

The Digital Payments Edge: How Utilities And Consumer Finance Companies Can Enhance The Bill Payments Experience, a PYMNTS and ACI Worldwide collaboration, explores how utilities and consumer finance firms are innovating to offer customers seamless digital billing and payment platforms. PYMNTS surveyed 207 billing and collections executives from consumer finance and utilities companies generating anywhere from less than \$100 million to more than \$1 billion in annual revenue from Oct. 26 to Nov. 19, 2021, to learn about their billing and collections practices.



■ FEBRUARY 2022

THE DIGITAL PAYMENTS EDGE:

HOW UTILITIES AND CONSUMER FINANCE COMPANIES CAN ENHANCE THE BILL PAYMENTS EXPERIENCE



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INTRODUCTION

Keeping billing and payments technologies current is imperative for all businesses. The processes these technologies support are fundamental to companies' relationships with their customers. When they are managed well, billing and payments processes can not only start the customer relationship on the right foot but also serve as critical touchpoints that improve the entire customer experience.

Billing and payments processes play a particularly crucial role in customer relationships for utilities and consumer finance companies. These businesses provide services that help customers meet basic needs such as heating their homes, keeping their lights on, paying their mortgages or ensuring their credit scores do not drop. As such, these companies can derive indisputable benefits by implementing the right technological tools to streamline large volumes of consumer payments and improve their back-end workflows.

While these companies have regularly improved and refined their electronic billing and payments systems throughout the years, the pandemic has fast-tracked their adoption of digital payments as consumers and businesses alike change the

balance of direct contact with the outside world. Billing and collections executives at utilities and consumer finance companies are attuned to this new reality, and PYMNTS' research shows that nearly half believe digitizing their payments will drive growth for the foreseeable future. Many firms have greatly expanded their capacities to process digital payments, and they remain committed to investing in digitization to boost customers' satisfaction with their services.

Still, there are several areas that these companies may be overlooking as they craft their digital payments agendas. More than half of the businesses in our survey report processing all of their payments digitally, yet just more than one in 10 actually do. Key payment technologies, including real-time payment tools and digital wallets, also have the potential to supercharge their digitization efforts, yet relatively modest shares of respondents accept payment methods like Apple Pay (11%), PayPal (9%) and Google Pay (8%). This indicates an opportunity for utility and consumer finance billers to reexamine their acceptance of these and other emerging forms of payment to keep their digital innovation initiatives on track and capitalize on their untapped processing potential.



These are just a few of the findings outlined in The Digital Payments Edge: How Utilities And Consumer Finance Companies Can Enhance The Bill Payments Experience, a PYMNTS and ACI Worldwide collaboration that explores how utilities and consumer finance firms are innovating to provide customers with seamless digital billing and payment platforms. We surveyed 207 billing and collections executives from consumer finance

and utilities companies generating anywhere from less than \$100 million in annual revenue to more than \$1 billion from Oct. 26, 2021, to Nov. 19, 2021, to gather data about companies' billing and collections practices. The report examines why digitization holds the key to meeting customers' needs and highlights opportunities for development and investment.

HERE ARE THE KEY TAKEAWAYS.

01

Digitization of billing and payments processes is highly important for utilities and consumer finance companies.

Nearly half of the billing and collections executives at these companies expect digitization of their financial processes to be a primary growth driver during the next five years, and 48% believe the digitization of the business environment will have the most significant impact on industry growth rates during that time. Fifty-one percent of billers say it is “very” or “extremely” important to improve digital billing, while 50% say the same for digital payments capabilities. Factoring in the shares of executives who say it is “moderately” important to improve their digital billing (43%) and payments (38%) makes it abundantly clear that companies are overwhelmingly interested in and supportive of digital payments.



02

Fifty-three percent of utilities and consumer finance companies can accept and process all their monthly bill payments digitally, but just 12% do so.

Utilities and consumer finance companies’ digital processing capacities largely exceed firms’ usage, suggesting that these businesses could significantly improve their efficiency by tapping into this unused capacity. The billers in our survey process an average of nearly 80,000 bills monthly and can tackle 71,900 of them digitally. In reality, however, these billers are processing just 62,800 bills digitally, meaning that nearly 22% of their bills are stuck in manual processing mode when they do not have to be. PYMNTS also found that most of these companies are accepting digital payments via the web (96%), but significantly smaller shares are accepting digital payment options such as mobile wallets (15%) and text-to-pay (5.8%) despite possessing the capacity to process additional types of growing consumer digital payment methods.

03

Nearly two-thirds of utilities and consumer finance companies are investing or plan to invest in upgraded payments technology to pave the way for increased usage of digital payments.

Companies are at different stages of their digitization initiatives. Nineteen percent say their plans are underway, and 13% plan to make investments in the next year. Thirty-three percent say their companies will not start this investment for another year, and not all companies are ready to digitize their billing and payments processes. Eight percent of billing and collection executives are unsure about their plans, and 27 percent have decided against upgrading. This suggests that many executives are unaware of how digitization could benefit their businesses or are concerned that the necessary technology may not be available or within their budgets.

04

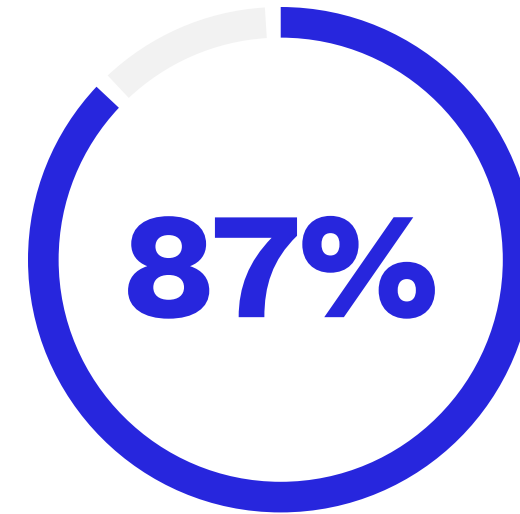
Most utilities and consumer finance companies have focused on making their existing payments systems secure and accessible, but there is considerable untapped potential for digital capabilities and real-time payments.

Ninety-nine percent of utilities and consumer finance companies say payment systems' security is a strength their digital billing and payments capabilities offer. These companies must make large investments to stay compliant and protect customer information, especially because they process large volumes of payments. Such businesses must also make it easier for consumers to pay their bills digitally, and several areas — notably paperless billing and real-time payments — stand out as being ripe for opportunity.

05

Ninety-seven percent of the billing and collections executives at utilities and consumer finance companies say digitized payments and billing processes will positively affect customer satisfaction.

Respondents expect a range of benefits from their digitization efforts. Eighty-seven percent of billers expect digitized processes to help them add customers, and 62% say digitization will help them increase revenue from their existing customer bases. They also cite improved operating efficiency (91%), a reduction in collection times (86%) and a better-targeted collections process (82%) as being among the chief improvements. Billings and collections executives also identified other gains that they believe will directly impact customers.



OF BILLERS EXPECT DIGITIZED PROCESSES
TO HELP THEM ADD CUSTOMERS.



SAY DIGITIZATION WILL HELP THEM
**INCREASE REVENUE FROM THEIR
EXISTING CUSTOMER BASES.**

THE COVID-19 PANDEMIC HAS ACCELERATED A LONG-STANDING TREND TOWARD DIGITIZED WORKFLOWS AND BUSINESS PROCESSES.

Utilities and consumer finance industries have been particularly aggressive in digitizing their processes, partly because of the high volume of payments they handle. Of those surveyed, the interest in digitized billing is higher among utility companies than among consumer finance firms. Fifty-eight percent of billing and collections executives at utilities firms say digitization is “very” or “extremely” important, while 43% of consumer finance billing and collection executives say the same. There is a slightly smaller difference in digitizing payments, with 53% of utilities executives and 47% of consumer finance executives reporting that doing so is highly important to helping their companies reach their goals.



58%

OF BILLING AND COLLECTIONS EXECUTIVES AT UTILITIES FIRMS SAY **DIGITIZATION IS “VERY” OR “EXTREMELY” IMPORTANT.**

Executives at the smaller companies PYMNTS surveyed stress the importance of improving their digital billing and payments capabilities to a somewhat greater degree than the larger companies, partly because their technologies may be in greater need of upgrades. Sixty-eight percent of the billing and collections executives at utilities and consumer finance companies generating between \$100 million to \$500 million in annual revenues and 56% of those at companies generating less than \$100 million in revenues say it is “very” or “extremely” important to improve digital payments capabilities. Just 43% of the billers at firms generating between \$500 million and \$1 billion in annual revenues and 34% of billers at firms generating more than \$1 billion in revenues say the same about their payment capabilities.

FIGURE 1:
Billing and collection executives stress digitized systems’ importance

1A: Share of executives who cite the importance of payments digitization efforts, by company size

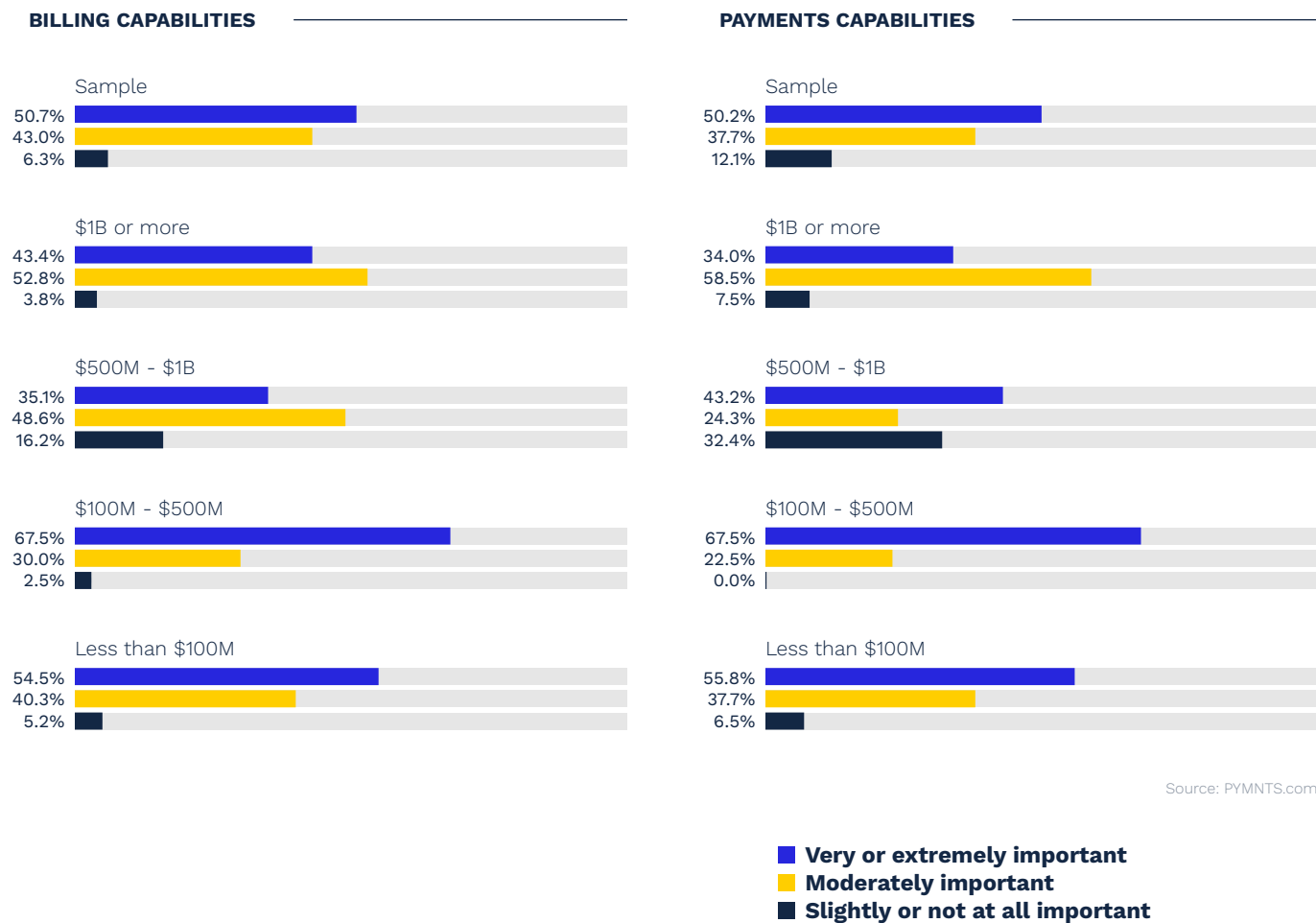


FIGURE 1:
Billing and collection executives stress digitized systems’ importance

1B: Share of executives who cite the importance of payments digitization efforts, by industry

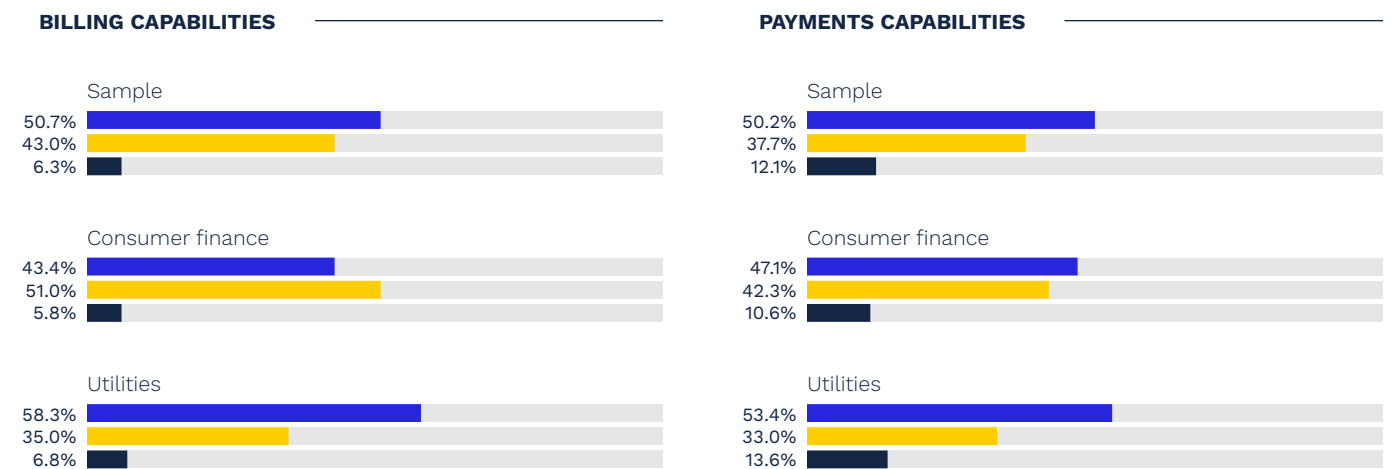
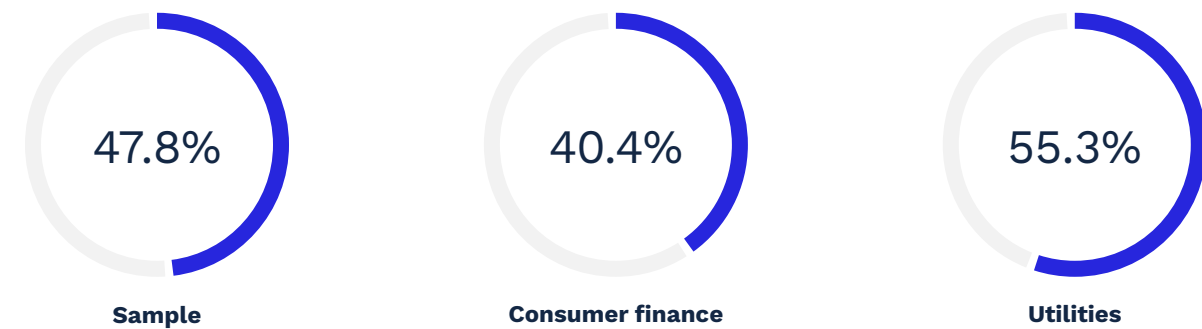


FIGURE 1:
Billing and collection executives stress digitized systems’ importance

1C: Share of executives who cite business environment digitization as a factor that will significantly impact industry growth in the next five years



DIGITAL BILLING AND PAYMENTS PROCESSES HAVE BEEN INSTRUMENTAL IN HELPING COMPANIES CUT EXPENSES, BUT FIRMS COULD INVEST MORE IN EMERGING PAYMENT OPTIONS SUCH AS DIGITAL WALLETS.

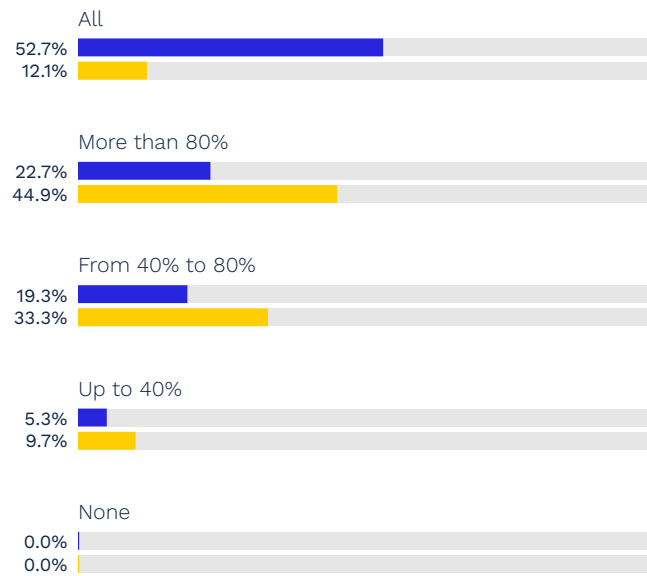
Utilities and consumer finance companies' billing and collections departments have recently implemented digital payments systems to lower operating costs, improve efficiency and accommodate emerging payment technologies. Despite these digital payment-focused upgrades, most companies must still accept and process traditional payment methods. Our respondents have a high rate of acceptance for traditional payment methods, including those that are digital, such as credit cards (100%), debit cards (99%), checks (79%), electronic bank transfers (74%) and cash (64%). The need to accept all manner of payment methods could explain why some of the newer digital options like alternative payment methods (APMs), mobile wallets and text-to-pay remain untapped, even though respondents indicate that their firms' systems can handle them.

Respondents' acceptance of several well-known digital payment products, particularly digital wallets, is less extensive than other payment types. Notably, more modest portions of utilities and consumer finance companies accept Apple Pay (11%), PayPal (9%) and Google Pay (8%). Stepping up their investments in these technologies could help them better cater to customers' digital payment needs and enhance the consumer experience while also making the most of the untapped processing potential.



FIGURE 2:
Companies' capacity for accepting digital payments

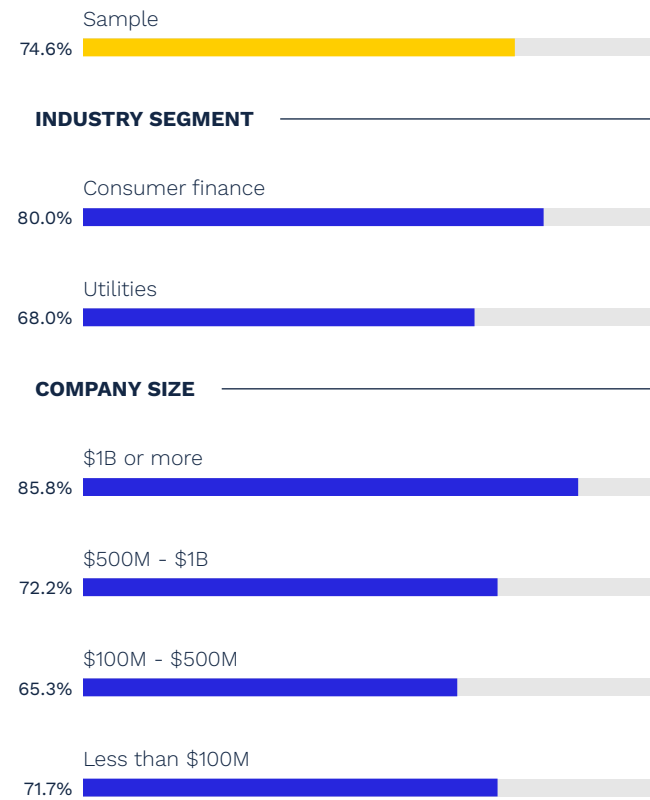
2A: Share of billers that can accept select percentages of digital payments versus share of payments accepted digitally



Source: PYMNTS.com

■ Able to accept and process digitally
■ Actually receiving and processing digitally

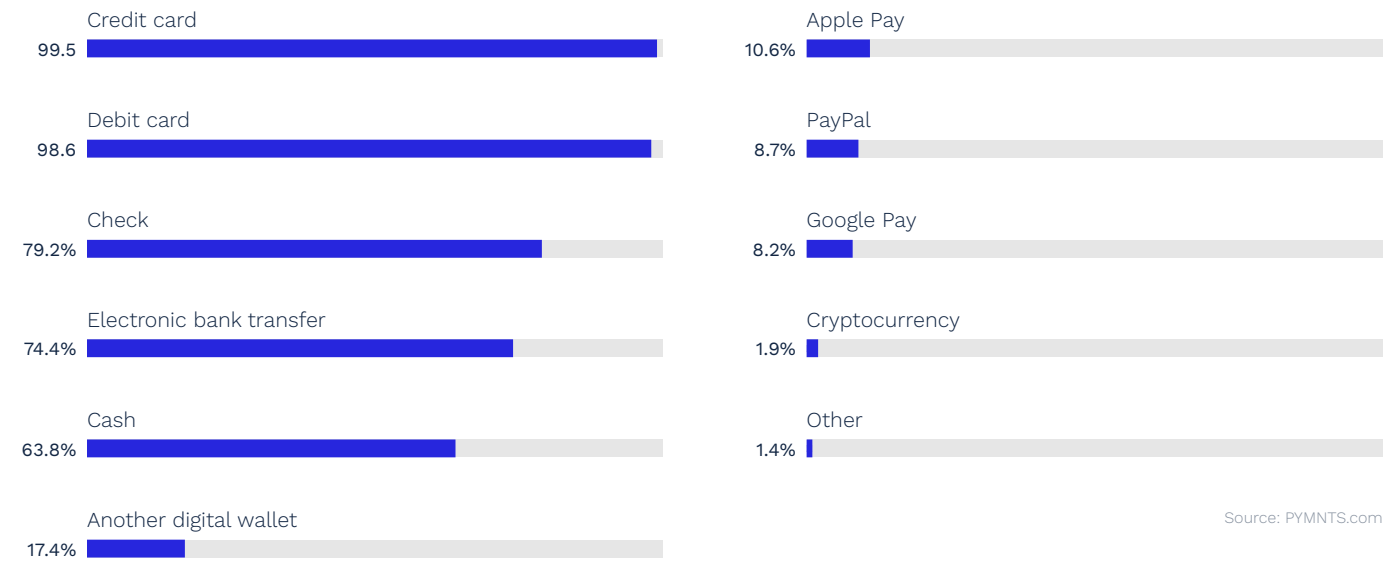
2B: Average portion of monthly payments received and processed on digital platforms



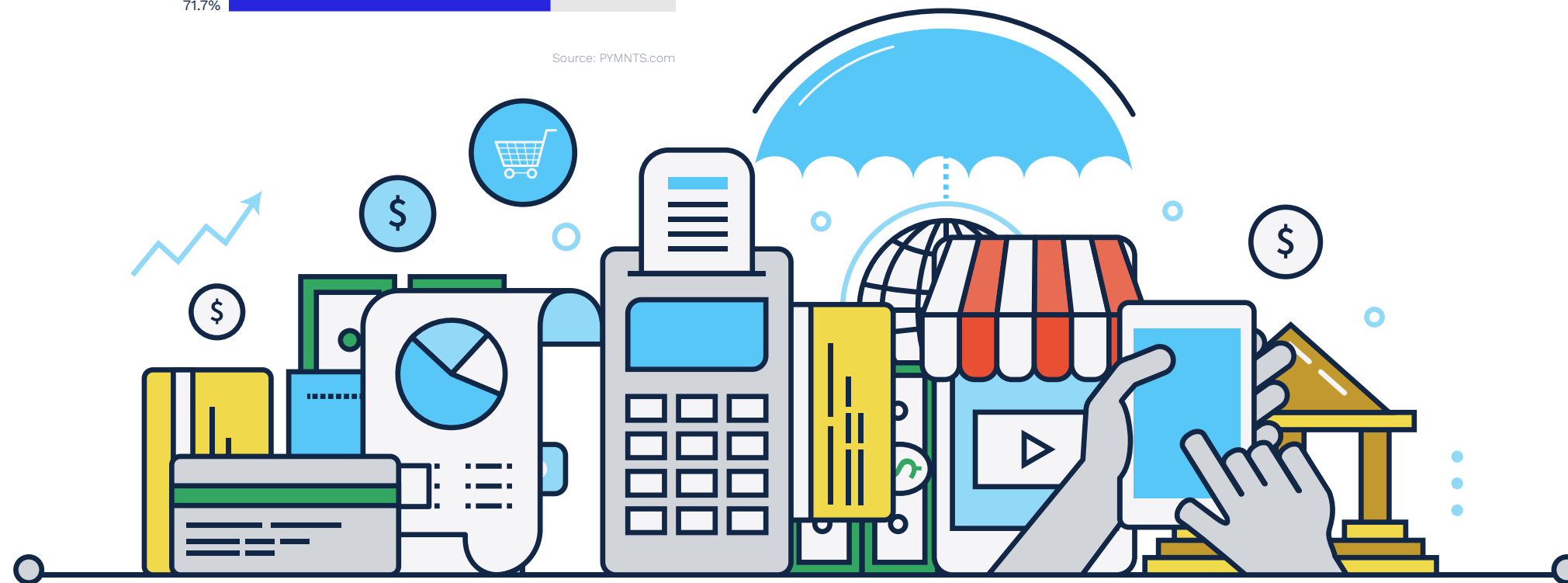
Source: PYMNTS.com

FIGURE 3:
Consumers options to pay utilities and consumer finance companies

Share of consumer finance and utilities companies that accept select payment methods



Source: PYMNTS.com



UTILITIES FIRMS ARE CURRENTLY DOING MORE TO DIGITIZE THEIR BILLING AND PAYMENTS PROCESSES THAN CONSUMER FINANCE COMPANIES.

Twenty-one percent of utilities companies are working on their digitized payments plans, while 17% of consumer finance companies say the same. There is a similar disparity regarding investments in the future, with 16% of utilities firms and 10% of consumer finance companies planning to make digitization investments within the next year. Thirty-six percent of utilities companies and 30% of consumer finance companies do not plan to initiate their efforts for another year. These findings suggest that consumer finance companies have been ahead of the curve in digitizing their payments processes and that their utilities counterparts are now catching up by stepping up their digital investments.

Companies in both industries appear to be focusing their efforts on a handful of areas. Forty-four percent of utilities firms are either investing or planning to invest in widening the range of payment options they offer consumers, while 32% of consumer finance firms said the same. Similarly, 41% of utilities companies are either making or planning to make investments to protect customer data, with 25% of consumer finance firms saying the same. The other areas in which companies are investing include faster billing processes, giving customers real-time payment options and fraud detection and management.



OF CONSUMER FINANCE COMPANIES **DO NOT PLAN TO INITIATE THEIR DIGITIZATION EFFORTS** FOR ANOTHER YEAR.

TABLE 1:
Companies' digitized billing and payments innovation plans and processes

Share of billers at select stages of investing or innovating with digital billing and payment systems, by industry

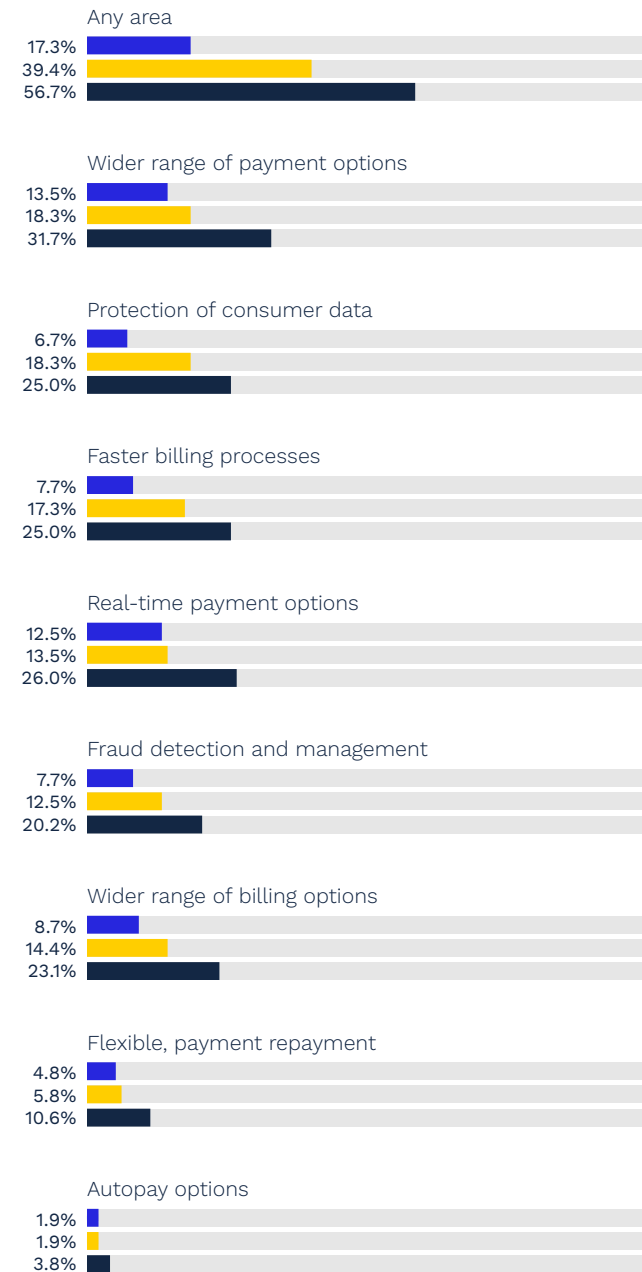
■ Highest percentage

	SAMPLE	CONSUMER FINANCE	UTILITIES
• We are currently innovating	19.3%	17.3%	21.4%
• We plan to innovate in the next 12 months	12.6%	9.6%	15.5%
• We plan to innovate, but it will take more than a year to do so	32.9%	29.8%	35.9%
• We are not sure if we will innovate	8.2%	9.6%	6.8%
• We decided not to innovate	27.1%	33.7%	20.4%

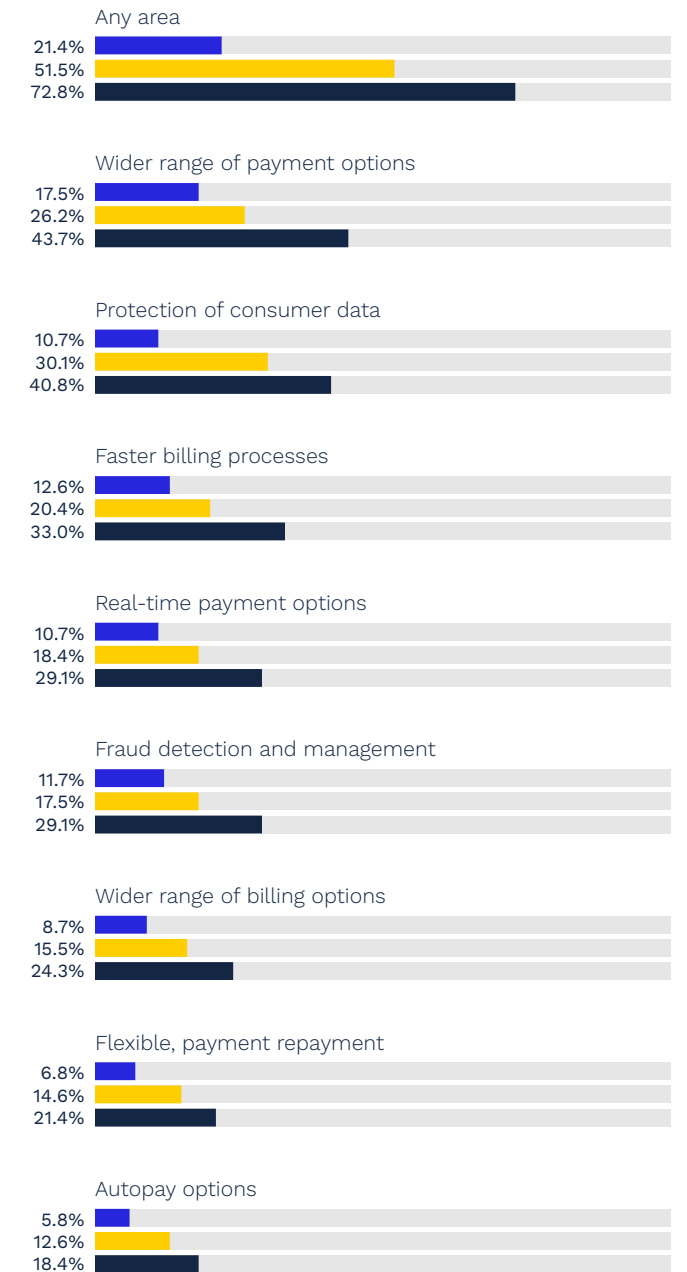
Source: PYMNTS.com

FIGURE 4:
Companies' digitized billing and payments innovation plans and processes

4A: Share of consumer finance companies investing or planning to invest in select billing and payment functions, by function



4B: Share of utilities companies investing or planning to invest in select billing and payment functions, by function



Source: PYMNTS.com

■ Currently investing
■ Planning to invest
■ Total

COMPANIES SAY SECURITY AND EASE OF ACCESS TO CUSTOMER SERVICE ARE FOCAL POINTS, BUT THEY ARE MISSING OPPORTUNITIES FOR PAPERLESS BILLING AND REAL-TIME PAYMENTS.

Ninety-nine percent of the billing and collections executives at utilities and consumer finance companies say the security of their systems is one of their strengths. Utilities and consumer finance companies protect their customers and their own financial interests by ensuring that their payment systems and the related payment data are secure. In addition, providing payment systems, portals and websites that are easy for consumers to use make it easier for them to pay their bills on time.


Ninety-three percent of these executives say their ease of access to customer service is a key strength of their digital capabilities, and 80% say the same about payment portals with billing details. In addition, companies say areas like autopay (75%), billing and payment systems integration (71%) and flexible payment, repayment and collection plans (66%) are strong suits. Giving customers a variety of payment options helps ensure that bills get paid on time.

Companies appear to be falling short when offering real-time payments and paperless billing features, however. Just 10% say their real-time payments capabilities are a strength, and 80% do not offer these tools. Approximately one-quarter of the billers we surveyed say paperless billing is a strong suit, while more than 50% say it is neither a strength nor a weakness and 22% do not provide it. These real-time payments figures are likely to change in the years ahead as billers step up their investment in the technology, however. Paperless billing, on the other hand, would likely play a bigger role in billers' digitization efforts if they were to better explain the technology's benefit to consumers.



OF THE BILLERS WE SURVEYED SAY
PAPERLESS BILLING IS A STRONG SUIT.

TABLE 2:
Companies' digitized billing and payments innovation plans and processes
Share of billers at select stages of investing or innovating with digital billing and payment systems, by industry

 Highest percentage

	STRONG	NEITHER STRONG NOR WEAK	WEAK	DO NOT PROVIDE
• Secure payment	99.0%	1.0%	0.0%	0.0%
• Easy access to customer service	92.8%	7.2%	0.0%	0.0%
• Easy access to payment portal with billing details	79.7%	18.8%	1.4%	0.0%
• Autopay	75.4%	16.9%	0.5%	7.2%
• An integrated system of billing and payments	71.5%	27.1%	1.4%	0.0%
• Flexible payment/repayment/collection plans	66.2%	31.4%	1.0%	1.4%
• Multiple payment options	61.8%	30.0%	8.2%	0.0%
• Paperless billing	23.7%	52.2%	1.9%	22.2%
• Real-time payment	10.5%	9.3%	0.6%	79.6%

Source: PYMNTS.com

UTILITIES AND CONSUMER FINANCE COMPANIES EXPECT TO GAIN SIGNIFICANT BENEFITS BY OVERCOMING CHALLENGES AND DIGITIZING THEIR BILLING AND PAYMENTS PROCESSES.

Companies' billing and collections executives understand that they may have to overcome serious obstacles to seize the benefits that digitized billing and payments processes offer. Seventy percent are concerned that the technology they need to implement digitized financial processes may not be available, 58% worry their employees lack the skills necessary to complete digitization efforts and 46% fear that the resources they need are not at their disposal. This could represent an area of opportunity for billing and payments experts to educate executives about the solutions, expertise and resources available in the market.

These executives also worry about the costs of digitization and whether their organizations' management can devote sufficient attention to the projects to see them through. Despite these concerns, they seem determined to see their processes digitized, given how executives at all stages of the supply chain now understand the benefits of digitizing the payments they make to suppliers and the funds they receive from customers. These companies may find it helpful to partner with technology providers that offer digital payments and payments processing systems that allow them to improve the services they offer clients.

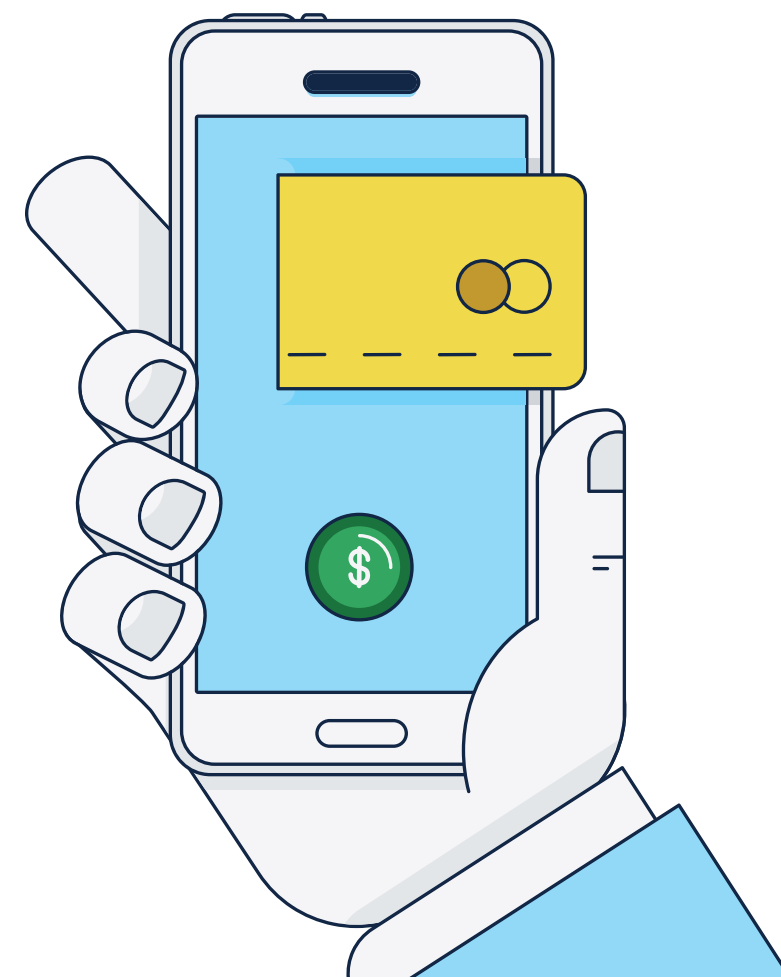


TABLE 3:
Executives' recognition of digitization benefits and challenges

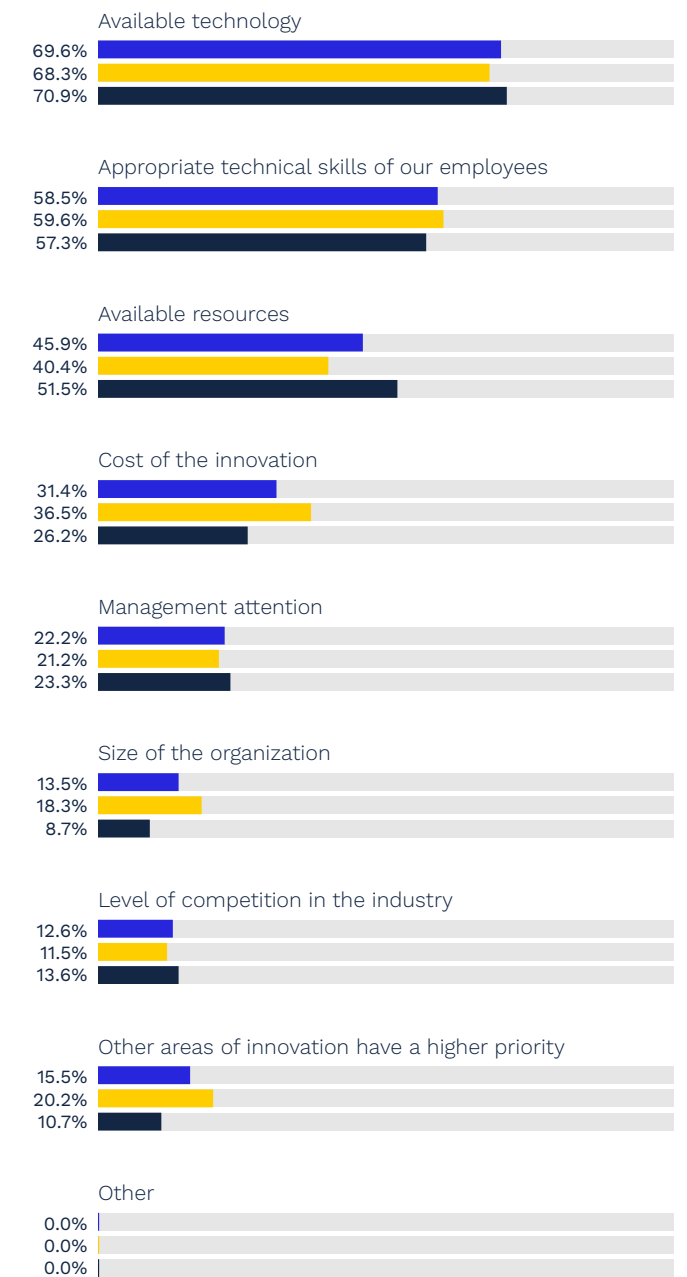
Share of billers citing digital billing and payments processes' impacts on select areas, by level of impact

	VERY POSITIVE IMPACT	MODERATELY POSITIVE IMPACT	SLIGHTLY POSITIVE IMPACT	SAME IMPACT
• Higher customer satisfaction	15.0%	55.1%	26.6%	3.4%
• Reduced collection times	23.7%	35.3%	27.5%	13.5%
• Greater operational efficiency	9.7%	45.4%	35.7%	9.2%
• Growth in new customers	6.3%	46.4%	34.3%	13.0%
• More target collections	7.2%	35.7%	39.1%	17.9%
• Gaining competitive edge	5.3%	37.2%	49.8%	7.7%
• Cost reductions	12.1%	19.3%	50.2%	18.4%
• Expanded revenue from existing customer base	10.1%	17.9%	34.3%	37.7%

Source: PYMNTS.com

FIGURE 5:
Executives' recognition of digitization benefits and challenges

Portion of companies that say select factors inhibit the implementation of digital billing and payment systems, by industry



Source: PYMNTS.com

■ Sample
■ Consumer finance
■ Utilities

CONCLUSION

Utilities and consumer finance companies have an opportunity to enhance their customers' satisfaction with their payments experiences by stepping up their investments in digitized billing and payments systems. Streamlining consumer billing and payments touchpoints should be considered a high priority for billers, as it gives them the potential to optimize the customer experience and drive engagement throughout the customer journey. Before those benefits can be realized, billers need to ensure that the technology is available, the costs of their plans do not exceed their budgets and that their employees know how to update the technologies and maximize their usage. Alternatively, they can partner with third-party providers to supply them with the tools they need to turn their digitization efforts into reality. In addition, they must identify areas in which they can do more, such as offering real-time payments features, digital wallets and other emerging digital payments technologies, to capitalize on their untapped processing capacities and prime them for success in the years ahead.



METHODOLOGY

The Digital Payments Edge: How Utilities And Consumer Finance Companies Can Enhance The Bill Payments Experience, a PYMNTS and ACI Worldwide collaboration, explores how billers have undertaken plans to provide customers with seamless digital billing and payment platforms. We surveyed 207 billing and collections executives from consumer finance and utilities companies that generate anywhere from less than \$100 million to more than \$1 billion in annual revenues. The survey was conducted from Oct. 26, 2021, to Nov. 19, 2021, and gathered data about the companies' billing and collections practices.

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ACI Worldwide

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