Effective billing, statement and payment systems—corporate success fundamentals

The ability to accurately produce bills, statements and confirmation notices, and collect payments expeditiously is fundamental to corporate success. These applications often provide the most frequent contact that many companies have with their customers. Thus, documents of this type are designed for customer convenience and serve as a primary vehicle for marketing, cross selling and overall brand reinforcement. Billing and statement production is much more than a back-office function. Today, it is a strategic differentiator in highly competitive markets.

e-business transforms billing, statement and payment processes

EBPP is, in its simplest sense, the use of Internet technologies to transform your billing, statement and payment systems. It is the entryway to many other e-business applications and is inherent to your broader customer relationship management efforts. Many organizations understand this and have begun the transformation from traditional to electronic systems. They are enabling core processes to strengthen relationships with customers, capitalizing on new business opportunities and increasing efficiencies to become more profitable.

The value proposition

EBPP provides an end-to-end electronic transaction. It can improve customer service dramatically and build customer loyalty, while providing cost savings and revenue enhancement opportunities. The benefits are compelling and can be a value to your business and customers.

Key Topics

Describes the market need for electronic bill presentment and payment (EBPP) systems

Explains the cost, revenue and customer service improvements that can be achieved using EBPP

Examines different strategies, architectures and designs to help meet the requirements of your business

Reviews four primary models for delivering EBPP solutions

Offers insight into the important role that security and privacy play in EBPP solutions

Discusses the importance of an adoption rate in determining the value of EBPP services
The value to business

Improved customer service—The concept of customer self-service is central to EBPP. Customers can view bills and make payments at their convenience. The Web offers greater informational and customer service-related features than a printed statement. Each item on an electronic statement can be linked to more information. For example, if an item relates to taxes, the customer can click on the item to get more detailed information. If a customer wants to compare the current month’s bill to the same month from a year earlier, that can be done easily. With Web enablement of existing back-end systems and security-enhanced access policies, these systems can give your customers controlled access to the data they need. It is symbiotic—while you are managing your customer relationships, your customers are receiving the tools to manage their relationship with you.

Enhanced customer loyalty—Facing deregulation and increased competition has become a way of life for many industries. EBPP offers companies that are competing for customers enhanced methods to optimize bills to meet the needs of the most vulnerable and highest value customers. Particular formats desired by important customers can be achieved. Choices of language or bilingual billing can be done less expensively. Online data can provide corporate customers not only standard reports, but the ability to produce custom reports as well. It is no longer necessary to copy portions of a bill for review by several individuals. Nor do companies need to rekey information to track charges by internal categories, such as project or client. An online system can more easily deliver the information in the manner that the business requires and allow the customer to retrieve billing component information in a format that is more useful. EBPP also provides capabilities to improve budgeting and forecasting for the company receiving the electronic bill.

Customer support cost reduction—Often, customer service inquiries are billing-related. Some estimate that 70 percent of telephone-based customer support questions are billing-related. A significant percentage of these cannot be accommodated through automated voice response systems. They require person-to-person dialogue with customer service representatives. These types of contacts are necessary, but expensive, for companies to maintain. In contrast, EBPP can allow customers self-access to billing detail, keeping the necessary function, while reducing costs.
Increased marketing revenue potential—Electronic statements are more interactive and engaging than their paper-based counterparts. Since the tailoring and personalization of marketing information on a bill or statement is more easily accomplished electronically than with paper, individualized messaging is much easier. Each time a customer views their bill or statement online, you have an opportunity to present unique, targeted marketing messages, and a sale can be finalized within the same session. This regular viewing of the one-to-one marketing by customers provides a significantly better sales opportunity than that from paper systems. Further, measuring marketing effectiveness online is easier and more precise using Web presentation techniques. Marketing campaign success or failure is more easily and quickly analyzed.

Direct cost savings—EBPP reduces the outbound billing costs of the printing, collating and mailing process, and the inbound costs of extracting paper payments from envelopes, data entry and reject handling. Many companies report saving between one-third to nearly one-half of the current costs of printing and mailing bills or statements and collecting paper payments.

Improved cash flow—Paper billing printing dates and payment receipt deadlines must currently allow for mailing time. EBPP affords a larger window of billing time, which can be used to capture additional customer activity. Electronic payment and posting can decrease payment receipt time.

The value to customers
The value of EBPP systems will differ between consumer customers and business customers.
The value to consumers

Convenience and ease of use—The Internet provides consumers with ubiquitous access and convenience to view, inquire about and pay their bills, statements and related detail, such as historical data or billing details. With this information and integrated bill payment capabilities, consumers can perform their financial chores more quickly, effectively and at their convenience, which is a clear benefit to all consumers.

Cost savings—For those who pay bills by check, an immediate benefit is the elimination of ongoing stationery and postage costs. Billing discount incentives, provided by companies to encourage the usage of their EBPP solution, can also benefit consumers.

Improved money management—Many EBPP services provide additional functions so consumers can integrate their information directly into a personal money management package, or provide tools so consumers can query their data online. In addition, EBPP services can be integrated with online services, such as financial and insurance. Together, these value-added services provide consumers with the ability to better manage their finances and can save them time.

The value to business partners

Operational efficiencies—The massive quantities of paper bills and statements received by major organizations must be sorted by teams of people. These teams categorize and extract appropriate detail to validate the bill before it is paid. In an electronic environment, it is easier to incorporate electronic workflow processes because the bill is already in an electronic format. This helps reduce the costs in processing bills and statements.

Improved cash flow—The processing speed of an electronic billing environment, including more effective dispute resolution capability, enables quicker approval processes between partners. This can help increase the speed and accuracy of payments for goods and services between organizations.

The approaches to an EBPP environment

There are a number of key considerations when developing an EBPP solution for the business-to-consumer market and for the business-to-business market. In general, the Web front-end for each will look different, as the objectives and requirements for each of the market segments are different. All companies considering EBPP should understand their customers and how they want to approach the market. Having the right strategy, architecture and design to meet the requirements of the intended audience is instrumental to the success of the EBPP solution.
The EBPP market space is fairly new. Currently, there are a number of different approaches to providing an EBPP environment, and it can be expected that new approaches will evolve as the application advances. Some of the current approaches may become obsolete, adding an additional level of complexity to providing EBPP service. The choice of model not only affects the design and architecture of the service, but the way that it is marketed. The model decision also affects the way the relationship between the biller and consumer, or business partner, is managed. The current approaches to providing an EBPP environment are described later in this document.

Companies need to decide how the service is to be delivered. The options are as follows:

- In-house operations—Develop, deliver, operate and manage the EBPP service within the organization.
- Managed operations—These are divided into two categories: onsite and offsite. In either category, tailor the design to allow service providers to use their economies of scale and experienced teams to provide to your requirements.

Providing an EBPP solution requires the integration of many service components. For example, to publish and achieve wide distribution of their documents, billers and statement providers must purchase, successfully integrate and maintain the following:

- Web application integration software for traditional back-end environments
- Software to parse and decode bill and statement data print streams
- Messaging software to facilitate communication between parties
- Automated clearinghouse software that enables billers to electronically debit consumer accounts
- An interface with a bank so the biller can receive funds and data through automated clearinghouse transactions
- Lockbox software to update the biller’s internal accounts receivable files.

A company wishing to enter the EBPP space must evaluate the available resources, experience and schedule in conjunction with the design created for the EBPP solution to make the best judgment on the approach.
**Approaches to providing EBPP service**

Organizations are using several paths to deliver EBPP. Currently, four primary models have emerged: biller direct, thick consolidator, thin consolidator, and a variety of desktop consolidation implementations. Each model has advantages and disadvantages for billers and their customers.

*Biller direct model*—A Web site is created to support the EBPP requirements of a single company. The advantages of the biller direct model lies in increased control of the entire process for the biller, providing a Web experience customized for their consumers. This model also provides the opportunity for maximum customer interaction by allowing the biller to control marketing messages.

Though this model works well for a biller and its business partners, it does not provide a convenient mechanism for a consumer to view statements and pay bills. Consumers who are accustomed to the convenience of having their paper bills delivered to a consolidated mailbox now have to visit many Web sites to get the same information.
Consolidator Model—The philosophy behind the consolidator model is to provide a single place on the Web where a consumer can go to view and pay all of their statements and bills. There are two consolidator models—the thick consolidator and the thin consolidator.

Thick consolidator model—In the thick consolidator model, all of the statement and bill details are provided to a consumer, both as summaries and in detailed formats. This presentation is integrated with a bill payment process. Generally, a consumer is never passed back to the biller Web site. The consumer relationship is managed at the thick consolidator Web site.
Thin consolidator model—In the thin consolidator model, summary statement and bill information is provided to the consumer for a number of different billers. This model can be integrated with a bill payment process. A consumer can view this summary and authorize applicable payment. If the consumer wishes to view a statement or billing details, they click on a link to the originating biller’s Web site.

While the thin consolidator model necessitates biller Web site visits for customers who want to see detailed billing information, the opportunity for interaction is lost for all bills paid from the summary data only. A variance of the thin consolidator model, the direct distribution model attempts to address this concern by providing the ability to seamlessly take the consumer back to the biller’s Web site or to allow the biller to present information to the consumer as the bill notification is clicked. This process is referred to as a “customer magnet.”
Advantages and disadvantages of consolidator models

Each consolidator model provides the biller with the opportunity for significantly higher acceptance, since customers can now more conveniently receive a variety of bills in one place—or from one source. This requires the distribution of bills to consolidators. Due to the lack of industrywide standards, if multiple consolidators are used, data may need to be provided in different formats.

The introduction of the consolidator organization has reduced some customer service and marketing control levels. This loss is most significant using the thick consolidator model, in which both summary and detailed billing information is presented by the consolidator, obviating the need for the customer to visit the biller’s Web site.

Desktop consolidator model—The desktop consolidator model, which may be implemented through Web browsers, e-mail, or proprietary PC software, attempts to gain the benefits of consolidation while retaining the opportunity for customer interaction by the biller. While one or another of the variations of this model may prove to be popular in the future, customer acceptance has been limited to date, in some cases caused by the need to install additional software.
Emerging model—Some industry analysts believe that the current models will be replaced by an Internet post office model. In this model, the online connections among customers, billers, portals and financial institutions would become pervasive. Consumers would either view and pay their bills from a hub Web site, or retrieve their bills to a personal device for presentment and payment. A hub could be a portal, brokerage, bank, retailer or other organization from which customers conduct their financial business. The hub would receive notification of bills from billers in a standard format. When the consumer accepts the bill and makes the payment decision, an electronic payment agent would gather the consumer bank account data, maintained by a certificate authority, and the biller bank account data and remittance system information from a biller directory. A standard payment instruction would be created using this information and forwarded to the customer and biller financial institutions. The remittance information would be sent to the biller by the electronic payment agent. This model requires the development of bill data standards, enhanced security services, electronic agents and national biller directories to be successful.
Security and privacy
Effective security and privacy components are key elements to broad acceptance of EBPP solutions. Security and privacy influence the comfort level customers have in using e-commerce services. As the success of EBPP services is generally dependent on the number of subscribers, both security and privacy issues can greatly affect the success of any given EBPP solution.

Security
Security can limit the risk of using a given EBPP solution and help to attain greater customer acceptance. An EBPP solution needs to employ security-rich measures and communicate them effectively. Security requirements vary from solution to solution, depending on the audience and data being used, but generally take the form of a policy, procedure and a security-rich environment using the most appropriate security technologies. Consumers and business partners should feel that their transactions are as safe—or safer—than those performed using traditional paper processes.

Privacy
Managing privacy can increase a customer’s comfort level in using EBPP solutions to help attain greater acceptance. A solid privacy policy needs to be in place with any EBPP solution and must be communicated effectively. The greater the comfort level, the more likely customers are to use the service and have a satisfactory experience.

EBPP system procedures must assure the customer that billing, payment and remittance information generated, transmitted, or stored in the EBPP environment is used exclusively for EBPP processing and associated error resolution. The customer expects that any other planned uses of customer-provided payment information will be disclosed and that consent must be granted before additional use.
Influencing the success of EBPP

As has been discussed, one of the key measures of a successful EBPP service is the adoption rate. Many of the benefits to an organization will not materialize if consumers or business partners fail to see the value and not use the service.

It is therefore key to communicate the availability and value of EBPP services effectively to consumers and business partners in addition to providing premium services. Even with the best EBPP solutions, it may often be necessary to provide incentives to increase the adoption rate. The most effective way to increase the adoption rate is to run focused marketing campaigns and provide education to teach the benefits of EBPP. This can raise the comfort level, and therefore the adoption rate, for both consumers and business partners. Generally, these are highly specific skills, and many organizations should seek assistance in developing and implementing these programs.

Translating EBPP into real business value

To address the implementation considerations and implement a successful EBPP system, you must formulate a strategic business design relevant to your customers in the new environment. This requires:

• Identification and analysis of market opportunities that anticipate competitive behavior

• Definition and prioritization of potential EBPP initiatives

• Creation of the architecture, business processes and operational models to pilot and deploy these initiatives.
Why companies turn to IBM

Today, our customers are not asking us if they should offer EBPP services—they are asking how. They want to know how to capture the advantages the electronic system brings without abandoning their existing investments in systems and data. Companies need insight into what works and what does not. They want to learn from the experiences of others.

IBM can steer your organization through the business and technical changes required to harness the power of EBPP in ways that make your business more productive and profitable. We offer a total solution to help billing organizations produce accurate, easy-to-understand and on-time billing statements. Plus, our end-to-end electronic billing and payment solutions span the entire process, from bill data gathering to return of payment information to the accounts receivable file.

**EBPP consulting services**—IBM has the experience to develop an overarching EBPP strategy by creating a common understanding of billing and payments across the enterprise and by developing the criteria for success. Together, we establish the business case and develop and document the business and technical goals, tasks and project milestones.

**EBPP integration services**—We can provide customized integration and implementation services for clients to design, assemble and test the system to specific customer requirements. We can provide:

- Design of electronic bills and statements
- Conversion of data into a Web format
- Inclusion of personalized online marketing messages
- Customer enrollment and notification
- Presentation of the electronic information on your Web site or distribution to any consolidator
- Integrated payment options
- A customer service interface.
IBM distinguishes itself by providing technologies and architectures that extend IBM and non-IBM systems. This allows you to protect your investment in legacy systems and connect to the Internet without disruption to current billing systems.

An on-premise solution and managed operations services—IBM offers both a complete on-premise solution and professional offsite management of your EBPP applications in a security-rich, reliable and scalable environment. Using the managed operations service, you can deploy EBPP quickly without developing the in-house infrastructure or skills. Just provide the data and we can return funds and reports. We can distribute your bills or statements to your customers while protecting your brand. This service is fully compatible with in-house solutions, and you can migrate between the IBM-managed environment and on-premise solutions.

IBM Output Services—In reviewing your EBPP options, consider the overall cost of bill printing and rendering. As one of the largest providers of print and mail services, IBM offers a competitively-priced set of services and integrated electronic and paper billing solutions.
Relying on the experience of a global team
EBPP can help improve your competitiveness, extend your reach, reduce costs and develop customer loyalty. IBM is a trusted partner that has the unique expertise to work with you to create new value for your business. You can rely on EBPP solutions to be more reliable, available, and to grow as you grow. We combine that expertise with technology, products, services leadership and financing, to deliver an extraordinary advantage for your business.

IBM Global Services is the world’s largest business and information technology services provider. We help companies develop business strategies and implement real-world e-business solutions to achieve real business results in this rapidly changing, competitive environment. The e-business strategy and implementation experts at IBM combine skills in forward thinking, creative problem solving, innovative technologies and implementation to help you gain a competitive advantage.

Financing options
IBM Global Financing offerings are available to help you implement IBM Global Services projects. Flexible payment structures allow you to more effectively distribute initial costs and match payments to service benefits.

For more information
To learn more about EBPP and IBM Global Services, contact your IBM sales representative or visit:

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