Fiserv.

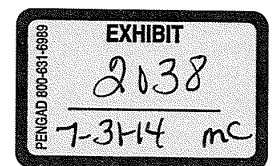# Electronic Bill Presentment and Payment

The Gateway to One-on-one Customer Relationships

A Whitepaper from Personix

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Electronic Bill Presentment and Payment

The Gateway to One-on-one Customer Relationships

Overview

The benefits of electronic bill presentment and payment (EBPP) are undeniable. Although its promises have been promoted for a decade, it has finally reached critical mass in the market with the number of electronic bill payments surpassing checks in 2006. However, the technical and financial effort required for a biller to implement an in-house EBPP solution can be both challenging and expensive. As an added liability, billers are concerned about the possibility of slow customer adoption rates and the extended time it may take to recoup their investments. Alternatively, billers can outsource their EBPP needs to a consolidator, but they place themselves at the risk of losing personal contact with their customers or losing the customers themselves. An innovative alternative presented in this whitepaper is for billers to outsource their needs to an EBPP managed service provider (MSP).

An EBPP MSP can provide the economies of scale, breadth of features and the security safeguards of a consolidator, yet deliver the biller's value and brand identity to the customer — all without a huge up-front investment. As an added benefit, a unified customer enrollment campaign can be facilitated by extending and reinforcing existing customer communications. If desired, the EBPP function can be systematically and transparently transitioned to in-house operations at a later time, as customer adoption accelerates and the volume of payment transactions grows.

> The question for large billers today is not whether to present bills over the Internet, but how to best do it.

The Current State and Future Growth of the EBPP Market

The Promise of Electronic Bill Presentment and Payment

For more than a decade, industry analysts, gurus and pundits have proclaimed that the adoption of online bill payment — by billers and consumers alike — was about to take off. But EBPP has been slow to get off the ground. Finally, after years of deliberate and steady growth, the predictions are no longer empty rhetoric. Today, EBPP is a market reality and its use is growing rapidly:

>> Check usage for consumer bill payments is falling rapidly — from 50% in 2005 to 27% by 2008. (AITE)

>> By 2010, approximately 47 million US households (53%) will pay bills online — a 75 percent increase from 2004. (Forrester)

>> Over 40% of major consumer billers such as lenders, card issuers, phone companies and utilities now offer online bill payment through their Web sites. (IDC)

Electronic Bill Presentment

When electronic bill payment first came on the scene, consumers typically received their printed bills through the postal service but paid them online. That's all changing with the addition of electronic bill presentment, which enables consumers to not only pay their bills online, but receive them electronically as well.

There are two types of electronic bill presentment — push and pull. The push method, which is gaining popularity, delivers electronic bills to customers via email. In some cases, a link is embedded in the email that takes the customer to a site for reviewing and paying the bill. Sometimes, a paper-based notification is sent to the customer as well. In the pull method, the customer's bill is posted to a secure Web site that requires user authentication.

An emerging trend is multi-channel bill presentment, combining traditional and electronic bill presentment methods to increase the likelihood that the customer receives timely notification of bills that are due. Regardless of which delivery mechanism is used, consumers can now receive, review and pay their bills online.

That means EBPP should not be viewed as a wholesale replacement for traditional bills, but instead as a logical extension of communication that enhances and reinforces the biller's relationship with the customer.

Motivation and Obstacles for the Adoption of EBPP

> **EBPP should not be viewed as a wholesale replacement for traditional bills, but instead as a logical extension of communications that enhances and reinforces the biller's relationship with the customer.**

Market Drivers for Integrated EBPP

Billers are now feeling the pressure of two very powerful market forces:

>> In many segments (telecom, utilities, etc.), deregulation is leading to increased competition and shrinking margins

>> Compliance requirements are simultaneously raising operating costs

These dynamics drive the need for more effective, less costly ways to communicate with customers. EBPP can help fulfill these needs, using the Internet to leverage and extend the biller's current business systems and processes while employing the existing banking infrastructure.

Obstacles to Adoption

There are challenges to realizing the promise of EBPP. First, there is a natural reluctance to abandon the familiar. Many billers have worked diligently over the years to optimize and enhance their printing, distribution and collections processes, and they are reluctant to change things that are proven and working. Second, fielding an effective in-house EBPP offering can be non-trivial, requiring significant financial and technical investments in the development and implementation of:

>> Back-end system integration

>> Front-end information delivery systems (e.g., email, Web sites)

>> User ID and security management systems

>> EBPP distribution, presentment and collection workflows

>> Connections to back-end billing and payment systems

Furthermore, there's no quick and easy way to estimate return on investment, mainly due to the difficulty predicting customer adoption rates. Equally difficult: quantifying the effect of EBPP conversions on current business models and processes. Workflows and procedures that are efficient for paper-based bills may need to be reworked for online presentment and collection.

Benefits of EBPP for Billers

The primary benefits of EBPP to a biller are two-fold — reducing costs while improving customer satisfaction and retention. Even as the benefits may be obvious, the factors contributing to success may be less apparent. To better understand these benefits, let's take a closer look at each of the following:

Operational cost savings — There's no argument that handling paper bills is expensive: the outbound cost of paper, printing, collation and postage; the time consuming and labor intensive inbound process extracting payments from envelopes, entering payment data, reconciling the collected payments and physically making deposits. Besides automating the publishing and distribution of bills, EBPP also enables electronic payment of transactions, which eliminates these arduous aspects of bill processing.

Reductions in customer support costs — Customer support calls are expensive, and most often billing-related, with industry estimates ranging as high as 70%. Past attempts to lower customer support costs through automation have used voice response systems for incoming customer calls. However, these systems tend to frustrate the customer with a bewildering array of verbal menu options and with an insufficient amount of useful billing information. As a result, the customer often ends up in a person-to-person dialog with a customer support representative (CSR) anyway, sometimes after a lengthy and aggravating wait.

This level of human interaction is often necessary and justified, but it is expensive for billers to provide and maintain. In contrast, a good EBPP solution will enable customers to review and access their billing information online. Because they can obtain much of the needed information themselves, customers are as much as 40% less likely to make customer service calls. If a customer service call is necessary, the CSR can view the same bill statement and payment information as the customer. This reduces costs by shortening the time it takes to resolve a customer's issue.

Improved customer service — Customer self-service is a core element of EBPP, enabling customers to view bills and make payments at their convenience. The ability to securely access billing and payment information in a familiar format at any time, from anywhere, does more than make the bill payment process easier and faster for the average consumer — it reinforces customer loyalty.

Enhanced customer retention and growth — Increased competition due to deregulation has become a stark reality for many industries, and the resulting customer churn has had a direct and negative effect on profitability. The first step in reducing churn and improving customer retention is to understand your customers and their needs. EBPP can help because it enables a customer's billing records to be analyzed for important demographic information and buying patterns. As an added bonus, EBPP enables billers to track their customers' online clickstreams and analyze which information and features they use on a regular basis and which online promotions are of interest to them. From this, billers can gain valuable insight into what really matters to their customers, cater to their needs and create opportunities for cross-marketing complementary products and services.

Benefits of EBPP for Consumers

For consumers, EBPP is all about convenience and ease of use.

Convenience — Industry studies have shown that consumers spend between five and ten minutes to process a paper bill, including time spent finding the bills, opening them, deciding which ones to pay, writing checks, addressing envelopes and adding postage, mailing and then filing. Depending on how many bills a consumer receives each month, they can spend anywhere from one to three hours a month paying their bills.

But with EBPP, all of these actions are performed electronically, and the time it takes to pay a bill is reduced dramatically. There are no envelopes to open or bills to sort. Amounts that are due and the dates they are due are displayed on the

consumer's computer screen. The consumer simply chooses which bills to pay, the amounts, the source of funds and when each payment is to be made. Then they confirm their payment instructions. Everything is automatic from that point forward. There is nothing to shred or physically file, yet all of their information is secure and available for online retrieval whenever and wherever they need it, even during vacation or business travel.
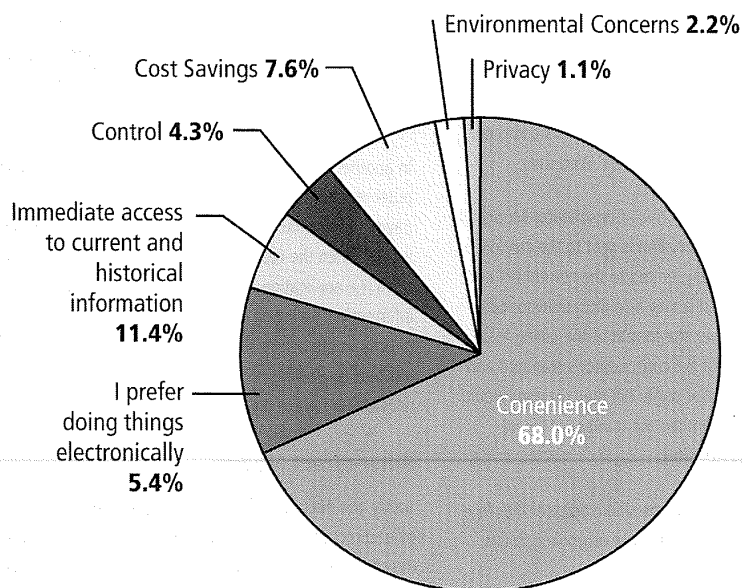
Ease of use — EBPP offers consumers an easy, fast and efficient way to access, manage and process bills. Because all of their billing information is in electronic format, it's easy to see which bills need to be paid and by when. If there are questions, billing details can be retrieved with a simple click of a mouse. It is equally easy to search previous billing statements and payments. Additionally, some EBPP solutions offer the ability to export billing and payment information into spreadsheets or personal financial management software, making it easier to manage personal budgets.

Electronic Bill Presentment and Payment Models

Overview of EBPP Models

The EBPP market can be broken into three distinct models. Two of these are well established and are commonly referred to as "Consolidator" and "Biller-direct". A compelling third model that is now emerging combines the benefits and advantages of both models and is offered through a managed service provider (MSP).

> The ability to securely access billing and payment information in a familiar format at any time, from anywhere, does more than make the bill payment process easier and faster for the average consumer – it reinforces customer loyalty.

Environmental Concerns **2.2%**

Cost Savings **7.6%**

Privacy **1.1%**

Control **4.3%**

Immediate access to current and historical information **11.4%**

I prefer doing things electronically **5.4%**

Conenience **68.0%**

Consolidator Model
(Thick, Thin and Personal)

In a Consolidator Model, the customer's bills are collected from multiple billers and aggregated at a central Web site, often operated by a bank or an independent financial service provider. The customer securely accesses the site to view and pay their bills. The main advantage to a consumer is that they can pay all their bills at once instead of visiting one biller's Web site after another. Another advantage to the Consolidator Model is that the consumer doesn't have to memorize passwords for multiple biller sites. Plus, some consolidator sites can even accept online instructions to make paper-based payments to companies that don't currently accept electronic payments.

However, these conveniences come at a price. Since the consolidator is acting as an intermediary, the level of billing detail available to the consumer is often limited to summary information. In some cases, access to historical information may be unavailable as well. Furthermore, since the biller loses direct contact with their customer, the biller is less likely to understand and be responsive to their customers' needs. As a result, billers miss opportunities to cross-market other products and services.

There are three variations of the Consolidator Model — "Thick", "Thin" and "Personal". Thick consolidators and thin consolidators operate scalable, resilient and secure information and payment processing infrastructures. Due to their size and the volume of payments they process, Consolidator infrastructures are expensive to build and maintain. To be profitable, they usually have to limit the number of features they can offer a consumer and the amount of integration they can provide to any individual biller. A Personal Consolidator, described in greater detail below, is actually a software application that runs on a consumer's computer and virtually aggregates individual billers' Web sites.

Thick Consolidator — In the Thick Consolidator Model all of the customer's billing information is sent to the consolidator. The billing detail is usually limited to the current bill and associated billing detail, but it may also include historical billing information. However, the format of the billing information will likely have to fit the consolidator's standard and may not resemble the familiar paper bill the customer would receive. This one issue has limited the number of billers represented on consolidator sites.

The Thick Consolidator serves as the single point of interface for the customer to pay bills. If there are any billing issues,

the customer must contact the biller directly for resolution, which can create additional issues or confusion if the biller's customer service representative cannot view the same information that the consolidator provides to the customer.

Thin Consolidator — In the Thin Model the biller only sends a summary of the customer's current bill to the Thin Consolidator; no billing detail or historical information is available. Once the customer securely signs on to the thin consolidator's site, they can review the bill summary and make payment.

If the customer needs additional billing detail or historical information, it is directly or indirectly provided by the biller. For example, the Thin Consolidator may provide a link where the customer can submit a request to the biller to have the billing information delivered to their email address. Another alternative is for the customer to "click through" to the biller's Web site to view billing information in real-time, but where the customer can't make payments. Resolution of billing issues is handled by the customer contacting the biller directly, same as with Thick Consolidators, with the same issues.

Personal Consolidator — In this variation of the Consolidator Model the consumer recreates most, but not all, of the consolidator's functionality. By installing specialized software on their computer, or by subscribing to a service provider, billing and payment information is aggregated from individual biller sites. In one version of the Personal Consolidator Model, the customer has their bills electronically presented by each biller. The electronic bills are delivered directly to their computer application, or to a service provider, much like they receive email. As a result, all of their bills are consolidated into a single location. The customer reviews each of the presented bills, chooses a payment method and makes payment.

In another version, an application on the customer's computer maintains links to each biller's site along with historical payment information or reminders about when each bill is due. When the customer is ready to pay their bills, they open the application and review their historical payment information. Selecting a biller in the application takes them directly to the biller's site where they review their current bill, examine any billing detail or historical information that is relevant and make their payment.

Biller-direct Model

Today, the majority of electronic bill payments are made at biller-direct sites. As the name implies, the customer goes directly to each biller's Web site where bills are presented for

viewing and payment. Since no intermediaries are involved, the customer has complete and unhindered access to levels of billing detail and historical information that a consolidator typically would be unable to provide.

There are other reasons why the biller-direct model remains the most popular form of EBPP, despite requiring the customer to visit individual bill payment sites. Foremost, presentation of the customer's bill on their Web site in the same familiar format as its paper-based counterpart goes a long way in making the customer feel at ease about paying the bill online. Second, the full range of the biller's value-added services and marketing promotions are available, which reinforces the biller's brand identity. This is an important consideration because cross-selling complementary products and services is a key element to improving customer satisfaction and reducing customer churn.

Another important consideration is the time it takes to post a payment to the biller's bank account. Payments made through the biller's Web site are usually credited the same day, whereas payments scheduled through a consolidator site can take up to five days. The extended time can result in serious cash flow implications.

Despite its obvious advantages, the Biller-direct Model may be an unrealistic choice for some billers as it requires a non-trivial investment in time, money and other resources. Other billers may not have the required in-house operational expertise or facilities necessary to develop, secure, implement and maintain their own commercial grade EBPP site. Even if a biller has the required expertise and is willing to make the investment, it takes time to develop and implement an in-house EBPP solution, which could mean missing a one-time market opportunity.

Biller-direct Managed Services Provider (MSP) Model

A third model for EBPP is now emerging that combines some of the best features and benefits of the Consolidator and Biller-direct Models. In this model a managed services provider (MSP) specializing in EBPP services hosts the biller's EBPP site. While this model may have some similarities to the Thick Consolidator Model, there are also some very important differences.

First, let's start with the similarities. Like a thick consolidator, the MSP maintains a large, secure data center and hosts billing information for multiple billers. In addition, the MSP is responsible for establishing and maintaining connections to

the financial networks that process electronic payments. This is highly advantageous to the biller, which isn't required to go through a rigorous, time consuming certification process. Instead, the biller simply provides their bank routing numbers to the MSP, which will deposit payments directly into their accounts.

Due to economies of scale, the MSP can cost-effectively maintain the levels of security and uptime mandated by the most demanding financial institutions and payment processors. Since the EBPP MSP is able to amortize the cost of its infrastructure across multiple billers, it is able to provide a low cost of entry for a biller, even if the biller's initial customer adoption rate is low. Then, as customer adoption grows, the cost scales proportionately to the value the biller receives.

Now let's take a look at the differences. EBPP consolidators use standardized processes and formats to facilitate the presentment of billing and payment information from different billers. A biller-direct MSP also uses standardized processes — but with an important distinction. Its processes are optimized to facilitate the preservation of the biller's brand identity and the services offered to their customers. In effect, the biller-direct MSP is a transparent intermediary, never getting in the way of the relationship between the biller and their customer.

Presentation of the customer's bill on their Web site in the same familiar format as its paper-based counterpart goes a long way in making the customer feel more at ease about paying the bill online.
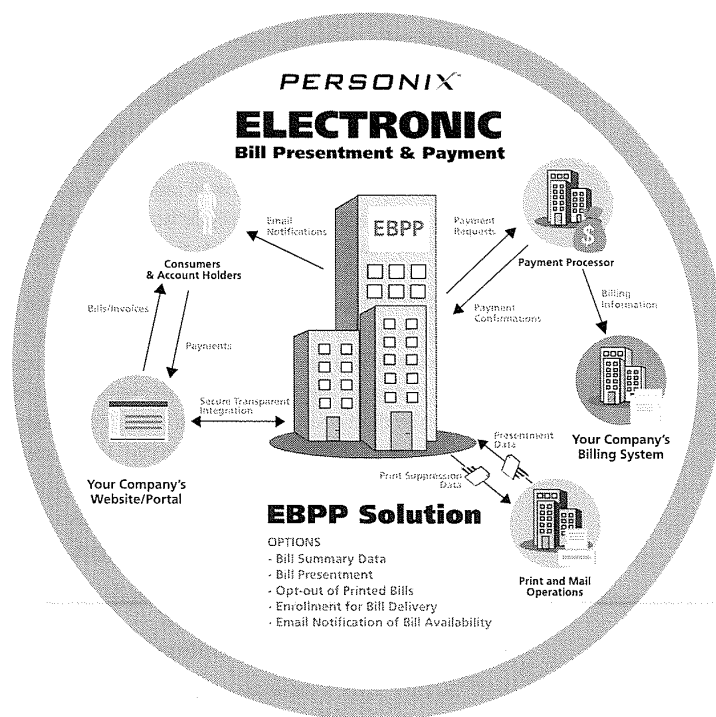
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ELECTRONIC
Bill Presentment & Payment

For example, when the customer goes to a biller's EBPP site hosted by the MSP, the customer sees their bills in the biller's preferred format. Generally, the online version of the bill looks identical to its paper-based counterpart. The information used to create the online bill may reside at the MSP's secured facility, or it may be stored at the biller's site but transformed and presented by the MSP on behalf of the biller. Regardless of the process used, the customer can transparently access their billing detail and historical information in real-time. Just as important, if the customer needs to speak to a customer service representative to resolve a billing issue, the representative will be viewing exactly the same information as the customer.

Another big difference is who handles the processing of the payments to the biller. Some EBPP consolidators accept payments from customers on behalf of the biller, wait for the payment to clear, subtract their fees and then deposit the balance into the biller's account. Conversely, a biller-direct MSP generally routes collected payments from customers directly into the billers' accounts. Obviously, the cash flow implication of the two models is a major consideration when a biller is deciding which model to implement.

EBPP Models Compared

Each EBPP model has its pros and cons. But the real difference between them is based on who will own the customer relationship, the degree to which they will own it, the benefits each party realizes and the corresponding costs to the biller. For example, banks that offer EBPP services as a thin consolidator own the customer relationship based on the financial services they provide. While it's convenient for the customer to use these services when paying their bills online, the value they provide is offset by the fact that the customer can only view summary information about each bill.

As typically implemented, the Consolidator Models provide little opportunity for the biller to reinforce or expand their relationship with the customer. As a result, consolidators put this relationship at risk. In contrast, billers that have adopted the biller-direct model, whether hosted internally or through a biller-direct MSP, have ongoing opportunities to reinforce their relationship with their customers.

Choosing the EBPP Solution That's Right for You

EBPP Service Delivery Options

The EBPP market is still evolving and billers may find it difficult to decide which EBPP model is best for their needs. There

> **Since the EBPP MSP is able to amortize the cost of its infrastructure across multiple billers, it is able to provide a low cost of entry for a biller, even if the biller's initial customer adoption rate is low.**

are a multitude of factors to consider, but it really comes down to making one of two choices:

>> In-house operations — where the biller designs, develops, implements, operates and manages the EBPP service within their organization

>> External operations — which are divided into two categories:
  - an EBPP consolidator that aggregates multiple billers under the consolidator's own brand, or
  - a biller-direct MSP that hosts the biller's EBPP site and preserves the biller's brand

Providing a dependable and effective EBPP solution requires the integration of a wide variety of platforms, applications and service components within a highly secured and sustainable operations facility. Many billers have already made significant investments into their back-end systems, which have been optimized for the production and distribution of paper-based bills and the receipt and processing of their corresponding paper-based payments. However, implementation of an in-house, biller-direct EBPP solution will also require the development of:

>> Web site front-end for EBPP

>> Email handler for bill presentment and customer correspondence

>> Web and email integration into existing back-end environments

>> Software to parse and decode bill and statement data print streams

>> Automated clearinghouse (ACH) software to electronically debit consumer accounts

>> Interfaces with external payment processors to support card-based payment transactions

>> Lockbox software to update the biller's internal accounts receivable files

>> Security mechanisms for authenticating customers and encrypting sensitive information

Many billers do not have the internal resources to develop these and other required applications. Others may not have the physical facilities, redundant servers, power back-up and high speed Internet connections to host the applications and services once developed. There is also the challenge of providing 24x7 operations with near-100% uptime and availability. If these requirements are beyond the current capability of a biller, external operations are still a viable option.

EBPP Solution Considerations

Decision Factor	Thick Consolidator	Thin Consolidator	Personal Consolidator	Biller-direct	Biller-direct MSP
One stop for all bill payments?	Yes	Yes	Yes	No	No
Pay bills to billers who don't accept electronic payments?	Yes	Yes	No	No	Yes (MSP-dependent)
Pay bills by cards?	Yes	Yes	No	Biller-Dependent	Yes (MSP-dependent)
Web site bill presentment supported?	Yes	Yes	Biller-Dependent	Biller-Dependent	Yes
Email bill presentment supported?	In Some Cases	In Some Cases	No	Biller-Dependent	Yes (MSP-dependent)
Multi-channel bill presentment supported?	Not Generally	Not Generally	No	Biller-Dependent	Yes (MSP-dependent)
View bill summary?	Yes	Yes	Yes	Yes	Yes
View billing detail?	Biller-Dependent	No	Biller-Dependent	Biller-Dependent	Biller-Dependent
View historical billing?	Biller-Dependent	No	Biller-Dependent	Biller-Dependent	Biller-Dependent
Instant confirmation that biller has received the payment?	No	No	Yes	Yes	Yes (MSP-dependent)
Payment posted to biller same day as it is received?	In Some Cases	No	Yes	Yes	In Some Cases (MSP-dependent)
Consolidated payment file	Not Generally	Not Generally	N/A	Biller-Dependent	In Some Cases (MSP-dependent)
Risk of processing error	Moderate	Moderate	Low	Low	Low
Implementation cost for the biller	Low To Moderate	Low	N/A	High	Low To Moderate (MSP-dependent)
Ongoing site maintenance cost for the biller	Scales To User Base	Scales To User Base	N/A	High Until User Base Scales	Scales To User Base
Cost to implement and maintain secure environment	Scales To User Base	Scales To User Base	Typically High (Biller-Dependent)	Typically High (Biller-Dependent)	Scales To User Base
Fraud detection and security capabilities	Usually High	Usually High	Biller-Dependent	Biller-Dependent	High (MSP-dependent)
Customer retention benefits for the biller	Moderate	Low	High	High	High
Preservation of biller's brand identity	Moderate	Low	High	High	High

EBPP Implementation Considerations

Online bill presentment and payment is on its way to becoming a commodity that consumers expect billers to provide. What will differentiate a biller's EBPP solution is its ease of use, the range of its features and benefits and its proven availability and security.

In today's culture of convenience and instant gratification, we become impatient if interaction isn't quick, simple and user-friendly. When that happens, we are receptive to a competitive offer. At the same time, we are fearful of identity theft, especially in online environments. So the security of a site, especially one where financial transactions take place, is

critical. But there are other usability considerations that can affect the successful adoption of EBPP. When considering an EBPP solution, whether internally-developed or externally-provided, consider the following requirements:

Around-the-clock availability — the ability for a customer to conveniently and easily pay their bill at any time, from anywhere, is not a feature — it's a fundamental requirement.

Easy user interfaces — Customer satisfaction is driven by ease of use and useful features. The biller's EBPP site should

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be clean, crisp and easy to navigate. Functions should be easy to locate and understand, and the biller's promotional offers should be noticeably visible, but not intrusive.

Easy and direct access to historical billing data — Many customers are trying to move away from keeping paper records, yet they still need direct, transparent and easy access to historical billing information.

Bill and transaction search capabilities — Transparent and easy access to historical billing information is one thing. Being able to locate the information you are searching for is often more difficult. Providing an easy to use search function goes a long way to improving customer satisfaction.

Information management — Consumers are beginning to automate their finances with personal financial management software applications. The ability to import billing data from an EBPP site will become increasingly attractive, and in the future it will be a customer requirement.

Multi-channel bill presentment — Some consumers prefer electronic bill presentment and others prefer mail notification. Regardless of the delivery mechanism, billers need to be confident that their customers are aware of when bills are due. Multi-channel presentment uses a combination of traditional and electronic bill presentment methods to increase the likelihood that the customer receives timely notification so that payments can be made on time.

Multiple payment options — Today's sophisticated customers realize that a multitude of payment options are available, and they expect a variety to be offered. In addition to account-to-account transfers, consider providing alternative payment choices such credit and debit cards, ACH debit options (i.e., direct payment, electronic check), convenience payments, one-time payments, recurring payments and other payment types.

Consolidated payment file — While accepting multiple forms of payment through a multitude of payment channels is convenient for the customer, it can quickly become an accounting and settlement nightmare for the biller. Regardless of the EBPP model that is eventually chosen, make sure that a reliable, auditable consolidated payment file is included as part of the solution.

Privacy protection — Customer concerns about security and privacy are a major barrier to the further adoption and growth of ecommerce transactions and EBPP. Billers must assure the protection of personal data through the implementation of industry-standard user authentication mechanisms.

Furthermore, stored data should be encrypted using the Advanced Encryption Standard (AES), and transaction streams should be encrypted using SSL.

Payment validation/fraud prevention — Validating the finality of payment, regardless of the method used to make it, not only reduces fraud and transaction errors, but it also decreases the time it takes to receive payment.

Tightly-integrated bill presentment and payment — Online EBPP billing information should match the information on the customer's printed bill and the amount due should be pre-populated to reduce user errors when payment is being made.

Exact replicas of printed bills — Presenting the customer's bill in the same familiar format as its paper-based counterpart helps the customer feel more at ease about making their bill payment online and facilitates adoption of EBPP. Having their bill presented in a preferred format, flexibly and on-demand, is a necessity for some customers. The ability to do so shows that the biller understands and is responsive to their customers' needs.

Customized email notifications — Customer relationships can be enhanced by alerting them to changes in existing services. Customer communication emails, especially those with embedded links to new or complementary offerings, can grow revenues while reinforcing the customer relationship.

Exception handling of email notifications — Bounced emails are a fact of life and can happen for any number of reasons. An exception handling system that can automatically print and mail a hard copy of a bill or other customer notification, based on business rules, will increase confidence that every effort has been made to contact the customer.

Automated enrollment — Billers should act proactively by making it easy for customers to enroll in their EBPP offering. For example, receiving an email with an initial user ID, password and embedded link to the biller's EBPP enrollment page will help overcome possible enrollment objections. Once they are at the enrollment page, the customer should never be asked to enter contact and account information the biller already has.

Integrated customer service — Excellent customer service is crucial to the success of a biller's EBPP offering. Customer service can be improved dramatically when the customer is able to transparently access their billing detail and historical information in real-time. Customer service

excellence is further facilitated when a customer service representative is able to view the exact information the customer sees when resolving a billing issue.

Biller-centric design and operation — The EBPP solution should be customizable to match the biller's existing operations and processes while simultaneously reinforcing the biller-customer relationship.

Outsourcing transition path — If the EBPP function is initially outsourced to a consolidator or biller-direct MSP, is there a seamless transition path available to move EBPP operations in-house when the time is right?

FDIC-insured, next day funding — To reduce risk and time-to-money, all payment transactions should be processed and settled through institutions that are FDIC insured.

Daily summary reports — Consolidated summaries of payments across all payment channels facilitate easy and reliable reconciliation for accounting.

Standardized billing feedback file — EBPP transactions need to be tightly integrated with existing paper-based remittance and accounting systems. A standardized billing feedback file can assist accurate bookkeeping and audits.

Summary

An Alternative to the In-house Biller-direct EBPP Model

After a decade of unrealized promise, electronic bill presentment and payment (EBPP) has become a market reality. Its benefits are undeniable, and it is now on its way to becoming a commodity that billers are expected to provide. What will differentiate a biller's EBPP solution is its ease of use, the range of its features and benefits and its proven availability and security. However, the technical and financial effort required for a biller to implement an in-house EBPP solution can be challenging and expensive. As an added dynamic, billers are justifiably concerned about the possibility of slow customer adoption rates and the extended time it may take to recoup their investments.

A viable alternative is for billers to outsource their EBPP function until in-house operations are justified. In the past, this meant working with an EBPP consolidator, which placed the biller at risk of losing personal contact with their customers. Today, another alternative is a biller-direct managed service provider (MSP) that offers many of the same benefits of a

consolidator. Like a consolidator, a biller-direct MSP provides the scalable, resilient and secure information and payment processing infrastructures required to present bills and process payments. But unlike a consolidator, a biller-direct MSP facilitates the preservation of the biller's brand identity and the value-added services it offers its customers. In effect, the biller-direct MSP is a transparent intermediary. It never gets in the way of the relationship the biller has with their customer.

For example, when the customer goes to a biller's EBPP site hosted by the MSP, the customer sees their bills in the biller's preferred format. Generally, the online version of the bill looks identical to its paper-based counterpart. The information used to create the online bill may reside at the MSP's secured facility, or it may be stored at the biller's site but transformed and presented by the MSP on behalf of the biller. The storage location is completely transparent to the customer. The important point is that customers are able to access their billing detail and historical information in real-time, and if the customer needs to speak to a customer service representative, that CSR sees the exact information the customer sees.

Due to economies of scale, the MSP can cost-effectively maintain the levels of security and uptime mandated by the most demanding financial institutions and payment processors. Plus, since the cost of their infrastructure is amortized across multiple billers, the MSP can provide a low cost of entry for a biller, even if their initial customer adoption rate is low. As customer adoption grows, the cost to the biller scales proportionately. If desired, the EBPP function can be systematically and transparently transitioned to in-house operations at a later time, as customer adoption accelerates and the volume of payment transactions grows.

> Like a consolidator, a biller-direct MSP provides the scalable, resilient and secure information and payment processing infrastructures required to present bills and process payments. But unlike a consolidator, a biller-direct MSP facilitates the preservation of the biller's brand identity and the value-added services they offer their customers.

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