



Getting in the mobile game

Billing and payment trends and best practices



Executive summary

The mobile revolution is taking off. Consumers are increasingly using their mobile device to manage their lives on a daily basis, creating a dependency on the capabilities the mobile channel provides to them. Accordingly, consumers also expect to be able to pay their bills from their mobile devices – anytime, anywhere – with nothing less than a stellar experience. Billers, defined as companies who issue bills, must provide a full mobile bill pay suite that allows consumers to interact in the method they prefer, whether it be via an app, SMS text or mobile browser, and ensure all are integrated to prevent consumer frustration. A comprehensive and seamless mobile bill payment experience will significantly increase consumer satisfaction and the adoption of paperless billing, as well as deepen relationships for billers.

Your consumers are mobile, are you?

Executive summary

Consumers expect mobile options from the companies with whom they interact. The situation is similar to several years ago when companies realized that if they were serious about consumer satisfaction, they needed a website. Today, most companies realize they need to offer the mobile interaction the consumer demands. 18% of consumers use mobile bill pay today for at least one of their bills, and an additional 24% are interested¹.

Many billers have already responded by offering mobile bill pay. A recent survey of 57 billers found that 25% offer mobile billing or payment today, with an additional 65% interested in offering². Billers recognize the consumer's demand for many forms of mobile interaction. In fact, half of all billers surveyed have current plans to offer three forms of mobile bill pay by mid-2014: app, text (sometimes called short message service or SMS) and mobile browser³.

A comprehensive and seamless mobile bill pay system can impress consumers, slash costs and deepen consumer relationships. To impress the consumer, paying a bill must be easy regardless of which type of mobile interaction they choose. Consumer adoption is also dependent on gaining consumer confidence in using mobile bill pay. Consumers must feel assured that they will be reminded to pay their bill, and can then view their bill electronically with ease. Without this trust, consumers will not suppress paper bills, and as a result, prevent companies from being able to slash their bill printing and postage costs. Therefore, a mobile bill pay system must include alerts that the bill is available, full detailed bill presentment, easy ways to turn off the paper bill, payment confirmations and, if necessary, a reminder on the due date.

Consumers take their mobile phones with them everywhere, and this growing dependency makes the mobile phone an ideal place for consumers to conduct service interactions and receive cross-sell messages to add new services and products or participate in new programs. Deploying mobile bill pay today lays a foundation upon which companies can build even richer consumer relationships.

Attempting to develop mobile capabilities in house is perilous. Banks, which began to offer mobile capabilities before many other industries, quickly learned how difficult it is to do mobile software development for secure financial transactions. They learned that web software development skills don't immediately translate to mobile, mobile apps require annual updates that cost just as much as the initial development and the mobile ecosystem changes faster than imaginable. As billers consider mobile billing and payment capabilities, they would be wise to explore outsourced options to lower their costs and ensure that they can move as fast as the mobile market.

1 Aite Group, Federal Reserve

2 Aite Group

3 Aite Group

Consumers expect more options

Billers can no longer afford to sit on the sidelines; they must get in the mobile game.

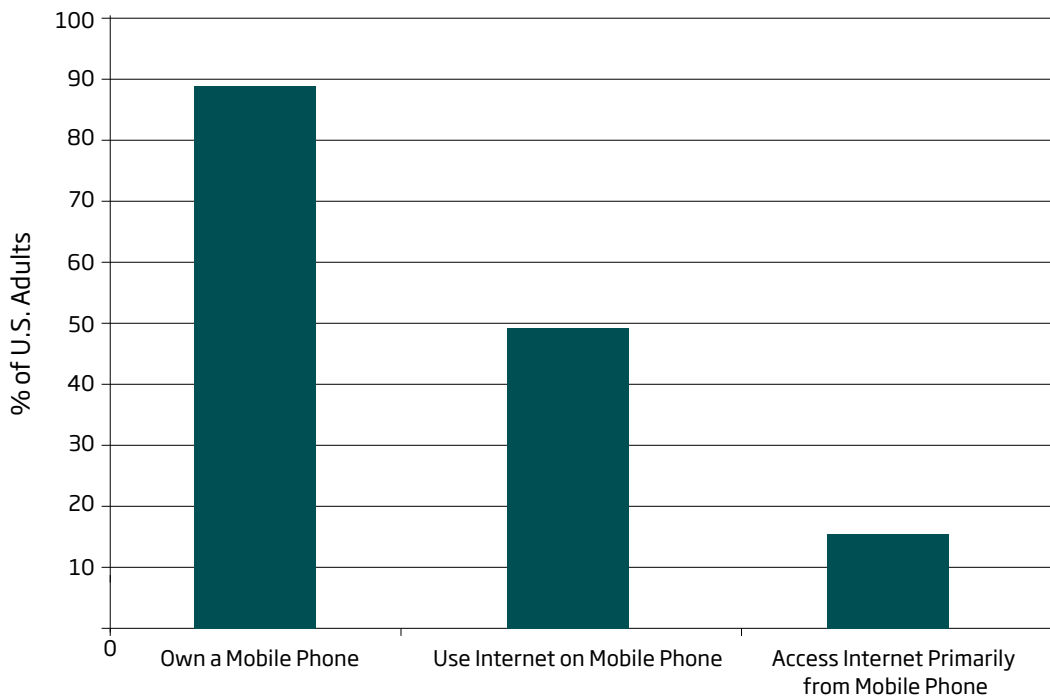
Consumers expect mobile options

A mobile way of life

With more than 500,000 apps in Apple®'s App Store and more than 300,000 apps in Android Market, there are apps for content browsing, games, music, videos and anything else one can imagine. Use of these various apps and the ease of internet browsing from mobile devices have increasingly made the mobile channel an integral part of consumers' daily lives. Rapid growth in the adoption of smartphones and increasing popularity of tablets are just a few indications that the mobile channel may soon become the dominant way consumers interact with companies – if it is not already for some consumers.

88% of Americans own a mobile phone today, and the majority of Americans now own a smartphone⁴. The number of U.S. adults who own a smartphone is expected to grow rapidly up to 138 million in 2015⁵. Due to the rapid rise of the smartphone, more than half of mobile phone owners now use their mobile phones to access the internet⁶. Over one in three of those accessing the internet from their mobile phone use their phone as their primary device for accessing the internet, more than their laptop or desktop computer⁷.

U.S. mobile phone usage



Pew Research Center

⁴ Pew Research Center, Nielsen

⁵ Javelin Strategy & Research

⁶ Pew Research Center

⁷ Pew Research Center

Mobile commerce taking off

Mobile commerce taking off

On the retail front, many of the nation's large retailers already offer mobile commerce applications for consumers to purchase goods directly from their mobile devices by securely typing in credit or debit card information. On the other hand, vendors like Boku and Mopay offer a facility for buying digital goods (such as ringtones and games) through the mobile phone and billing those charges to carriers where they will show up on the consumer's monthly phone bill.

Consumers have responded to companies offering mobile options. 34% of Americans used their mobile phone to purchase a product in 2012, up from 19% in 2011⁸. Going forward, mobile commerce in the U.S. is expected to continue to grow more than 30% per year over the next three years, reaching \$31 billion by 2015⁹.

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Not only do the choices for purchasing goods via mobile continue to grow, but how consumers complete payment transactions in general has seen advancement within the mobile channel. New technologies make the actual mobile phone a payment source for consumers through a contactless communication technology called Near-Field Communication (NFC). With NFC, the mobile phone can be waved in front of a check-out terminal to complete the payment. Google, ISIS and others introduced a new category of products referred to as the digital wallet, or mobile wallet, which digitizes all plastic cards (credit, debit, loyalty, etc.) inside the mobile phone's SIM card. With a mobile wallet buried within the phone, consumers do not have to carry their plastic cards anymore; all purchases can be paid from the mobile phone itself by selecting the digital card stored on the phone. The initial trials for mobile wallets are primarily focused on brick-and-mortar merchants.

Nevertheless, in the near future, the same mobile wallets could be leveraged to pay for things purchased via mobile commerce sites or to pay bills via mobile browsers or mobile apps. Unlike NFC-based approaches, recently vendors have introduced mobile wallets based in the cloud where payment instruments (cards, bank account) are stored rather than on the mobile device itself.

⁸ IDC Financial Insights' Consumer Payments Survey

⁹ eMarketer

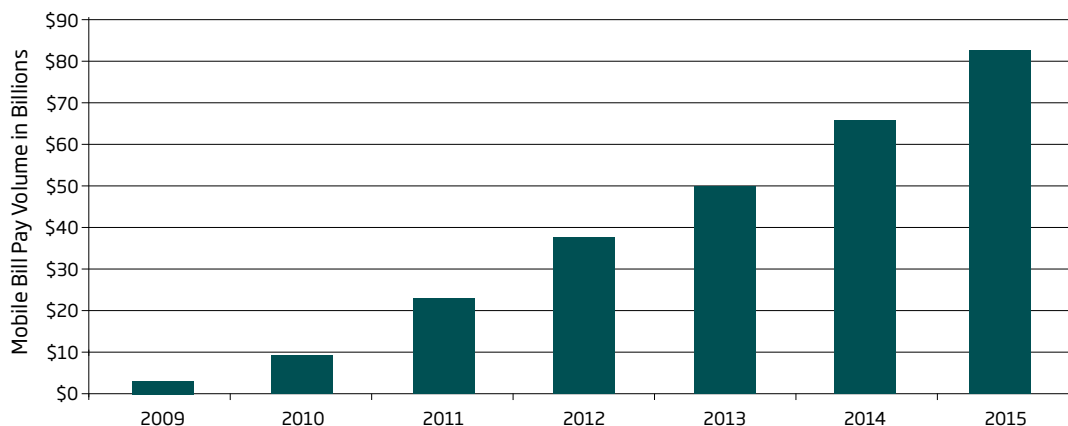
Increasing use of mobile bill pay

Increasing use of mobile bill pay

18% of U.S. consumers use mobile bill pay today, and an additional 24% are interested in mobile bill pay¹⁰. Consumers pay from their mobile phone either directly to the biller, or through mobile banking. This has led to an estimated \$37 billion of bills being paid from a mobile phone in 2012, growing to \$82 billion in 2015¹¹. Note that this excludes phone calls to a customer service representative or interactive voice response system from a mobile phone.

Mobile payment volume growing

U.S. mobile bill payments



Companies that issue bills report rapid growth in the number of consumers paying from their mobile phone.

- PG&E processed 130,000 bill payments from their iPhone® app in the first nine months after launching¹².
- AT&T reports 55% annual growth in consumers viewing their full bill from the mobile phone¹³.
- Mercedes-Benz Financial Services launched an iPhone payment app in October 2009, then a mobile browser payment option in March 2010. Mobile payments grew 70% from March 2010 to February 2011¹⁴.

Billers offer mobile bill pay today

25% of billers offer mobile billing or payment today, with an additional 65% interested in offering, according to Aite Group's survey of 57 billers. In fact, half of all billers have current plans to offer all three forms of mobile bill pay by mid-2014, to include app, text and mobile browser¹⁵. Not only are billers increasingly deploying mobile payment options, they are making it a critical initiative. For example, the top consumer experience priority of insurance companies is the mobile channel¹⁶.

¹⁰ Aite Group, Federal Reserve

¹¹ Aite Group

¹² PG&E presentation at NACHA Council MEGA Meeting

¹³ AT&T presentation at NACHA Council MEGA Meeting

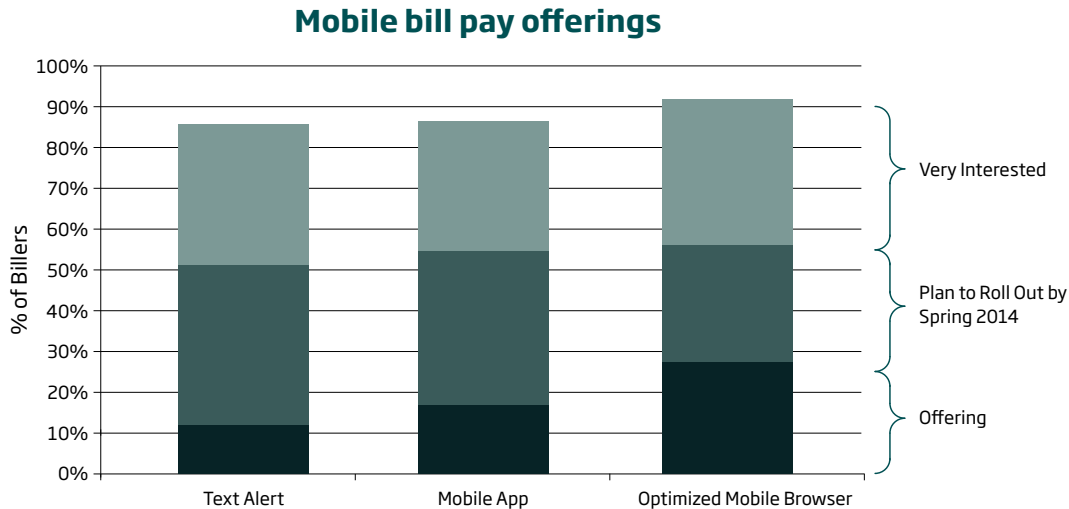
¹⁴ Mercedes-Benz presentation at NACHA Payments

¹⁵ Aite Group

¹⁶ Accenture

Increase consumer satisfaction

Billers rapidly deploying mobile bill pay



Mobile offers billers happier consumers, lower costs and deeper relationships

Increase consumer satisfaction

As the demand for mobile bill pay increases, billers must keep up with customer preferences to ensure satisfaction. 69% of consumers who pay their bills from their mobile phone do so directly to the biller¹⁷. When consumers pay their bill from their mobile phone, they could either be delighted or frustrated. Over 40% of the visitors to one biller's mobile app said they came to pay their bill; the only problem was at the time of the survey, that biller didn't offer mobile bill pay. Consumers are trying to pay their bill from their mobile phone, and if the biller doesn't offer this payment option consumers can easily become frustrated. But merely offering mobile bill pay is not enough to satisfy consumers.

Consumers are looking for a comprehensive billing and payment experience on their mobile phone. Imagine a scenario when a consumer left on a trip and forgot to pay their bill. Of course they didn't take their paper bill with them, but they did find the email reminder on their mobile phone. When they clicked the link to go to the biller website on their mobile phone they quickly became frustrated trying to navigate the website on their mobile screen. This could have been avoided if the biller had a mobile browser-optimized site. Now let's consider a second scenario, that of consumers who enroll in electronic bill reminders with a personal email address. The bill reminder could get caught as spam causing the consumer to miss the due date and incur a late fee. A text message reminder set up by the consumer for a date they select could have saved them.

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¹⁷ Aite Group, Federal Reserve

Lower costs

Lower costs

The number one billing and payment priority of billers is to reduce the paper bills they send out¹⁸. Achieving this goal delivers significant cost savings with every consumer that turns off their paper bill, saving the biller \$6 per year¹⁹. While electronic bill presentment has been offered for over 10 years, billers haven't been able to achieve meaningful paper bill suppression. At the average biller today, only 10-20% of consumers turned off their paper bill²⁰. The number one reason why consumers still receive paper bills is because they use the paper bill as a reminder to pay the bill²¹. A fully integrated mobile bill pay service could remind consumers to pay and give them enough confidence to finally turn off their paper bill. It comes as no surprise that a recent survey of 57 billers found they expect mobile will have the biggest impact on the future of paper suppression²². Mobile can move the needle on paper suppression better than any other option because consumers always have their phones with them, making it the easiest way to communicate and earn their trust.

Deepen relationships

Some billers turn to the mobile bill pay channel as a means to build better relationships with their consumers through servicing and cross-sell opportunities for products, services and programs. Billers can also leverage the low-cost mobile channel, as opposed to a call center, for consumer care communication.

For example, utilities can offer mobile service initiation, outage reporting and real-time usage data through the mobile channel. By providing proactive information to consumers about their service outage and periodic updates on the service restoration status via mobile communication, utilities will greatly strengthen consumer relationships. Utilities can enable consumers to report outages directly from their mobile device and review the status as often as they choose. Further, those with a smart metering option can empower consumers to monitor their energy use from mobile devices and, with helpful contextual tips, consumers can take timely corrective actions to save money. Mobile outage reporting surpassed web outage reporting in early 2011 at AEP showing consumers' desire to conduct service activities using the mobile channel²³. Similar consumer-care related examples can be applied to many other industries. Some examples from the insurance industry include reporting an accident by taking a picture via mobile phone, monitoring a claim status and accessing a digital insurance card from the mobile device.

The mobile phone is the easiest way to contact consumers and, as a result, an effective channel for deepening relationships. In addition to common service interactions, many companies use the mobile channel to grow their revenue through targeted mobile marketing promotions. For many industries, such as the insurance industry, the bill is their most frequent consumer touchpoint, making it ideal for delivering cross-sell messages²⁴.

Bank of America alone has 10 million consumers using their mobile channel.

Bank of America press release

¹⁸ Aite Group

¹⁹ BlueFlame Consulting

²⁰ BlueFlame Consulting, Aite Group

²¹ Javelin Strategy & Research

²² Aite Group

²³ AEP presentation at Chartwell webinar

²⁴ Forrester Research, Inc., North American Technographics Financial Services Online Benchmark Recontact Survey, Q3 2012 (US)

Lessons learned from banks

Lessons learned from mobile banking

Banks began responding to the consumer demand to conduct financial transactions from the convenience of their mobile phone before utilities, insurance companies and other billing industries. There has been rapid growth in consumer adoption of the mobile channel at banks, providing valuable lessons learned for other billers.

Lessons learned from banks

- **Consumers embrace mobile**

Companies need to show consumers that the mobile channel is secure.

Once consumers are aware and trusting of the mobile channel, consumer usage explodes.

Consumers want to interact across tablets, apps, text and mobile browser.

Mobile consumers cost less due to fewer calls to the call center²⁵.

Mobile consumers are more profitable²⁶.

- **Challenges of software development**

Mobile apps require annual updates that cost just as much as the initial development.

In-house development skills are difficult to build.

Web software development skills often don't translate into mobile skills.

Early mobile browser sites suffered from poor design; important to have optimized mobile browser design.

The mobile ecosystem changes rapidly, it's difficult to keep up.

- **The mobile leaders rise in prominence**

The mobile channel gets executive attention as a place for strategic transformation.

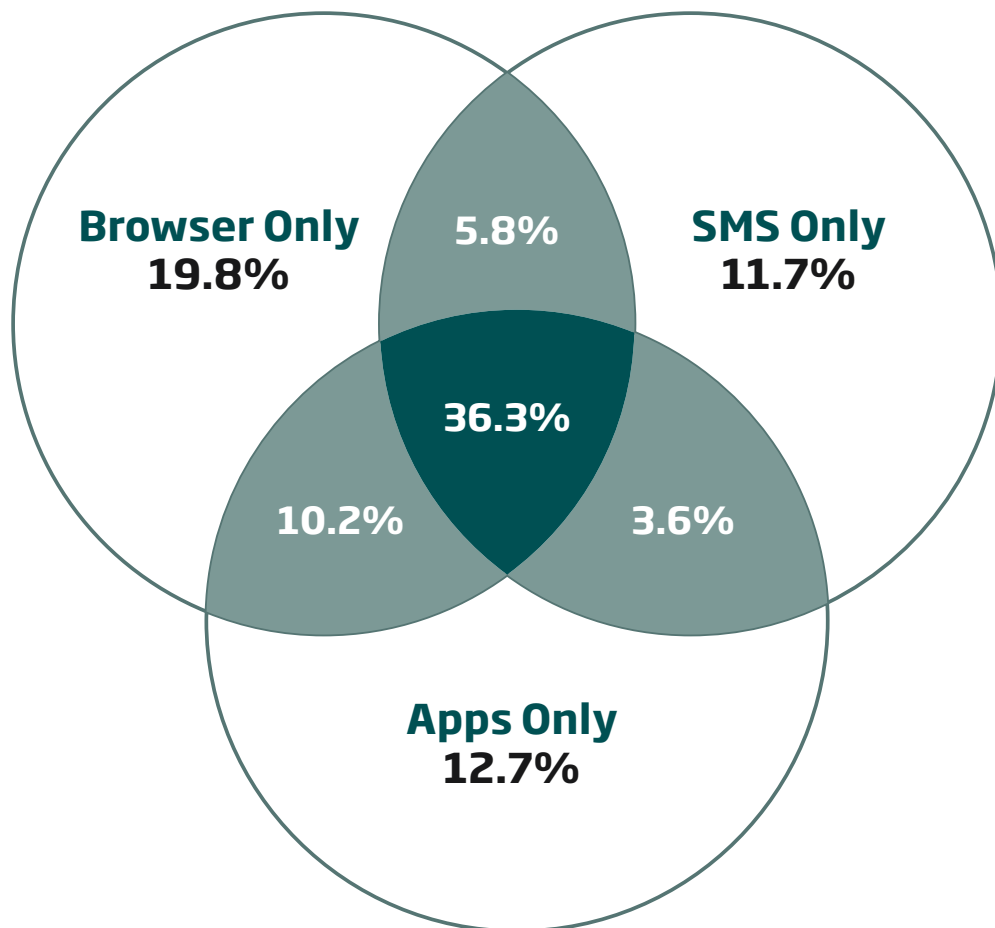
Managers who initially deploy mobile service capabilities get called into strategic discussions on how to create competitive advantages from the mobile channel.

²⁵ TowerGroup

²⁶ SunTrust & TowerGroup

How consumers access payment accounts from mobile phones

Exploring mobile banking usage data shows that most mobile consumers don't use just one mobile option for accessing their payment accounts. In fact, 36.3% of mobile consumers use all three, mobile app, text and mobile browser, to access their payment accounts - more than the 19.8% that use the mobile browser-only, and the 11.7% that use SMS-only combined. Billers must offer all three forms of mobile and make it easy for consumers to switch back and forth during the billing cycle. For example, the full billing cycle includes receiving a text alert that the bill is available, clicking a link, and then viewing the full bill and paying it from the mobile browser.



Source: comScore

Ten requirements for mobile bill pay

Ten requirements for mobile bill pay

Consumers regularly have great mobile experiences with retailers, airlines and other firms, leading them to expect a stellar mobile experience throughout the billing process. If companies offer a stellar mobile experience, they'll be able to increase consumer satisfaction, cut costs and set the stage for relationship deepening.

In order to deliver a successful mobile bill pay offering, you must have the following in place:

1. Consistent consumer experience across all payment channels, including iPhone app, Android app, text, mobile browser, web, IVR and CSR
2. Text and email notifications throughout the entire billing cycle: bill available, bill amount, payment due, payment posted confirmation and, if necessary, a reminder that the due date is today
3. Ability to view and pay bill across app, text and mobile browser
4. Text messages and emails link to full detailed bill in the mobile browser
5. Automatically recognize a mobile browser and then optimize the experience with a unique interface
6. Consumer and biller can configure timing of text and email notifications
7. One tap to stop paper bill
8. Funding accounts (tokenized) from other channels already populated in mobile bill pay
9. One biller administrative tool; posting file and deposit into bank account for all channels
10. Program for keeping up with the rapidly changing mobile ecosystem

Fulfilling these ten requirements will provide consumers a consistent and complete payment experience from their mobile phone.

Integration is essential



Integration with other payment options is essential

Integrating mobile bill pay with the rest of the payment system delivers consistent consumer experiences and efficient back-office operations. Imagine a consumer who pays their bill at the biller website from their personal computer one month, and then from their mobile phone the next. They have a better experience when their funding accounts and payment history update consistently no matter which method of payment they use. This integration also saves the biller time and resources as their call center representatives do not need to learn a new system, the IT team does not need to send an account master file to another provider and the treasury team does not need to reconcile an additional payment file each evening.

Conclusion

With many billers already offering mobile bill pay today and 50% more planning to in the future, the mobile revolution is well underway for billing and payment²⁷. Consumers want options, flexibility and ease of use in their payment channels. As consumers increasingly adopt the mobile channel to conduct their daily lives, they want their bill payment experience to be an integral part of their mobile usage. If billers want to satisfy their consumers, improve adoption of paper suppression, and successfully build an engaging channel for service and cross-selling, they must offer a comprehensive and seamless mobile bill payment experience. Given the irreversible consumer preference to pay their bills from the mobile phone, billers can no longer afford to sit on the mobile sideline.

²⁷ Aite Group



ACI Worldwide

Offices in principal cities throughout the world
www.aciworldwide.com

Americas +1 402 390 7600

Asia Pacific +65 6334 4843

Europe, Middle East, Africa +44 (0) 1923 816393

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