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Market Intelligence Strategy Centre

Cyber Bills break the ½ billion bills barrier as 27% of Billers embrace virtual bill presentment options

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Cyber Bills break the ½ billion bills barrier as 27% of Billers embrace virtual bill presentment options

Australian consumers have now become more and more familiar and comfortable with virtual banking capabilities, whether it is payment via EFTPOS, over the phone, direct debit or via the Internet. So comfortable that they made virtual Bill Payments over ½ billion times last year says MISC (Market Intelligence Strategy Centre), and are now even accepting the bills in paperless form i.e. a fully electronically delivered bill together with a fully electronic payment option. This is the first time since the MISC regular survey of the Electronic Bill Presentment and Payment (EBPP) market (the survey began in 1999) that virtual Bill Payments have reached this ½ billion threshold, and MISC says that the extension to paperless delivery and receipt of bills has greatly impacted on this change.

Table 1: The Virtual Bill Payment and Presentment market

Growth rate...	25%
Bill Presentment adoption & Electronic Payment Options......................................	27% of Billers offer
Bill Presentment Industry Leaders	1: Telecommunication 2: Electricity

Source: MISC (Market Intelligence Strategy Centre) Quarterly Electronic Banking Bill Payment and Presentment Biller Survey

MISC says that the breakthrough in virtual bill acceptance comes on the heels of such major presentment developments. These have now given rise to the first stages of fully automated Bill Receipt and Bill Payment following the episodes in the latter half of 2002 of some of Australia's largest billers who took the ultimate automation step to provide their customers with paperless bills as well. The MISC research, which regularly reports on the market share of 60% of Australian billers across their presentment and payment activity, finds that among major biller groups, more than 27% of most large billers now offer consumers this now totally paperless Bill Presentment option. In some cases, like the Telecommunication industry, most offer this extended capability. Australian consumers, it seems, are embracing not only the virtual world of Bill Payment, but also the virtual world of Bill Receipt. These virtual forms of Bill Presentment (Bill Payment and Receipt) now include anything from a PDF version of a bill presented via the internet to more sophisticated aggregation systems which aggregate bills from different billers, and even SMS and email notification systems to remind you of bill due dates. Future developments even encompass analytical tools to allow consumers to better monitor and forecast bill spending (see Evolution of Online Bill Presentment diagram).

MISC says there are 3 winners in this technology development:

· Consumers;
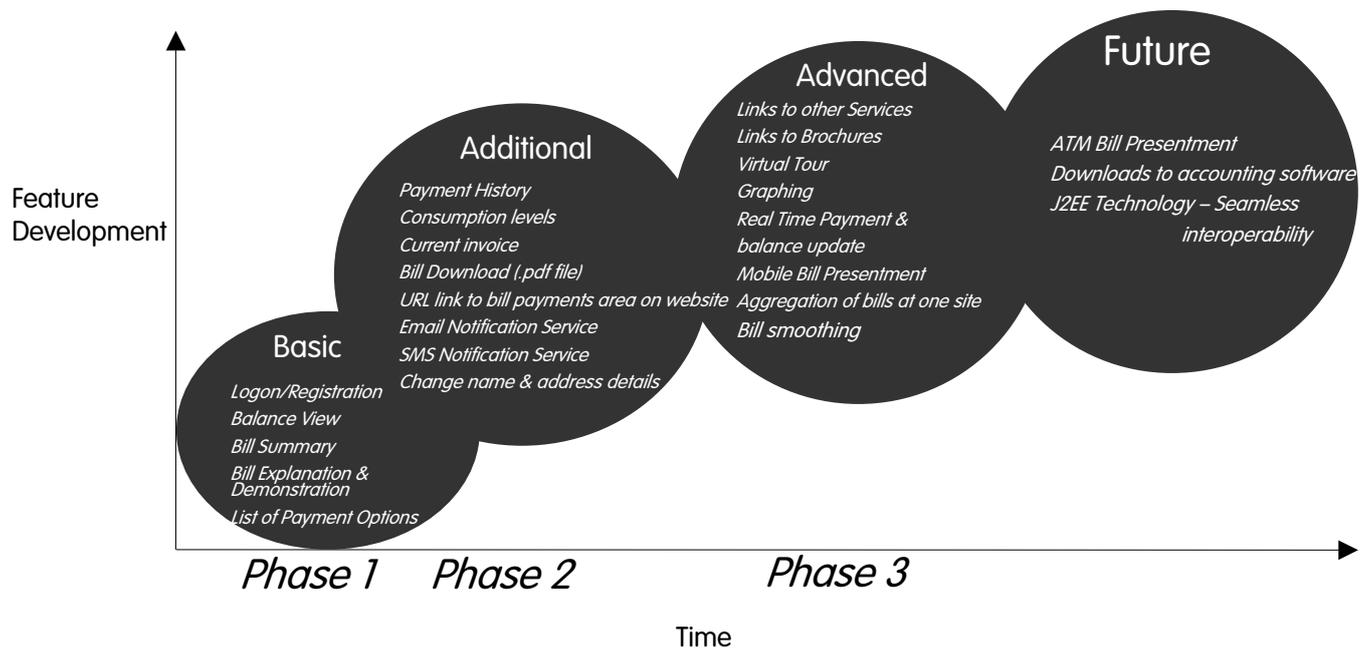· The Billers; and
· Third Parties

Consumers

Consumer's benefit. Through the newer interactive tools, they can better monitor their bill expenditures and even consolidate many bills to smooth their payment process, plan for future spending, or modify that before it occurs (see Evolution of Online Bill Presentment diagram).

The more primitive Bill Presentment capability is provided as a simple "view facility", usually in PDF or text form for the full bill but invariably assisted with Bill summary presentment. Users can usually view a summary and then the bill. Some Third Parties like Australia Post, and more sophisticated Billers with their own systems, offer XML which provides the gateway to full electronic presentment and facilitates additional services such as email and SMS notification of the bill (see Evolution of Online Bill Presentment diagram) and many advanced features like Real Time Payment and Balance Updates, URL links to separate payment areas on web sites as well as Mobile Phone Bill Presentment. Billers, like AGL, even offer its customers interactive usage graphing capabilities to assist in personal diagnostics, while Energex will provide a forecast facility for future spending based on a customer's accessible usage history. Sydney Water was among the earlier Billers to provide HTML styled Bill Presentment. While the City of Sydney is offering rate notice and account view capability. Through the models of BPAY View and/or Postbillpay, Billers like South East Water and AGL can present their bills at a consolidated site. Even single Billers like Telstra have been quick to adopt the aggregation model with their 'One Bill' facility.

However, Australia Post offers the latest in the technology's evolution. Its new Billmanager service, which was launched in South Australia last month, allows consumers to aggregate several regular accounts into one regular payment and represents the first service of its type. On the horizon, consumers can still look forward to further innovations as ATMs prove to be a Bill Presentment and Payment Facility, as mobile phone billers extend their SMS capabilities and utilize the rich imaging of 3G, or as Billers and banks provide the ultimate step through web based applications for processing billing into accounting software, in finally seamless interoperability from production through to payment.

The Evolution of Online Bill Presentment
Proprietary & Third Party Initiatives

Future
ATM Bill Presentment
Downloads to accounting software
J2EE Technology – Seamless
        interoperability

Advanced
Links to other Services
Links to Brochures
Virtual Tour
Graphing
Real Time Payment &
balance update
Mobile Bill Presentment
Aggregation of bills at one site
Bill smoothing

Additional
Payment History
Consumption levels
Current invoice
Bill Download (.pdf file)
URL link to bill payments area on website
Email Notification Service
SMS Notification Service
Change name & address details

Basic
Logon/Registration
Balance View
Bill Summary
Bill Explanation &
Demonstration
List of Payment Options

Feature Development

Phase 1   Phase 2   Phase 3

Time

The Biller

Billers are becoming more sophisticated in their processing and seek cheaper ways to transact what is a significant fixed cost without losing customer contact. They see Electronic Bill Presentment and Payment as achieving this end.

Paperless systems can save 65% on most bill transactions and for a large customer based organization like an energy authority can translate into savings of $0.25 million in one year alone, not including any fixed costs, or for a small Telco more than $1 million. In industries where regulation imposes a restriction on price increases, the savings made in Bill Payment using presentment capabilities as an adjunct can go straight to the bottom line. This is particularly attractive to those energy authorities now in a deregulated environment.

Third Parties

Third Party processors and Service Bureau seek to capture a valuable share of what is emerging as a lucrative wholesale market for providing both Bill Presentment and Bill Payment services to Billers seeking to save processing costs. Some of these groups have strength, in some cases, from the Bill Printers who are keen to secure their customers' ongoing loyalty by developing in the electronic space. Groups like QM Technologies and SecurityMail are examples of Bureau who provide the interface and background structures that support proprietary development among some billers. Examples of groups playing in this space and embracing presentment technology take up include Computershare (an early adopter of EBPP technology); Salmat, who handled South East Water's EBPP solution, was among the first Bill Service Bureau (BSB) to be BPAY certified; HPA, who is behind many proprietary systems developed by Billers such as Brisbane City Council and Sydney Water; and some of the Telcos even provide their own technologies as Bureau services.   Optus is one such example having developed its own sophisticated proprietary system. HPA implementations are XML based providing delivery of bills through HTML or PDF forms, and Salmat presents bills in other formats including HTML and PDF.
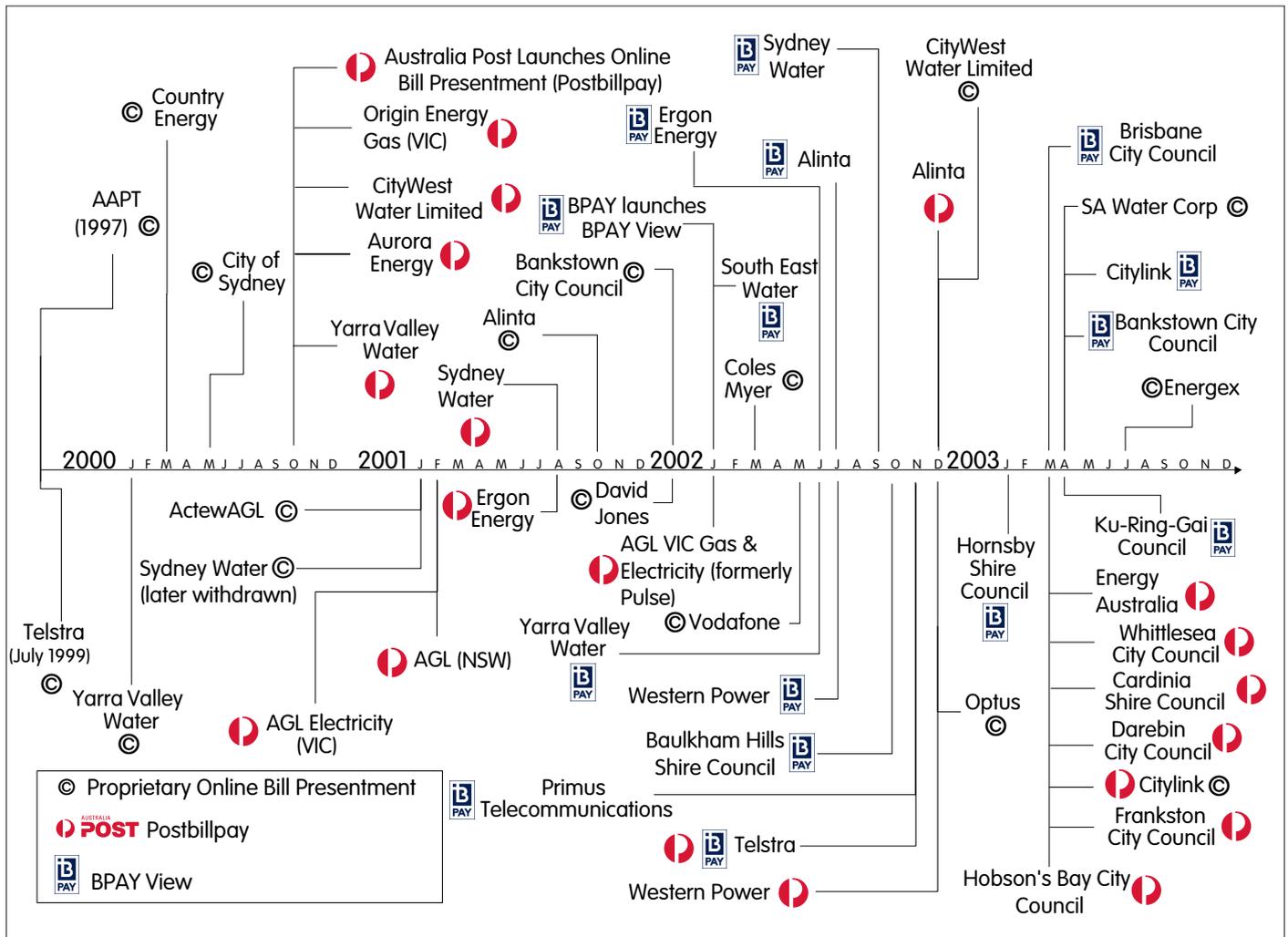
For Third Parties, with HPA riding its aggregation model to facilitate bill summary through bank sites, and Australia Post with its own developed Internet based Presentment and Payment service, a valuable share of the Biller market is at stake. Especially as a market of ½ billion electronic bill payments has already been built and holds more potential, particularly if offering additional presentment capability. At the same time, the expansion of their service to encompass presentment can help to secure existing customer bases.

History

Such new presentment initiatives date back to 1996 and 1997, with a primitive forerunner introduced by AAPT with a text form of a bill. The first text electronic bills were introduced by the major Internet Service Providers (ISPs), BigPond and Ozemail. Only a few utilities ventured into the space a year later, and it took until 2000 for Sydney Water to offer their first HTML e-bill (later withdrawn) and later adopting both BPAY and Australia Post's Postbillpay services. In October 2000, Australia Post launched its EBPP service - Postbillpay - consisting of a presentment capability that Billers were able to customise. The involvement of Computershare and Australia Post facilitated the AGL Bill Presentment service in February 2001. Computershare enabled Pulse (now AGL) to present and pay bills in January 2002. With the involvement of Post Data and Westpac, AlintaGas introduced its presentment capacity. A HTML based system was introduced by Salmat for South East Water in early 2002. Such combined impetus of the major Third Parties and Bureau assisting Billers led to recognition of the savings such a facility could provide, while maintaining their own unique customer contact. By mid 2003, Australia Post had added a host of Councils to its facility, introducing Bill Presentment to ratepayers and eventually a bill smoothing service (Billmanager).

Alternate competitive Third Party systems followed Australia Post in 2002. These were aimed at the consumer market, including BPAY View, through some (but initially not all) participating banks. It was the provision of a Bill Presentment capability through such Third Parties to organisations with large customer bases like Councils, Telco's and energy authorities, as well as the separate proprietary initiatives of several large energy billers, for all to embrace a paperless system that in 2002 saw a wider customer exposure to Electronic Bill Presentment and underpinned growing adoption of this facility.

Chronology of Selected Online Bill Presentment Services Launches
(Includes Proprietary & Third Party Systems)

Country Energy ©

Australia Post Launches Online Bill Presentment (Postbillpay)

Origin Energy Gas (VIC)

CityWest Water Limited

Aurora Energy

Yarra Valley Water

Sydney Water

AAPT (1997) ©

City of Sydney ©

Bankstown City Council ©

Alinta ©

Sydney Water (BPAY)

Ergon Energy (BPAY)

Alinta (BPAY)

South East Water (BPAY)

Coles Myer ©

BPAY launches BPAY View

CityWest Water Limited ©

Alinta

Brisbane City Council (BPAY)

SA Water Corp ©

Citylink (BPAY)

Bankstown City Council (BPAY)

© Energex

2000 J F M A M J J A S O N D 2001 J F M A M J J A S O N D 2002 J F M A M J J A S O N D 2003 J F M A M J J A S O N D

ActewAGL ©

Ergon Energy

David Jones ©

Sydney Water © (later withdrawn)

AGL VIC Gas & Electricity (formerly Pulse)

Yarra Valley Water

© Vodafone

Telstra (July 1999) ©

AGL (NSW)

Western Power (BPAY)

Hornsby Shire Council (BPAY)

Ku-Ring-Gai Council (BPAY)

Energy Australia

Yarra Valley Water ©

AGL Electricity (VIC)

Baulkham Hills Shire Council (BPAY)

Whittlesea City Council

Cardinia Shire Council

Optus ©

Darebin City Council

Primus Telecommunications (BPAY)

Telstra (Postbillpay/BPAY)

Citylink ©

Western Power (Postbillpay)

Frankston City Council

Hobson's Bay City Council

© Proprietary Online Bill Presentment

AUSTRALIA POST Postbillpay

BPAY View

Source: MISC (Market Intelligence Strategy Centre) e-banking Monitor Series

Background to research

MISC is now regularly measuring all Bill Payment & Presentment inputs in the first and only regular national survey of the entire Bill Payment market. The survey traces across all merchandise and services those regular transactions that pass though Vendors, direct (eg direct payment to Optus) and those where the transaction and payment is collected by a Third Party. MISC traces the flow of Bill Payment, and now Presentment, across 150 vendor groups and surveys the structure of more than 26 electronic and non-electronic payment options for all retail and service purchasing behaviours. This is a critical dimension lacking in market measurement, as greater variations exist in the Biller sector in the way they transact and exploit this market opportunity. This regular study provides MISC subscribers with quarterly monitors, including measures of market share by Biller sector.

The research shows that the concept of virtual money may well be just around the corner, as a significant number of consumers seem able and more than willing to manage their financial affairs in a virtual way. To do this, they must clearly place a significant degree of trust in the groups handling the transaction, says MISC. In many cases, these are not even the parties from which they have purchased the merchandise or service, eg. consumers pay their electricity bill at Australia Post or pay bills though Bank Internet sites. In some cases, they may not have been aware of the party handling the transaction facility.

Online Bill Presentment - Proprietary and Third Party Sector Significance and Selected Examples

Sector Examples	Third Party — Type of Third Party Billing Service #	Proprietary — Basic Proprietary Presentment Service *	Selected Additional Proprietary Features ^	Selected Advanced Proprietary Features ^
Telecommunications				
Telstra	BPAY View, Postbillpay	Yes	Local phone numbers listed, view calls yet to be billed, allocate calls to caller groups, combines Home, Mobile and Internet on "One Bill"	Virtual Tour, Links to Other Services
Optus	No	Yes	SMS messaging	n/a
Vodafone	No	Yes	Change address and phone number	Mobile bill presentment
AAPT	No	Yes	Payment History, Usage Comparisons	Graphing capabilities
Primus Telecommunications	BPAY View	Evaluative process in place **	n/a	n/a
Orange	Evaluative process in place **	Evaluative process in place **	n/a	n/a
Overall Sector Availability	**Low Coverage**	**Well Covered**	**Adequate Availability**	**Adequate Availability**
Water				
ActewAGL	No	Yes	Usage Comparisons	Graphing Capabilities, Virtual Registration Process
City West Water Ltd	Postbillpay	Yes	URL link to bill payments area on website	Links to Brochures and Other Services
Yarra Valley Water	BPAY View, Postbillpay	No	URL link to bill payments area on website, Usage Comparisons	Links to Brochures and Other Services
Hunter Water Corporation	Evaluative process in place **	No	n/a	n/a
Sth Gippsland Water	No	No	n/a	n/a
Lower Murray Region Water Authority	No	No	n/a	n/a
Sydney Water Corporation	BPAY View, Postbillpay	No	n/a	n/a
South East Water	BPAY View	No	n/a	n/a
South Australian Water Corporation	No	Yes	n/a	n/a
Overall Sector Availability	**Low Regional Coverage**	**Emerging**	**Adequate Availability**	**Adequate Availability**
Electricity & Gas				
ActewAGL	No	Yes	Usage Comparisons	Graphing Capabilities, Virtual Registration Process
AGL Electricity & Gas	Postbillpay	Yes	n/a	n/a
AlintaGas	BPAY View, Postbillpay	Yes	Email Notification Service, URL link to bill payment area on website	n/a
Energex	No	Yes	Usage comparisons, estimation of next account	n/a
Energy Australia	Postbillpay	No	n/a	n/a
Ergon Energy	BPAY View, Postbillpay	No	n/a	n/a
Integral	No	No	n/a	n/a
North Power (Country Energy)	No	Yes	Email Notification Service, URL link to bill payments area on website	Graphing Capabilities, Links to Brochures and Other Services
Origin Energy	Postbillpay	No	n/a	n/a
Power & Water Authority	No	No	n/a	n/a
TXU Gas & Electricity	In progress	No	n/a	n/a
Western Power	BPAY View, Postbillpay	No	n/a	n/a
Overall Sector Availability	**Emerging**	**Emerging**	**Adequate Availability**	**Well Covered**
Councils				
Bankstown City Council	BPAY View	Yes	n/a	n/a
Baulkham Hills Shire Council	BPAY View	No	n/a	n/a
Bayside City Council	No	Evaluative process in place **	n/a	n/a
Brisbane City Council	BPAY View	No	n/a	n/a
Cardinia Shire Council	Postbillpay	No	n/a	n/a
City of Sydney	No	Yes	Payment History	View Local Council Rates Notice
Darebin City Council	Postbillpay	No	n/a	n/a
Frankston City Council	Postbillpay	No	n/a	n/a
Hobsons Bay City Council	Postbillpay	No	n/a	n/a
Hornsby City Council	BPAY View	No	n/a	n/a
Ipswich City Council	No	Evaluative process in place **	n/a	n/a
Knox City Council	No	No	n/a	n/a
Ku-Ring-Gai Council	BPAY View	No	n/a	n/a
Parramatta City Council	No	No	n/a	n/a
Whittlesea City Council	Postbillpay	No	n/a	n/a
Overall Sector Availability	**Emerging**	**Low Coverage**	**Low Coverage**	**Low Coverage**
Government/Statutory Bodies, Health Insurance & Key Large Retailers (Selected)				
Vic Roads	No	No	n/a	n/a
NSW Roads	No	No	n/a	n/a
Centrelink	No	No	n/a	n/a
Medibank	No	No	n/a	n/a
HBA	No	No	n/a	n/a
Citylink	BPAY View, Postbillpay	Yes	n/a	n/a
David Jones	No	Yes	n/a	n/a
Coles-Myer	No	Yes	Payments History (6 months history)	n/a
Overall Sector Availability	**Low Coverage**	**Low Coverage - Retailer Focussed**	**Low Coverage**	**None**

Postbillpay and BPAY View can give Billers the option of presenting bills in an html or pdf format. These third party billers options typically do not go beyond this basic presentment service.
* a basic presentment service is one which allows the customer to register, view bill summary, and lists payment options
^ Note: these are only selected examples and are not to be taken as a complete list of features
** Organisation presently considering or deciding on a Third Party or Proprietary Online Presentment System

Legend	
Low Coverage	less than 40%
Emerging	greater than or equal to 40%
Adequate Availability	more than 60%
Well Covered	more than 80%

Appendix

Electronic Bill Payment is the sum of a number of payment options identified by MISC including:
- Australia Postbillpay OTC Electronic (EFTPOS)
- Australia Postbillpay Telephone (IVR)
- Australia Postbillpay Internet
- Non-Australia Post OTC Electronic - Other OTC (ie. agency, own outlet or Bank - EFTPOS)
- Independent Phone (IVR)
- Independent Internet
- BPAY Phone Banking (incl. Mobile Phone)
- BPAY Internet Banking
- Maxi - Victoria only (i.e. kiosk, Phone or Internet)
- Austouch - ACT only (kiosk only)
- Direct debit (incl. direct deposit, payroll deductions)
- Other (incl. bulk payments, giroPost and ATM for Credit Card payments, other kiosks eg. Brisbane City Council, Coles, eBill, stored value cards, fax,etc)

Non-Electronic Bill Payment is the sum of a number payment options identified by MISC including:
- Australia Postbillpay OTC Non-Electronic (cash or cheque)
- Non-Australia Post OTC Non-Electronic - Other OTC (ie. agency, own outlet or Bank cash or cheque)
- Mail - cheque or money order