or last-minute payment activities.[1] Instead, you gain the opportunity to increase your paperless adoption rates.

The same study states that consumers who pay bills at bank sites have a higher propensity to go paperless. The data shows that in 2007, the percentage of consumers who opted for paperless bills at their bank site is double that of consumers choosing paperless at biller direct sites. When a large national insurance company began delivering its bills electronically to banks and financial institutions in January of 2008, they grew enrollments by 85,000 enrollments in the first three months alone. This is an example of the success to be achieved by distributing e-bills to banks and financial institutions.

60%

40%

40%
21%

20%

0%

Consolidated   Biller Direct

■ Percent Paperless
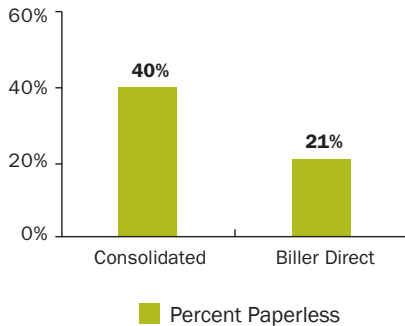
With every paper bill turned off, you save on all the expenses of mailing bills: paper, printing, mailing envelopes, return envelopes, handling and postage, but the savings don't stop there. Many of the large banks and financial institutions aggressively promote the availability of billers' e-bills. You can benefit from all the e-bill marketing messages directed to your customers at no cost to you.

In addition to cost savings, distributing your e-bills to bank and financial institution websites will improve customer satisfaction and retention. According to CheckFree Consumer Insights data, 27 percent of consumers who receive a biller's e-bills at their home banking site are more satisfied with that biller and 33 percent are more loyal.[1] Unfortunately, the converse may also be true. Consumers who are already paying bills at their home banking site will be *dissatisfied* with your company if your e-bill is not available where they prefer to view and pay bills.

40%
33%
27%

20%

0%

Improved Relationship with Biller   Less likely to Switch to a Competitor

■ Bank e-Bill Recipients

Distribution of your bills electronically to banks and financial institutions is the perfect complement to your own biller direct site. It is an essential part of any EBP strategy because it is the only way to give consumers the option of paperless billing from their home banking site. By delivering your e-bills to the bank channel, you can satisfy consumers' needs at their payment point of preference while making headway on your paper adoption goals. It is a win-win for you and your customers.

Best Practice #3: Marketing and Promoting e-Bills

Once you have an easy, user-friendly e-bill program, the next step is to create a marketing campaign to drive awareness and guide customers from their current paper-based bill pay routine to online billing. Craft a clear, concise, actionable message and continually promote it through multiple consumer touch points. The message should include an explanation of what an e-bill is and the many advantages over the traditional paper bill. Emphasize specific consumer benefits (reduces risk of identity fraud, reduces clutter, simplifies bill management, saves time) and the environmental impact (reduces paper, saves trees and conserves energy).

Many companies have seen great success by educating consumers on the positive environmental impact of paperless billing as a way to drive e-bill adoption. According to a survey by CheckFree Consumer Insights, 48 percent of consumers cited, "It's better for the environment," as the top reason for choosing paperless billing. Consider a similar approach and direct proceeds to a local charitable organization to give customers an opportunity to make a difference within their own community.

Environmental Marketing Success Story

Integrys Energy Group empowered its consumers to help the environment by donating $1 to the Arbor Day Foundation for every person that activated an e-bill during a three-month period and realized a 62% increase in adoption compared to the same time period a year ago.

Another marketing approach that has proven successful is offering sweepstakes incentives to enroll in e-bills. Con Edison of New York has used this approach by offering prizes such as MacBook® computers and ENERGY STAR room air conditioners. Its most recent sweepstakes offered the chance to win an Apple® iPhone™. The results were great; e-bill adoption increased 48 percent over the same period the prior year.

Enroll in e*bill, Win an iPhone

Enroll in e*bill — the paperless, secure, and convenient way to receive and pay your Con Edison bill — and be good to yourself *and* the environment. Paperless bill payments save trees and reduce greenhouse gas emissions. That's good for the environment. And, if you sign up for e*bill between July 15 and August 31, 2008, you'll automatically be eligible to win one of eight Apple iPhones.* That's good for you.**

Make every effort to find an internal executive champion for your marketing ideas and remember that the most successful campaigns are those that are comprehensive, ubiquitous and ongoing.

Best Practice #4: Utilize Innovative Tactics

In spite of all your communication efforts, some consumers may still not be comfortable with the idea of giving up their paper bill because it serves as a physical reminder of a due payment or for recordkeeping purposes. There are many who still don't understand what an e-bill is or how it works. To combat the education and awareness barriers, take the opportunity to think and act outside the box. Here are three examples of successful innovative tactics:

Whether your message focuses on the environment, convenience or both, use it to promote your e-bill service at every possible consumer touch point in an ongoing campaign. The following are steps you can take quickly and inexpensively:

■ Print a targeted message on consumer bills and return envelopes

■ Announce your campaign through a company-sponsored press release

■ Display dynamic e-bill messaging prominently throughout your website

45% of e-bill viewers said that the ability to turn on their paper bill at anytime would make them more willing to suppress their paper versions.[1]

1. Give Consumers Control of E-Bills at Bank Websites
In 2008, 45 percent of e-bill viewers said that the ability to turn on their paper bill at anytime would make them more willing to suppress their paper versions.[1] The idea of going paperless becomes more attractive when the consumer is given choice and control. Earlier in this paper, it was recommended to choose an EBP solution that enables customers to turn their paper bills on and off from your biller direct site. Now, consider going one step further and create the same sense of control for your customers at consolidated sites by enabling an e-bill trial period. (This is only possible if you are already delivering your e-bills to bank and financial institution websites.) A trial period gives consumers two options: 1) Sign up for paperless e-bills or 2) Enter an e-bill trial period to become familiar with e-bills while the paper bill remains. Verizon Communications implemented this tactic and saw a 10 percent increase in e-bill activations, and almost 50 percent of customers presented with the trial period opted to suppress their paper bill either immediately or at some point during the 90-day trial period.

2. Utilize Your Front Line to Help Drive E-Bill Adoption
Generally, a biller's goal is to drive customers online for billing and payment activities rather than having them call customer service representatives (CSRs). However each phone call is extremely important because it is often the only human contact customers have with your company. Try a novel approach and include CSRs in your plan to drive e-bill adoption. Start by determining what motivates them - whether it's an in-office party, a catered lunch or the chance to win a prize. Then communicate to your front line employees that you need their help educating

> *"Don't underestimate your front line team," said Bill Bisson, Customer Service Manager at IPL when asked about his innovative approach to promoting e-bills.*

consumers on the benefits of e-bills to drive paperless adoption. Set an e-bill activation goal and commit to a reward if the goal is reached.

Indianapolis Power & Light (IPL) created an e-bill adoption campaign for its customer service team and had positive results. An aggressive yet attainable e-bill activation goal was set and an in-office party was promised as the reward if the goal was met. The CSRs were given e-bill talking points and online enrollment instructions, and they were encouraged to promote e-bills as much as possible. They were not given a script. Instead, they were given the authority to use their own judgment when speaking with callers. After six weeks, IPL surpassed the goal and increased e-bill activations by 35 percent during the campaign. "Don't underestimate your front line team," said Bill Bisson, Customer Service Manager at IPL when asked about his innovative approach to promoting e-bills.

The success of IPL's campaign was driven by the fact that all employees, up through the top executives, understand the value of e-bills. IPL's Executive Management Team was instrumental in driving awareness and support from the entire organization by reinforcing the importance of the e-bill adoption initiative. Bill Bisson says the success of his CSR campaign demonstrates that, "It's important to have support from the top down."

3. Consider Defaulting the Bill Setting to "Paperless" During Enrollment
According to Forrester, there is a segment of consumers who have not adopted e-bills yet because they "just haven't gotten around to it yet."[5] While this is a more aggressive tactic, consider this change to the account set-up process: When a consumer is asked to choose paper bills or e-bills, default the selection to e-bills. This does not restrict someone from selecting paper bills, but those who are more open to e-bills may be likely to accept the default. A large utility company in the Midwest

reaped a 20 percent increase in the number of people going paperless with this approach.

MY ACCOUNT

Preferences

*required information

Please set up your account and e-bill preferences:

*I want my monthly bill (sample bill) delivered:
◉ Only electronically, with e-mail notification (sample e-mail)
◯ Both electronically and in printed paper format

Choose the Right EBP Provider to Meet Your Needs

When choosing an EBP provider, it is important to work with a company that will be a business partner rather than just a vendor. Besides finding a trusted, established organization with a proven track record and a strong history of reliability, here is a list of what to look for when you begin your evaluation:

- **Goal Alignment Yields Success:** Choose a provider whose top priorities are aligned with yours – overcoming barriers to e-bills and driving paperless adoption.
- **Research is the Key:** Make sure your EBP provider conducts and/or commissions ongoing research and usability testing to understand consumer behavior to make product and user interface improvements.
- **Innovation, Innovation, Innovation:** You want a vendor who invests in the future of EBP, stays in the forefront of technology and can be quick to market with proven innovative solutions designed to drive paperless adoption.
- **One Size Does Not Fit All:** You want a partner who will listen to you and provide a tailored solution to help you achieve your EBP goals while keeping the company's goals in mind. The paper suppression strategy should be different for companies charged with cost reduction versus those focused on improving customer satisfaction or somewhere in between.

- **Largest, Widest Reach:** Choose an EBP provider who has solutions for multiple channels so you can work with one company for all your EBP needs – a superior EBP solution at your biller direct site, the capability to deliver your e-bills to as many banks as possible, as well as the ability to support walk-in and phone payments.
- **It's All About You:** Work with a vendor who realizes that you have goals other than paper suppression and has solutions that can help. For example, if you have the desire to cross-sell and up-sell to consumers on your website, choose a vendor who can utilize billing information to create targeted, customized messaging within your EBP application.
- **Account Management:** Having a dedicated account management team providing operational support will ensure a quality experience for your customers. They will also keep you informed on industry trends and new products.
- **Marketing Know-How:** You want an EBP partner who offers marketing support and collaboration in developing campaigns designed to drive adoption. From experience, they should be able to tell you the best way to motivate your customers, what messages resonate best with different segments, and what incentives, if any, would be effective in changing consumer behaviors.

"One requirement that matters increasingly is vendors' ability to help billers gain superior electronic adoption of bill payment and presentment. The vendors' level or sophistication in marketing experties, their brand, their ability to spend marketing dollars along billers, and their technology capabilities to help increase adoption are becoming ever more critical now that more and more billers are serious about growing electronic adoption."
*– Aite[6]*

Tips for Building a Business Case for EBP

Once you have decided on the right EBP solution and provider for your business, the next step is to create a compelling business case to justify your recommendation and gain executive support. Achieving approval and funding for cost-saving initiatives can be more challenging than for revenue-generating projects, so here are some best practices to consider when developing your business case:

Include All Impacted Departments – According to TowerGroup, 100 percent of billers surveyed included a cost/benefit analysis from multiple departments.[4] The benefits of including other departments in this process are two fold: not only will you receive additional data to support your business case, but you will gain internal cross-functional support early on. Both will help you when looking for executive approval of your project. This exercise will also help minimize implementation delays by keeping all impacted parties informed.

Develop a Comprehensive ROI Model – Make sure to capture all the possible savings from e-bills and paperless billing. Start with the due diligence of determining the costs associated with your current print and mail process to help accurately calculate the saving per activated e-bill. Next, forecast the e-bill adoption rate for your biller direct site. This can be challenging, so the best approach is to use industry averages. Your EBP provider should be able to supply these percentages.

If you plan to distribute your e-bills to banks and financial institutions, you need to forecast the e-bill adoption rate for this channel and include the savings into the ROI model. Your EBP provider should be able to help you predict the number of e-bill activations you can expect by determining the number of payments you currently receive from banks and applying an industry adoption average. Don't forget to include the savings from fewer claims as a result of more accurate account information from e-bills.

$0.45 in 2008

First Class Postage
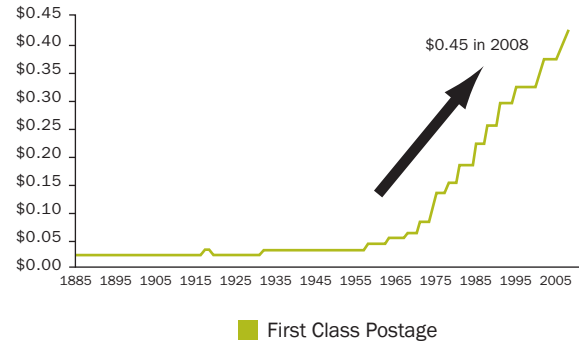
Other items to be included in your ROI calculation are:
- Increasing Postage Rates – Now that the USPS has the ability to raise postage rates every year, include an increase of at least one cent to your cost per bill each year.
- Marketing Expenses – Include some reduced marketing expenses if your EBP provider offers marketing consultation and creative assets for your use.
- Privacy and Security Expenses – With an outsourced EBP solution, you can reduce expenses associated with regulatory compliance.

Improved relationship with biller
Less likely to switch to a competitor
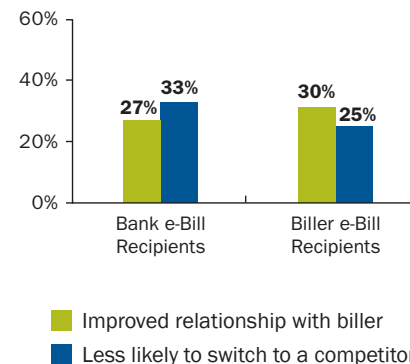
Incorporate Soft Returns – While soft returns may not fit into the ROI model because they are difficult to quantify, they should not be omitted from the business case.
- Research shows that consumers are more satisfied and loyal when they receive e-bills, regardless of the channel.[1&7]

- You can be a leader in "green" environmental activities. Forty-three percent of consumers are more likely to do business with an environmentally friendly company.[8]
- As you drive more consumers to your site for bill viewing, you will increase online marketing opportunities.
- Research shows that 58 percent of customer calls are billing and payment related. With new self-service features from an EBP solution, you can anticipate a decrease in billing related calls. This can allow for repurposing of FTEs.[9]

Provide Examples – Support your business case with real life examples from other billers in your industry who have implemented an EBP strategy and describe their success. This will validate the numbers in your business case. Hopefully, your EBP provider can share case studies to exemplify the potential results.

What to Avoid – The savings per e-bill will be the bulk of your cost savings so it is important to be as accurate and realistic as possible. Be conservative and don't over estimate adoption rates. Work with your provider to get an accurate project plan to tell you the number of IT resources and hours this project will require. You might be surprised at how minimal the requirements are. And lastly, don't forget to include initial and on-going training costs for your front-line employees. Your customer service representatives can prove to be very valuable in helping to promote e-bills to your consumers if they are properly educated.

Conclusion

Is paper suppression a priority within your organization? Has your company already implemented some or all of the best practices mentioned in this paper? If not, begin thinking about what you can do in the short term with minimal expense (bill messaging, on-hold messaging, newsletter messaging, etc.). Then determine the company's budget and IT resources available to pursue some of the higher-impact recommendations. If you are ready to begin researching options that are best for your organization, you can find more information at www.checkfree.com/billersolutions. Or, if you are interested in learning how other billing organizations in your industry have grown their e-bill adoption rates, you can find case studies at www.checkfree.com/resourceroom.

[1] CheckFree Consumer Insights, Consumer Billing and Payment Trends, February 2008
[2] Forrester, EBPP Forecast: 2006 To 2011, May 2007
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[8] Javelin Strategy and Research, The Four E's of Green Banking, June 2008
[9] PayStream Advisors, Consumer-To-Business Payments, Webinar, August 2006

About CheckFree,
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Fiserv, Inc. (NASDAQ:FISV), a Fortune 500 company, provides information management and electronic commerce systems and services to the financial and insurance industries. Leading services include transaction processing, outsourcing, electronic bill payment and presentment, investment management solutions, business process outsourcing (BPO) and software and systems solutions. Headquartered in Brookfield, Wisconsin, the company is the leading provider of core processing solutions for U.S. banks, credit unions and thrifts. In 2007, the company completed the acquisition of CheckFree, a leading provider of electronic commerce services.

CheckFree®

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