

E-advantages

Electronic Billing and Invoicing and Electronic Payments will soon become part of the Canadian financial landscape. Here's what they may look like

By Bill Loewen

ELECTRONIC BILL PAYMENT IS NOW AN 18-YEAR-OLD INDUSTRY in Canada and has become a widely adopted method of paying most regular monthly bills. Electronic Bill Presentment is much newer and, so far, not widely adopted by billers or accepted by customers.

Economics dictate that both electronic bill payment and electronic bill presentment will be the way of the future. The savings in postage, paper and bank charges alone justify the cost of participation by both the biller and the payer. In fact, the Gartner Group suggests in a recent study that it can cost more than US\$1.10 to produce and deliver a paper bill, but only US\$0.44 or less for an equivalent electronic bill.

Organizations that have pioneered the electronic bill presentment world have focused on one of two Web-based methodologies. In my view, a third, more efficient methodology based on e-mail makes sense. Payment of an e-mail bill can be effected with only minor changes to existing bill payment systems, is easily available to large and small businesses and provides for a reasonably secure method of direct communication between the biller and the bill payer, helping to maintain business relationships.

Such a method also results in a reduction in the ongoing overhead costs associated with Web-based systems, and so can significantly reduce the \$0.44 cost per bill to but a fraction of that amount.

A comparison of these approaches is the subject of this paper.

Electronic Bill Presentment and Payment (EBPP) describes the process of delivering bills to customers and having

them paid electronically. Generally speaking, the bills are presented as images on a website. They are accessible by the customer using a personal access code. Electronic bill presenters may be the billing company itself. Alternatively, the billing company may send its bills to an electronic bill presentment service, sometimes called a consolidator. Recipients of electronic bills also expect to be able to pay the bills electronically. That function is carried out by a bill payment service. A link from the presentment site to the payment service's site may be provided by the presenter.

Problems that are occurring with implementation of bill presentment revolve around efforts by third parties to control both the presentment and the payment process. This causes concerns ranging from initial and ongoing cost to security for both biller and bill payer, not to mention a huge degree of complexity in linking together many disparate, different systems.

An alternative methodology involves e-mail presentment by the biller directly to an e-mail address specified by the bill payer. This method is relatively simple to implement and involves virtually no ongoing costs on the biller's part.

All the biller has to do is obtain the

e-mail address from the bill payer and incorporate it into its bill printing process. Software that will distribute forms by e-mail is available off the shelf. There are no serious security concerns, password access systems or history maintenance requirements.

Instinctively we know that electronic presentation of bills and invoices should be far less expensive than sending paper documents by mail. If payment can also be made electronically, the ultimate in efficiency and convenience can be achieved.

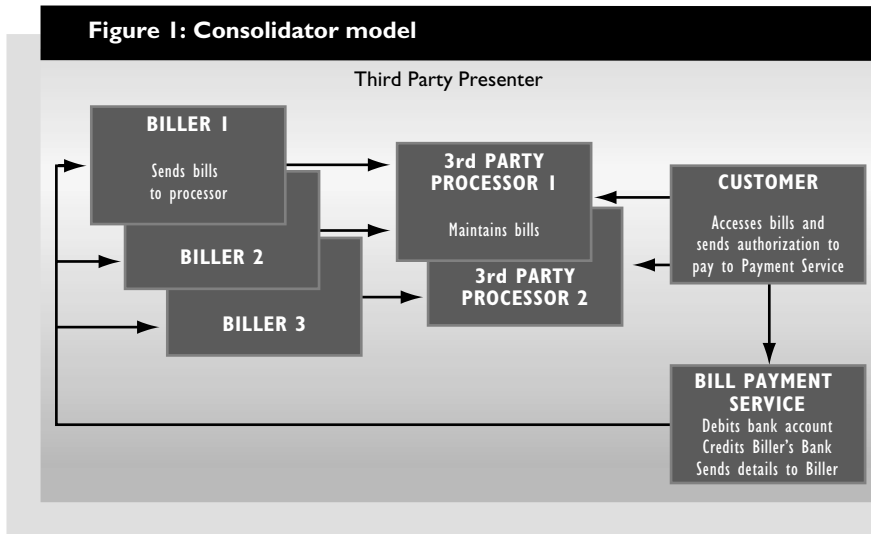
Problems have arisen with adoption of the concept – by biller and customers – because of the complexity and costs of various offerings. The basic problem has been the attempt to tie too tightly the presentment and the payment processes into one system. This introduces complexity into the solution and requires a third party processor, along with all the inherent costs, security issues and system complexity that this entails.

Accounting systems used by many small companies permit them to e-mail their bills. There is no third party involved. Security issues diminish. The biller does not need to maintain the outstanding file, history file or access controls. That is all managed from the customer's own e-mail system. For customers who prefer a fax to e-mail, that option is offered too.

Recognizing this, TelPay is adapting its e-payment software and systems for businesses and individuals to provide similar efficiencies.

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Figure 1: Consolidator model



Here are the options billers and customers have for participating in the emerging EBPP world. Our choice is the third one, but we need to understand the alternatives as well.

1. Consolidator Model (Figure 1) – Third Party Presenter – such as E-Post or E-Route (now WebDox)

Advantages:

1. Provides a significant reduction in costs of paper systems.
2. May be effectively implemented when billing is outsourced and the service provider has built-in presentment capabilities.

Disadvantages:

1. Biller must modify internal systems to submit bills to a third party.
2. Biller must solicit permission to send bills to third party (or third party may do this).
3. Third party must maintain access control (access number and password).
4. Third party must maintain complex system for displaying unpaid bills and payment history.
5. Customer must be familiar with third party system.
6. Customer can only pay the bills presented through that third party. Other bills may have to be accessed through other third parties or the billers' own presentment sites.
7. Initial and ongoing costs are very significant.
8. Customer must use a bill payment service linked to the financial institution participating with the third party.
9. Biller loses ownership of its customer.

2. Biller Direct Model (Figure 2) – Biller maintains a presentment site for its bills only

Advantages:

1. Biller retains control of its contact with customers.
2. Costs likely lower than consolidator model.

Disadvantages:

1. Customer must access that site for payment of that bill only. Probably requires an access number and password to gain access to each site.
2. Costs of building and maintaining such a site are significant.
3. A fairly complex system of maintaining unpaid and paid bills, as well as identification information, is required.
4. Customers have to navigate from biller site to biller site to see all bills.
5. There may not be a link between the bill presentment site and the bill payment service of the customer.
6. Promotion costs to publicize this one site for one biller will be high.

3. E-Mailed Bills (Figure 3) – Biller e-mails Customer – Biller solicits e-mail addresses from customers who want to be billed in this manner; maintains a file of those addresses and modifies bill printing process to send e-mails where requested.

Advantages:

1. On-going costs of operation are virtually nil.
2. Bills are grouped in one e-mail address rather than a number of web sites.
3. No third-party handling of customer information.

4. Acceptable to virtually all customers – business and individual.
5. System is already available to users of some accounting packages for smaller businesses.
6. System changes not too significant.
7. No presentment system or access controls to be maintained.
8. Independent of payment system used (though payment service providers may want to modify their system to link the customer's e-mails and payment process).
9. Will likely be the approach chosen by most billers. It is already available to users of Quickbooks, Accpac and a number of other popular accounting systems, who can e-mail bills now. While the EBPP focus has been on large billers, the presentment capability is already available to small firms at very low cost.

Disadvantages:

1. E-mailed bills may not be presented in a manner that enhances the company's image.

Another important consideration when looking at these three models is that many of the EBPP efforts to date have been aimed at the consumer marketplace, i.e. utility, telephone, credit card and other bills. There has been little effort to build systems to streamline the presentment and payment of bills to business organizations, and yet the potential cost savings could indeed be much higher than that within the consumer marketplace.

And given the complexity of the first two approaches, an e-mail based EBPP might make the greatest sense for business billing systems. Bills can, of course, be e-mailed to any business by any biller. However, receiving the bill in that manner is only of marginal interest to the recipient if there is no way to pay it electronically. Otherwise, the payer might as well receive it in the regular mail. That is why we have developed our electronic payment software (Business Connect) specifically designed to link together the e-mail bill presentment and payment function.

For many bills and invoices and for very small businesses, this will be sufficient. But some businesses will need a method for routing invoices through the office for checking and approval.

Interestingly, the e-mail approach almost exactly duplicates the process of distributing bills and invoices to customers using ordinary mail. In fact, larger businesses still need someone to open the e-mail files and distribute

Figure 2: Biller direct model

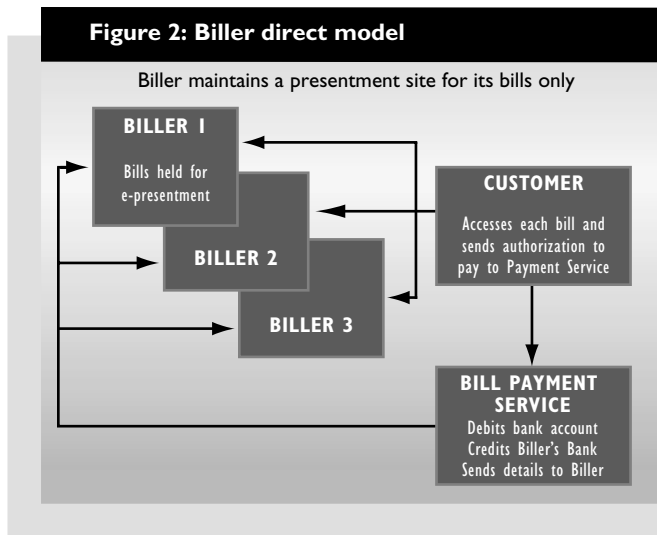
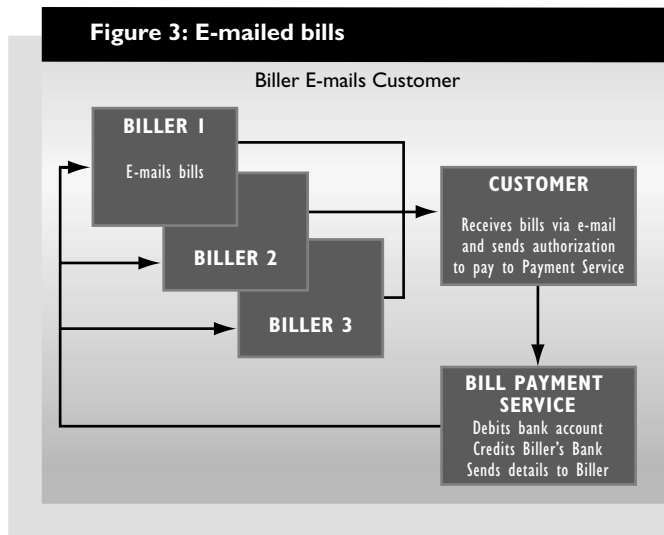


Figure 3: E-mailed bills



them to the proper locations – just like ordinary letters.

Governments, meanwhile, currently use paper, printers, envelopes, and the mail system to notify constituents of monies owed to the government. E-mailing can eliminate those costs. Payment systems link to the e-mailed documents so the recipient can conveniently effect the payment requested. Any payments submitted electronically are sent with extensive payment details as well as any additional information that is required from the constituent. The entire process allows for a fast, cost-effective, environmentally friendly solution that benefits both the constituents and the government.

Many documents mailed by the government go to businesses. Enabling response by electronic payment would significantly increase the acceptance of e-mailed documents, a problem that has plagued other EBPP systems.

Savings are realized in the following areas:

- postage and mail assembly costs eliminated for government and constituents;
- vast volumes of paper and printing costs saved;
- government notifications received instantly by constituents;
- cheque processing and clearing costs reduced as payments are consolidated;
- days shaved off the time it takes to receive a payment (in your bank account the next business day).

Automated processing of payments is now possible because the payment details arrive in computer-readable form and virtually eliminate your existing payment processing costs.

Implementing this type of technology would assist governments in demonstrating that they are taking bold steps forward to further e-government initiatives as well as demonstrating tangible efforts to operate in the most cost-effective manner possible. With Canada's track record of high-technology adoption, a significant percentage of constituents would likely take advantage of this type of service for their tax remittances and other government payments. This would lead to annual savings of cash and resources to the remitters as well as the government.

Under this proposed system, presentment consists of obtaining an e-mail address from your document recipients and modifying the printing operations to allow for e-mailing documents to those requesting to be served in this manner. Communication is directly with the recipient. There is no third party involved, so security concerns are reduced. Since the biller is initiating the transmission, there is no need to establish user IDs and passwords. The recipient is responsible for control of its own e-mails. The recipient should be asked to establish a separate e-mail address for this type of document. This makes it more convenient when dealing with payment of a number of bills.

For the payment requirement, users can view e-mails while they are paying their bills. The payment information can be copied to the payment screen or the bill can contain a "Pay-Now" button in which case the payment details can be automatically transferred to the bill-payment screen. Once payment is effected, the e-mail can be automatically removed to the deleted file, which then becomes the payer's file of paid bills.

The presented bills do not have to be paid using a single provider's services. Other financial institutions could adapt their systems to view the bills. Customers could also still pay by cheque. Obviously, though, it would be in the biller's interest to receive the payments electronically to further enhance the processing savings.

It should be noted that the process described does not have to involve only documents that require a payment with the response. Input from questionnaires or other documents could also be returned by this system.

Our services are normally paid by the payer. The savings for the payer are just as significant as they are for the biller. However, some billers are paying the fees as an inducement for acceptance of electronic billing. Clearly it is very much to the biller's advantage to be able to send documents by e-mail at virtually no cost and then to be able to accept the payment and payment details in machine-readable form, again at virtually no cost.

It is because of the clear savings and efficiencies of our system that we believe electronic presentment and payment is the way of the future. Governments, their constituents (and TelPay as it happens) are in a most favourable position to be the leaders in Canada in electronic document presentment and payment. The cost to establish such a leadership position is surprisingly small and the savings large.

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