

The Digital Payments Edge: How Utility Companies Can Succeed In The Digital Payments Revolution, a PYMNTS and ACI Worldwide collaboration, is based on a survey of 103 utility company billing and payments executives that send more than 30,000 customer bills each month. The survey was conducted from Oct. 26, 2021, through Nov. 19, 2021. Thirty-one percent of the respondents were from companies with more than \$1 billion in annual sales, 17% were from companies with \$500 million to \$1 billion in sales and 25% were from firms with \$100 million to \$500 million in sales. Twenty-six percent of the surveyed businesses had less than \$100 million in annual sales.



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THE DIGITAL PAYMENTS EDGE:

HOW UTILITY COMPANIES CAN SUCCEED IN THE DIGITAL PAYMENTS REVOLUTION



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INTRODUCTION

The rapid modernization of digital billing and payments processing is evident throughout the economy, with utilities among the leading proponents. Fifty-five percent of utility company billing executives say the business environment's digitization is the main factor that will affect industry growth through the next five years. These companies understand where they should make their investments to drive growth for the future and can offer lessons for businesses in other sectors.

Utility companies investing in, or planning to invest in, digitized payments platforms have a good reason for doing so: 93% of these companies' executives say digital billing capabilities are important to boost growth. Digitized payment platforms are integral to customer satisfaction, and customers expect these platforms to provide other benefits, such as speeding up the bill payment and collection process. The anticipated benefits may explain why more than half of utility companies are investing in or planning to invest in digitized payments platforms.

These are just some of the findings in The Digital Payments Edge: How Utility Companies Can Succeed In The Payment Processing Revolution, a PYMNTS and ACI Worldwide collaboration. We surveyed 103 billing and payments executives at utility companies that send more than 30,000 customer bills each month from Oct. 26, 2021, through Nov. 19, 2021. We sought data on these companies' efforts to provide customers with a seamless, digital-first billing and payments experience.

HERE IS WHAT WE LEARNED.

01

Utility company billing executives have an opportunity to increase their companies' pace of growth by investing more aggressively in digitized bill payment processes.

Ninety-three percent of utility company billing executives say it is important to have digital billing capabilities to enhance their companies' growth rates in the next five years. Also, 86% of these executives say it is important to have digital payment capabilities. Companies have been investing in payments digitization for years to improve their operations' security, efficiency and cost-effectiveness. The companies that sustain these digital modernization efforts will position themselves to achieve the most significant returns on their investments.

02

Ninety-seven percent of billing and payments executives say innovation of their digitized billing and payment processes will enhance customer satisfaction.

The utility companies that successfully use digitized billing and payment processes to improve customer satisfaction and speed up the bill collection cycle will put themselves in a position to succeed as digitized processes become more critical for all business operations. Utility companies should focus on the connection between digitized payments processes and customer satisfaction as they invest in digital tools and technologies. Consumers spend so much time online that service providers need to meet them there to ensure that bill payment processes operate quickly and efficiently.

03

Utility companies that focus on features customers expect, such as secure payments, can enhance their ability to achieve the benefits offered by payments digitization.

Ninety-three percent of utility company billing and payment executives say their customers are “very” or “extremely” interested in the security of their payment processes, and 99% of these companies say payment security is one of their strengths. Utility companies will likely want to achieve specific goals when implementing digitized systems, such as improved efficiencies and lower costs. They will also need to ensure that their digitized processes deliver the features customers want, especially the security of their personal and financial information.



04

Utility companies that continue making investments in digitizing payments processes will enhance their competitive position.

Sixty-six percent of utility company billing and payment executives say they are “very” or “extremely” well-placed to compete moving forward, and another 22% say they are “somewhat” well-placed. Just 12% of utility companies say they are not well-placed to compete. As utility companies continue investing in digitized payments platforms, they must regularly monitor their competitive standing to ensure that these platforms achieve the expected goals set by the company.

05

Seventy-three percent of utility company billing and payment executives are investing or planning to invest in select digital payments features that they expect will position them for future success.

Twenty-one percent of utility companies are currently making investments in their digital billing systems, and 16% plan to make investments in the next 12 months. Another 36% say they plan to invest but do not expect to carry out these plans for another year. These investments will enable companies to deliver on the areas consumers say are their top priorities, including a wider range of payment options, faster billing processes and real-time payments.

GETTING TO THE NEXT STAGE OF PROGRESS WITH PAYMENTS DIGITIZATION

The utilities industry has been digitizing payments processes for many years. When the pandemic hit in early 2020, the pace accelerated as companies pursued the gains in efficiency and the lower costs available through digitization.

Utility companies already digitally send 76% of their bills each month, indicating broad usage of digital platforms. Still, these companies have an opportunity to convert more customers to digitized payments. In doing so, they can achieve even greater efficiencies and higher levels of customer satisfaction.

Utility companies use several methods to enable digital bill payment. Ninety-three percent of these companies make digital bills available through online accounts, and 85% use emails to deliver digital bills to customers. In addition, 47% send customers digital bills with the option of paying them by mailing a check, and 10% send digital bills via short message service (SMS) text. Forward-thinking utilities should also make the investments in their platforms that will let them capture a larger share of the mobile-first, digital-native consumer who wants to receive, view and pay bills via digital apps like mobile wallets.

Continuing to drive efficiency improvements means utility companies will have to keep investing in these payment options and better digital customer experiences to boost usage of the platforms.

FIGURE 1A:
How billing executives see digitization's future

Share of executives citing the importance of improving current digital billing and payment capabilities

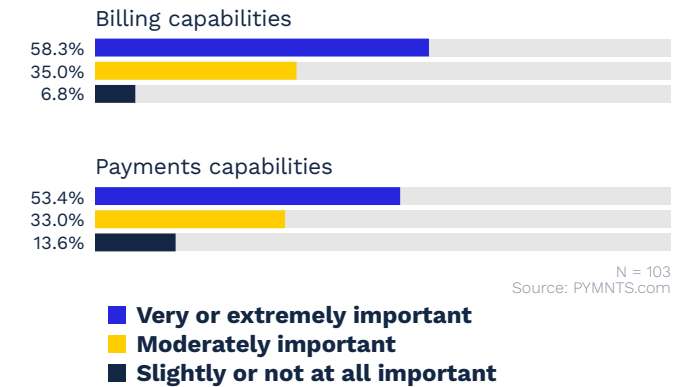
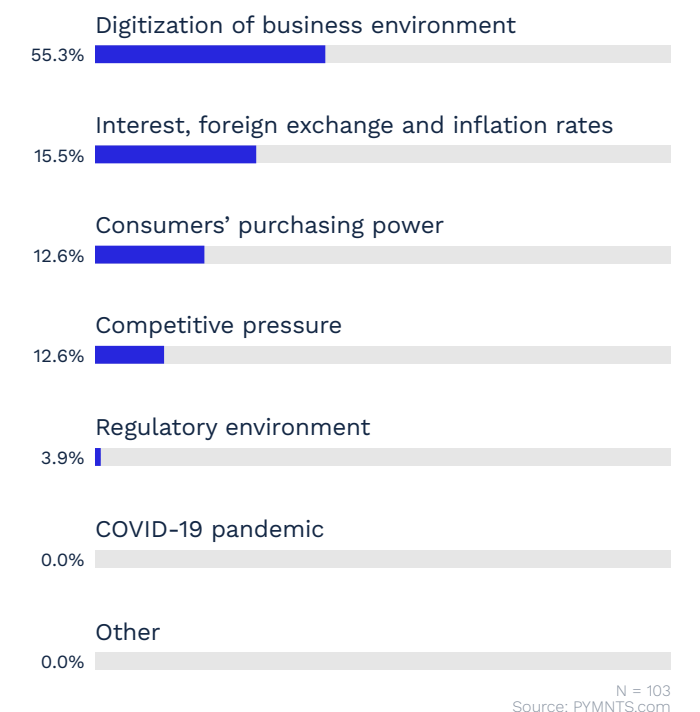


FIGURE 1B:
How billing executives see digitization's future

Share of utility companies that cite select factors as important to the industry's growth



A FASTER, MORE EFFICIENT WAY OF BILLING CUSTOMERS

Utility companies that invest in digitizing their payments processes can reap benefits such as faster bill collection and greater efficiency. Eighty-six percent of billing and collection executives say that digitizing processes will speed up the meter to cash cycle, and 82% count on this digitization to make them more effective in targeting bill collection.

Other expected benefits of digitization include improved operational efficiency, which 91% of billing executives cited, and an increase in the customer base, which 87% cited.

Billing and collection executives at utility companies also worry about the challenges they face in their digitization efforts. Seventy-one percent of these executives are unsure if their firms have the technology necessary to carry out digitization efforts. Fifty-seven percent of billing and collection executives worry their employees may not have the required technical skills to implement digitized payments platforms.



86%

OF BILLING AND COLLECTION EXECUTIVES SAY THAT DIGITIZING PROCESSES WILL SPEED UP THE METER-TO-CASH CYCLE

TABLE 1:
What customers want from bill payment systems

Share of billers listing select benefits of billing and payments digitization

■ Highest percentage, by column

	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 targeted 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%

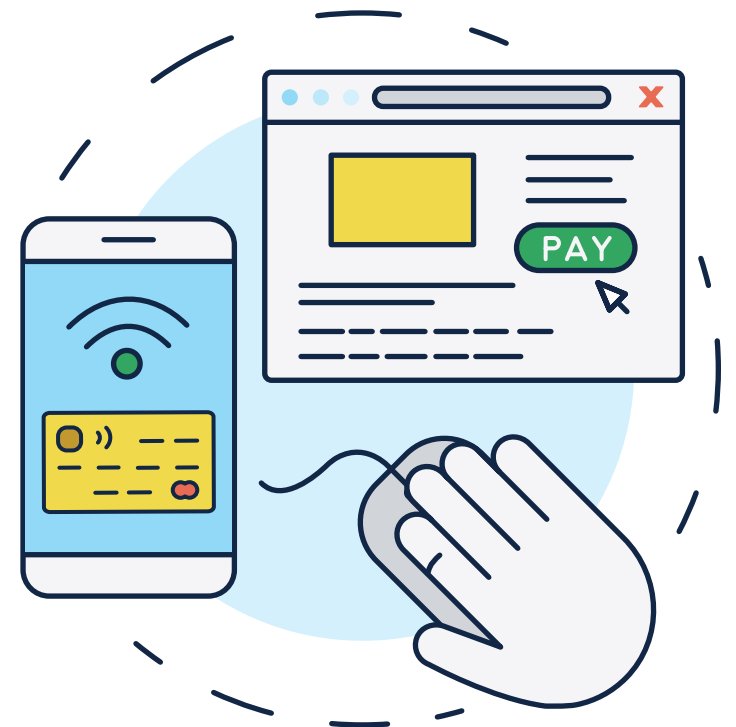
N = 207 (includes responses from utilities and consumer finance companies)
Source: PYMNTS.com

FIGURE 2:
The challenges blocking billers' progress

Share of billers citing select factors that inhibit continued innovation in billing and payments digitization



N = 207 (includes responses from utilities and consumer finance companies)
Source: PYMNTS.com



MATCHING UTILITIES' STRENGTHS AND CUSTOMER EXPECTATIONS

Ninety-two percent of utility company billing and payment executives say customers are “very” or “extremely” interested in having multiple options to pay their bills, and 61% of these executives think offering multiple payment options to customers is one of their strengths.

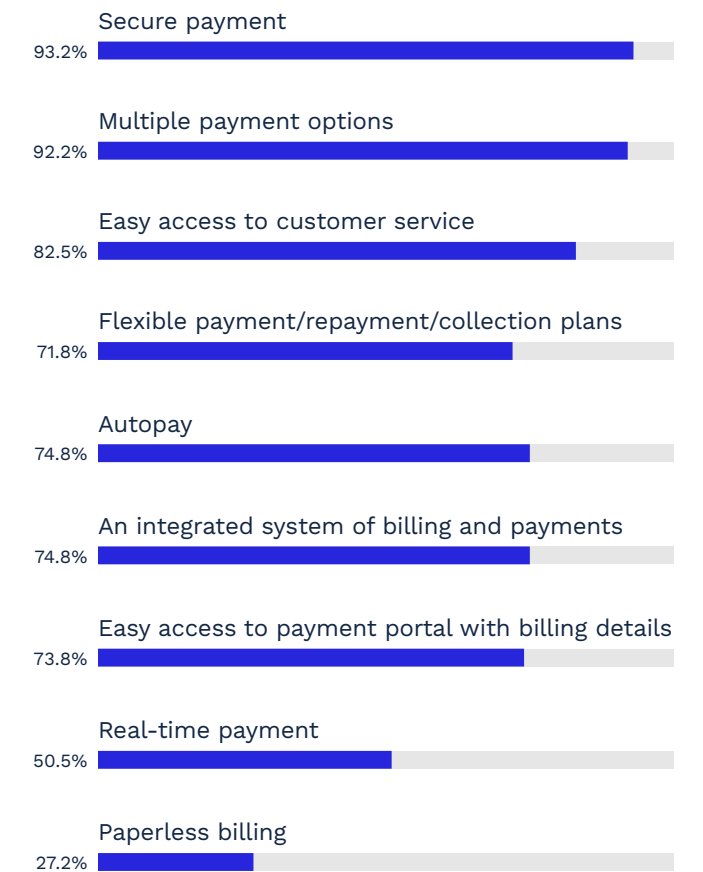
Our data draws attention to the benefits available for utility companies to improve customer ties and operating efficiency as they enhance their digitized bill payment capabilities.

PYMNTS’ research also reveals the challenges utility company billing and payments executives need to address to improve efficiency and customer satisfaction. Twenty-three percent of the executives say an insufficient number of payment options is the most significant problem customers face, and 20% say digital payment options that work poorly are the most significant problem customers face.

Real-time payments are the one area where there is a glaring disparity between executives’ understanding of customers’ preferences and how well their organization can satisfy them. Fifty percent of billing and payment executives say customers are “very” or “extremely” interested in the ability to make real-time payments. Eighty-four percent of the executives surveyed say their companies do not offer real-time payments. Just 8% say this feature is one of their strengths.

FIGURE 3A:
Assessing where utilities’ strengths match customer demands

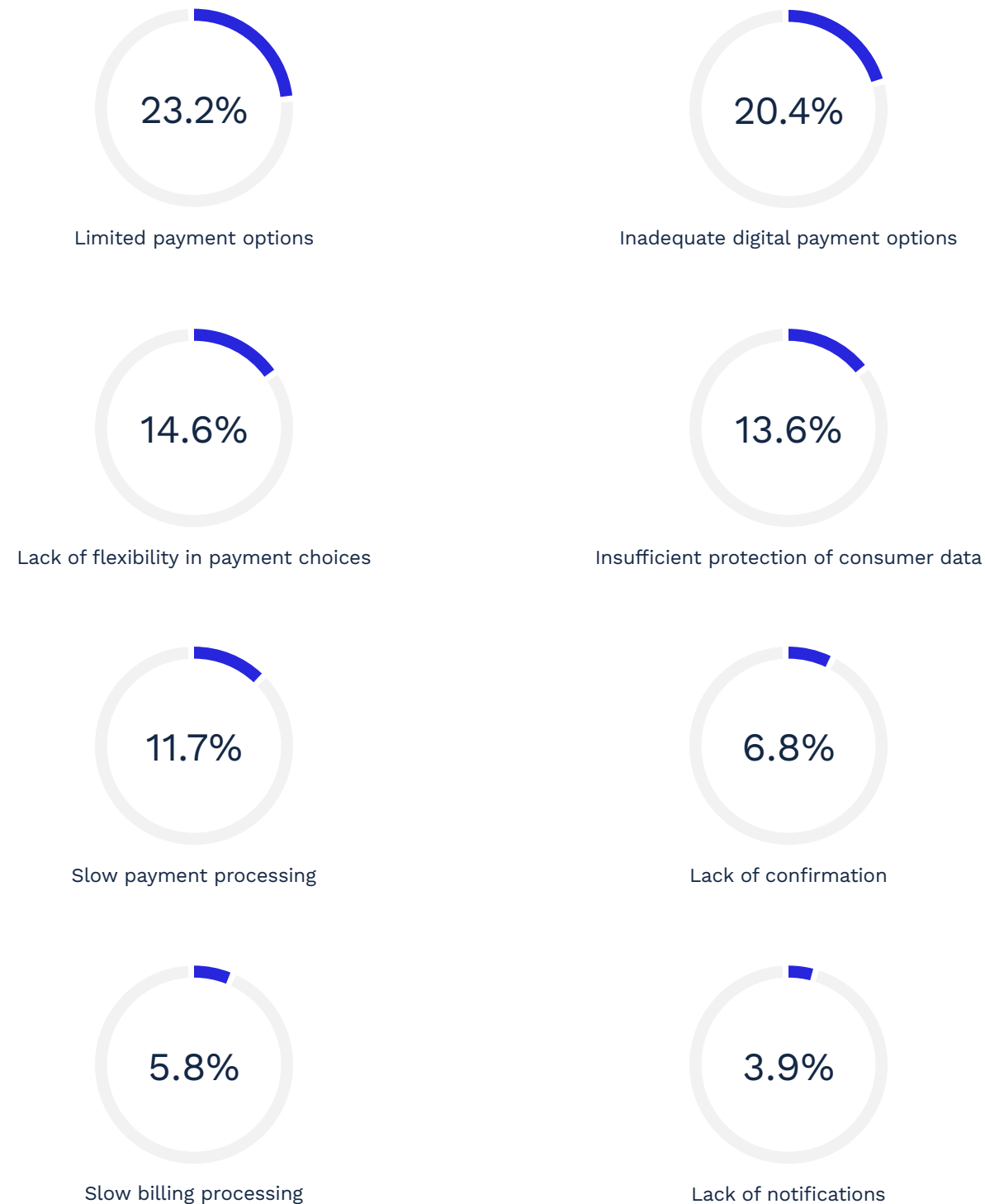
Utility billers who perceive their customers as “very” or “extremely” interested in select digital capabilities



N = 103
Source: PYMNTS.com

FIGURE 3B:
Assessing where utility companies' strengths match customer demands

Most important billing or payment problem customers encounter, according to billers



N = 103
Source: PYMNTS.com

TABLE 2:
Assessing utility companies' digital capabilities

Billers who perceive they are strong or weak in select digital capabilities

■ Highest percentage, by column

	STRONG AREA	NEITHER STRONG NOR WEAK	WEAK AREA	WE DO NOT PROVIDE THIS CAPABILITY
• Secure payment	99.0%	1.0%	0.0%	0.0%
• Easy access to customer service	94.2%	5.8%	0.0%	0.0%
• Easy access payment portal with billing details	78.6%	20.4%	1.0%	0.0%
• Autopay	79.6%	9.7%	1.0%	9.7%
• An integrated system of billing and payments	71.8%	26.2%	1.9%	0.0%
• Flexible payment/repayment/collection plans	62.1%	35.0%	0.0%	2.9%
• Multiple payment options	61.2%	28.2%	10.7%	0.0%
• Paperless billing	34.0%	32.0%	3.9%	30.1%
• Real-time payment	7.6%	7.9%	0.7%	83.9%

N = 103
Source: PYMNTS.com

DIGITIZATION'S IMPACT ON UTILITIES' COMPETITIVE POSITION

Larger utility companies are more likely than smaller companies to see themselves as well-placed to compete and well-situated for the digital payments revolution. Ninety-four percent of companies with more than \$1 billion in annual sales say they are “very” or “extremely” well-placed to compete. Another 5.7% of these companies say they are “somewhat” well-placed.

The progress these companies have made with digitized payments platforms demonstrates the existing opportunity for other companies that have not yet invested in digitized billing and payment platforms — as long as they become willing to invest in these platforms.

Larger companies are also more likely to digitally send bills to customers, as 87% of the bills sent by companies with more than \$1 billion in annual sales are in a digital format. Companies with \$500 million to \$1 billion in annual revenue digitally send 78% of their customer bills.

FIGURE 4A:
Digitizing payments platforms to stay competitive

How companies perceive their ability to compete

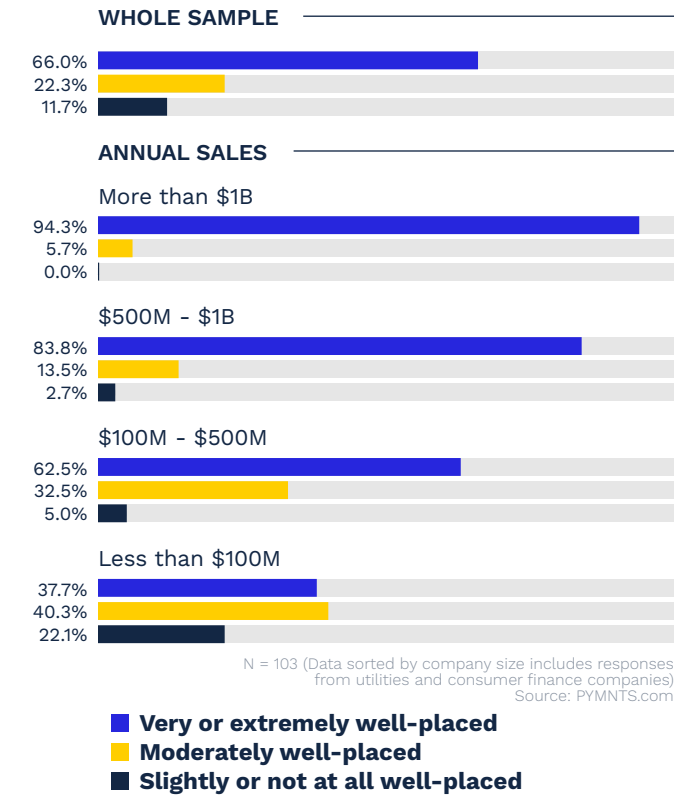
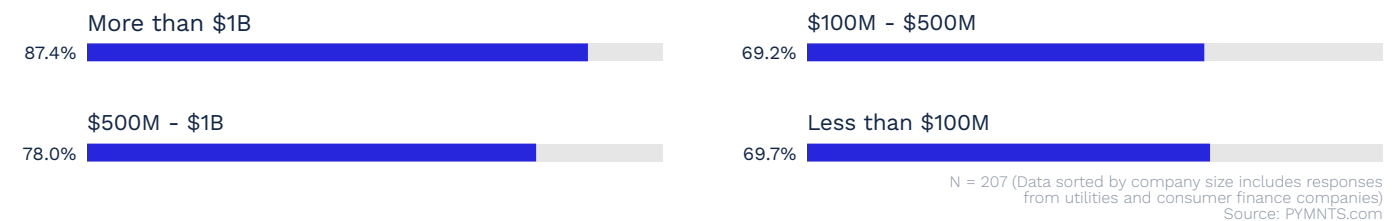


FIGURE 4B:
Digitizing payments platforms to stay competitive

Share of bills digitally sent to customers each month, by firm size

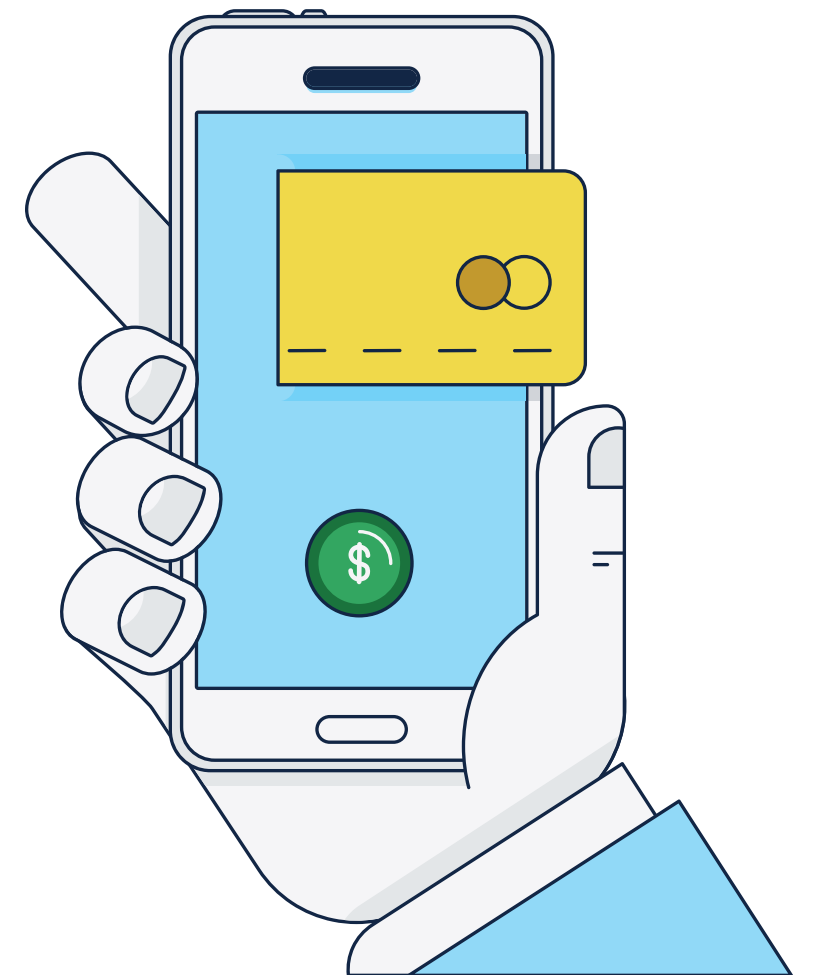


WHAT UTILITY COMPANIES WANT FROM DIGITIZATION

Companies investing in digitized platforms will soon be in a stronger position to set themselves apart from their competition. Seventy-three percent of utility companies are investing or planning to invest in digitized payments processes. The most sophisticated digitized platforms let utilities communicate with customers through multiple channels, including online channels and mobile apps. Utilities can reach customers with information about new services, new offers and service disruptions.

A sizable share of companies has not committed financial resources to digitization, however, and they may find themselves at risk of falling behind their competition. Some 6.8% of utility companies say they are unsure about investing in digitized platforms, while 20% ruled out making the necessary investments.

Utility companies committed to digitized billing and payments processes have a long list of investment priorities that they believe will best position them for growth. An expansion of the range of payment options available to customers,



which 17% of utility companies are investing in, is the most frequently cited area where investments are currently underway. Some utilities are investing in upgrades that let customers make payments with digital apps like Apple Pay, Google Pay and PayPal. Eleven percent of companies are improving real-time payment options, and 18% have targeted real-time payments as an area for investment.

Other areas targeted for investment include the protection of consumer data and speedier billing processes. Eleven percent of utility companies are making investments to protect customer data, and 13% are investing in speeding up the billing process.

FIGURE 5A:
Where investments in digitized payments platforms are being made

Share of utility companies investing, planning to invest or not investing in digitized payments platforms

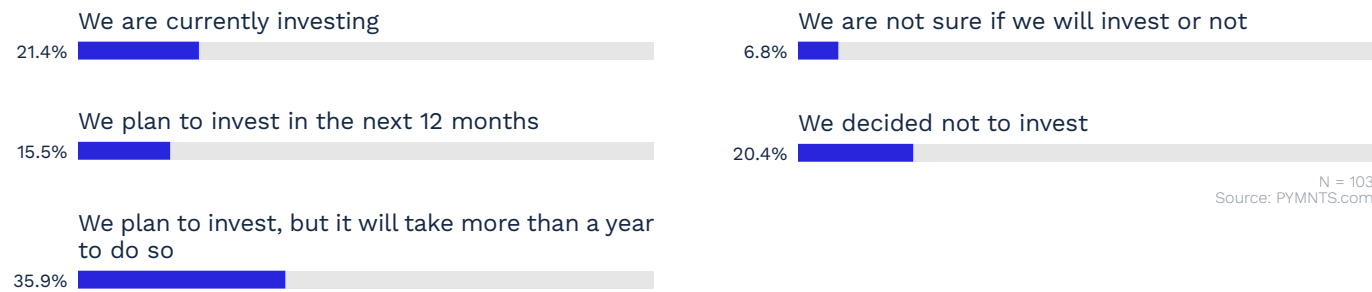
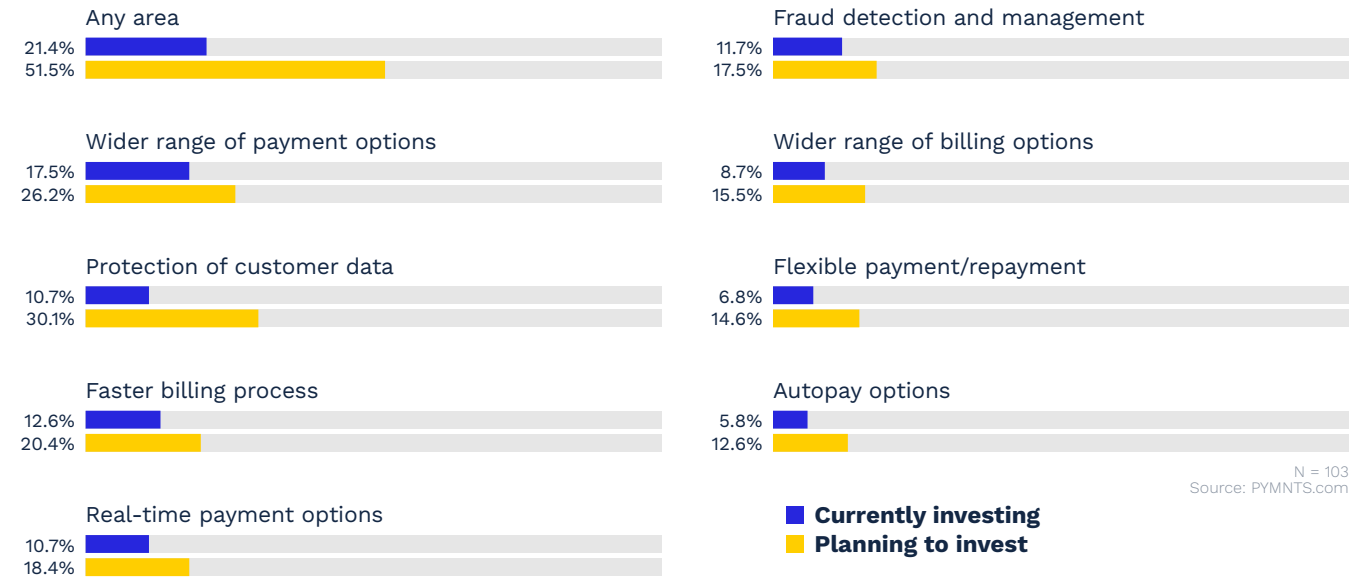


FIGURE 5B:
Where investments in digitized payment platforms are being made

Share of utility companies investing or planning to invest in select billing and payment functions



CONCLUSION

Utilities have spent years developing and investing in digitized bill payment systems. These systems offer proof of the gains in efficiency and improved customer service they provide for the companies that implement them. Utility companies that successfully leverage their digitized platforms to continue improving billing processes will better position themselves to meet customer expectations, boost loyalty and enhance their competitive positions. These outcomes will also be increasingly important as the energy and utility sectors will inevitably undergo a more rapid evolution in the coming decades.



METHODOLOGY

The Digital Payments Edge: How Utility Companies Can Succeed In The Digital Payments Revolution, a PYMNTS and ACI Worldwide collaboration, is based on a survey of 103 utility company billing and payments executives that send more than 30,000 customer bills each month. The survey was conducted from Oct. 26, 2021, through Nov. 19, 2021. Thirty-one percent of the respondents were from companies with more than \$1 billion in annual sales, 17% were from companies with \$500 million to \$1 billion in sales and 25% were from firms with \$100 million to \$500 million in sales. Twenty-six percent of the surveyed businesses had less than \$100 million in annual sales.

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