

# Electronic bill payment in canada



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## **Introduction**

In today's evolutionary world, where technology keeps on revolutionizing our everyday tasks, electronic bill presentment and payment offer a whole new billing process by offering online and real time presentment of bills and payment choices. It offers great advantages and significantly improves customer care and customer relationship management. We will cover the information found in an electronic bill, followed by the process of a bill presentment. We will briefly compare traditional paper-based bills and electronic bills.

And then, we will expose the different parties involved in an electronic bill presentment and payment, followed by the different evolution phases. The advantages and the risks associated with the adopting the EBPP or not. Finally we will see the different users of EBPP in Canada. Electronic transactions will gradually become the principal method for both consumers and companies to pay their bills. The main business driver is the important cost reduction for billers from reducing manual work and paper, but it must also present an advantage to customers in order to be successful.

For now, customers who have become accustomed to internet banking are the prime candidates for EBPP. On July 8, 2004, EPO Inc (Canada Post's epost) acquired Webdox, the only other bill delivery service in Canada. Together they will provide Canadians with a single EBPP service that will be one of the most advanced of its kind in the world. Figure: Billing Process Stages

## **Definitions**

Instead of the hassle of having to make physical payments, electronic payments are payments made online. They are made through the financial institution's website.

Electronic Billing is the electronic delivery and presentation of bills, invoices, and related information sent by a company to its customers. Instead of receiving paper bills through the mail, and then writing out and sending a check, bills can be received by e-mail, or accessed through the biller's website. It is also known as Electronic Bill Presentment and Payment, or EBPP, which is a model based on business-to-consumer. Electronic Invoice Presentment and Payment, or EIPP, is the equivalent for a business-to-business payment, however, we won't be covering it in this paper. The Electronic Bill Presentment & Payment (EBPP) model enables customers of banks and billing companies to use the internet or the phone to conveniently remit payments as well as access their billing information. It was created in the United-States by the Council for Electronic Billing and Payment (CEBP) of the National Automated Clearing House Association (NACHA) The biggest and most obvious difference between EBPP systems and the traditional method of bill payment, is that of technology.

Rather than receiving a bill through the mail, writing out and sending a check, consumers receive their bills in an email, or are prompted to visit a website to view and pay their bills.

## **Content Creation and Bill Design**

There are several types of information in an electronic bill, most of which are the same you would find in a traditional paper bill. First, it identifies the

customer, or their authorized agent, in order to link this particular bill to the biller's account receivable processes.

It includes the name and address, the account number with the Biller (or any other information that the biller has determined to identify its customers like an ID number, username, or phone number), and the time period for the bill (a week, or a month, or a year). Second, it states the amount due from the customer, as well as any details explaining new charges over the billing period if there are any; for example, long distance phone bills contain details of each call and other specific charges included in the amount due. Third, it specifies the date when the total amount is due.

Fourth, it includes a period-to-period reconciliation of activity since the last bill or statement was produced, so that the customer is able to compare the differences. Fifth, it specifies the disclosure information from Biller to Customer, so that the Customer is advised of the disclosure policy of the biller. Sixth, the customer can view his previous bills and account activity history from prior billing cycles. The electronic bill is also an opportunity for advertising (which the biller controls) that help in cross selling and marketing the biller's product and services.

Finally, customer care contact information is available in case a customer needs help or guidance. The term Bill Summary is generally used to encompass the essential items : Name, Amount due and due date. The term Bill Detail is used to include any of the remaining items, which a Biller may elect to send to its customers.

## **Presentment of the Bill - Process**

Transitioning from Paper-Based to Electronic Formats There are five different methods of porting the printed documents and their information content to an online form that can be utilized by EBPP: 1. Conversion to PDF format . Rasterization to GIF, JPG or PNG formats 3. Recomposition into HTML or XML 4. Conversion to normal HTML or XML 5. Translation to highly formatted HTML or XML Each of these methods has advantages and disadvantages. Depending on the application, the organization will decide which method to use. i)Content Creation and Deployment: In the bill-presentment stage, the primary steps of content authoring and deployment are essential. The steps include creation of the content, content reviews, approving the content, modification of the content and lastly, the deployment of the content.

Exhibit 1, illustrates the process involved in the content creation and deployment phase. The policies and procedures involved in the content creation and deployment require responsibilities to be designated to certain individuals to further ensure that all aspects of the web page are well maintained. Developing an internal style guide would serve to provide the page layout, design elements and maintain consistency in terms of the look and feel of the web pages. The style guide would also facilitate the system by providing information on how to link one page to other pages. The creation of the web page (presentment) is rather straightforward.

The true challenges arise when facing a number of issues, namely the maintenance of the web page in terms of the content of information and errors/breakdowns and up to date modifications (could be daily), as well as the configuration of the access network on which the web page is based.

ii) Notification Notification about the invoice can be delivered to the customer (bill payer) in a variety of ways. The most common method used is notification through e-mails. The customer receives an e-mail notifying them of the account balance or amount due. However, this method is limited in terms of its graphical presentation and potential.

A more effective method of notifying the consumer of their invoice is to send the URL (link of the website) that contains the invoice in order to overcome the limitations of e-mailing the invoice. The latest trend however in the notification aspect of a bill is via mobile phones and personal digital assistants (PDAs). Instead of e-mailing the customer, the biller may establish a database for the client's phone numbers and send them text messages stating the amount due, the due date of the bill as well as any additional information the biller finds necessary to provide.

In the traditional case of paper-based bills, notification is done through mailing the actual invoice to the customer/client. iii) Bill Presentment: Under EBPP, bill presentment is the stage where the biller/consolidator delivers a copy of the actual bill to the customer/client in an electronically generated format. The bill may be presented with complete details of the invoice or as a summary of the details, depending on the extent and intensity of the details involved. Through bill presentment, the biller is able to communicate more effectively with the clients being billed.

The reason why interaction between the biller and the clients is enhanced is due to the ability of the biller to guide the customers to the areas of interest as well as study or better understand the client's preferences and trends. Electronic bill presentment may also assist the biller by improving

brandloyalty by providing the clients with a well developed a compelling experience. Aspects concerning marketing and advertising can also be addressed by monitoring and controlling the space of the web page surrounding the area of the invoice.

Additional aspects may be provided by making information about pending orders, past payments as well as pending payments available. iv) Electronic Payment and Posting: This presents the last stage involved in EBPP. The Billers as well as the consolidators are required to provide the customers with various forms of payments in order to provide the customer with flexibility. Payments may be set to be made automatically or at the discretion of the customer. The types of payments may include: • Direct debit from accounts • One-time payments • Check payments Online payments/ Electronic funds transfers • Bank cards/ Credit card payments. Customers are also provided with the choice of making multiple payments to a single provider or one combined payment for multiple services to the consolidator (such as epost). The concept of “ Posting” highlights the documentation of the information on when the bill was paid, how the payment was made and the amount of the payment made for the services. Such information is then updated to the biller’s accounts-receivables systems.

### **Comparison of Paper-Based and Electronic Solutions**

Exhibits 2 and 3 show the comparison between the paper based billing cycle and the electronic billing cycle. In both billing cycles (electronic and paper based), the creation of the bill goes through the same stages: Data collection, Mediation, Rating and Content creation and bill design. In the stage of bill design and creation however, the bill is only formatted when it’s

a paper based one, and printed when it's an electronic bill. The main difference between the two cycles is at the stage of the Presentment of the bill.

In the case of a paper based payment, after the bill is formatted, there is notification by regular mail and then the bill is presented. In the case of the electronic billing cycle, there is notification by internet and then there's an extra stage where the bill is converted onto a Web-friendly format, this is referred to as the Transition to Electronic stage. Finally, the bill is presented either by Web or printed and the check is sent to the biller if it's a paper based bill, or the payment could be executed immediately and electronically in the case of an electronic bill. - Parties Involved: Billers, bankers, aggregators and consolidators implementing EBPP can play various roles in the overall EBPP process. Once roles are defined, it is easier to identify which model (aggregator, biller-direct or e-mail based) is most appropriate for the client's EBPP strategy. Billers may also implement more than one model in order to best serve their clients. Because the industry is continuously changing and redefining, the options and opportunities for EBPP will continue to expand.

There are several parties involved in the EBPP process: The biller payment provider, or BPP, is the biller's bank that receive payment and provides account receivable information. It is an agent of the biller that accepts remittance information on behalf of the biller. The bill service provider, or BSP, provides EBPP services to the biller like posting bill details, consolidating bills and delivering them to the customer service provider, or providing bill



summary distribution. The customer service provider, or CSP, as it names implies, provides the customer with an interface for bill presentment.

It enrolls them, enables presentment and provides customer care and support. They are contacted directly by the customer to help with a payment or receive general assistance and answer questions. The Consolidator is a biller service provider that aggregates all the customer's bills from multiple billers in one central website. An example of a consolidator is Canada's epost where the customer securely accesses the website to both view and pay his/her bills. It is advantageous in that the customers can view and pay all their bills at once.

## **Evolution Phases**

The fast paced development of the Internet (World Wide Web) has enabled the establishment of an environment where companies and customers have direct and immediate forms of communication. This made way to more effective and efficient methods to undertake transactions between two or more parties. Services such as Electronic Bill Presentment and Payment (EBPP) were bound to take place. The end result was replacing paper mail bills with electronic documents that served the same purpose, only in a more efficient light. In 1999, Canada post implemented the world's first electronic post office, epost.

This put Canada in the forefront of the Electronic Bill Presentment and Payment market. By providing a free and universally available service, epost dominated the e-billing market and provided solutions to many Canadians. By 2002, the e-billing market was split between epost and Webdoxs, epost's main competitor at the time. In July 2004, epost increased its market share

through its acquisition of webdoxs. This made epost Canada's main EBPP service provider and by the end of 2004, epost secured 1.6 million registered users. However, despite the growth of the e-billing sector, the profits generated were not significant.

The combined revenue of e-billing service providers, namely, epost, Innovapost and Canada post International Ltd. was \$192 million in 2004, \$18 million less than the previous year. Despite the substantial drop in the revenues generated by e-billing service providers the prospects for the e-billing sector remained optimistic due to the high growth potential of the e-billing sector. Canada post was aware of the fact that the average bill paying customer needed time to adapt to the new techniques provided by e-billings sector. Visa Canada's national purchasing study, "How Business Buys," released May 2001, shows that e-commerce based billing and ordering processes will more than quadruple by 2005. Currently, e-billing accounts for only two percent of corporate billing. Benefits include reduced internal costs and reduced time consumption. "Visa Study published by Allbusiness in 2001 (<http://www.allbusiness.com/public-administration/1169884-1.html>) In 2005, epost approached Canada's major financial institutions in order to implement the e-billing component through the financial institutions' online banking element.

Such a step would allow the banks' clients to gain access to the same epost features (receiving, viewing, paying and storing bills online) directly from the financial institutions' website. This in turn would enable epost to reach a larger market base of customers through the financial institutions. "Research that focused on people who bank online shows they are

increasingly valuable, long-term bank customers who are more likely to invest more money and purchase additional services. These are the same customers that would be attracted to and benefit from EBPP.

It's our goal to have every Canadian banking online, receive all their critical mail online through epost. " As stated by Roger Couldrey, president and CEO of epost. By the end of 2005, epost had been integrated into many of Canada's major financial institutions, namely Bank of Montreal (BMO – Canada's first bank), CIBC, Laurentian Bank, Desjardins, Royal Bank of Canada Financial Group, National Bank of Canada, Scotia Bank and Toronto Dominion Trust. By targeting Canada's online banking customers, epost was able to effectively increase interest and use of the e-billing sector.

According to statistics gathered by ComScore Media Metrics in 2004, 11 million Canadians browsed their financial institution's website in order to access their financial information. Additionally, in 2003 Forrester Research found Canadians to be early adopters of Web-based financial services when compared to Americans. A large number of Canadians, 55 percent, used the web for banking/financial services while only 37 percent of Americans used the internet for banking services. Such statistics set the market base for epost and established the key basis for its inevitable expansion as Canada's leading EBPP service provider.

Today EBPP is one of the most utilized concepts in North America, with a market of approximately 330 million regular users. Interest among Canadian businesses is growing at an overwhelming pace; many are discovering that it is the most cost effective method to undertake the billing aspect of conducting business. Moreover, due to the ever increasing importance of

preserving the environment, the implementation of the e-billing component would contribute to the cause of saving the environment by using less paper and producing less waste.

## **Advantages of EBPP Benefits to the Corporations/Implementers**

The implementation of EBPP has brought about many advantages for both the companies billing and the customers getting billed. The 100+ Canadian companies, now using epost's e-billing services, have experienced a number of advantages starting with delivering bills to their customers instantly. This saves a substantial amount of time for the billers, since the mailing and processing floats will be significantly reduced, leading to quicker payments of bills, as well as reduced Days Sales Outstanding (DSO).

This means that bills will be collected faster by firms, enabling them to pay their suppliers earlier, hence enhancing the way in which business is conducted between a corporation and its paying clients by reducing the cash conversion period. Payments made by customers will be automatically linked to the corporation's Accounts Receivables, providing the company with better control over its pending payments and overall cash position. Beyond the aspect of speed, the corporation's costs of presentment will be significantly reduced, up to 80%.

It would also abolish the costs of paper, printing and postage fees. With the lowest possible costs of payment processing, distribution and collection of bills, firms will be reducing their costs effectively while increasing their profits. Additionally, the costs of implementing the e-billing component are relatively little, taking into account the vast cost reductions of implementing

the system. Furthermore, EBPP will enable a corporation to observe its customer's behavior, since customer needs will be apparent through the usage of the features provided.

The corporation will be able to achieve customer satisfaction by placing emphasis on and enhancing the features its customers appear to be utilizing the most. The corporation will also be able to reach its customers through the “ interactive” statement messages system, which can be used as a tool for marketing and advertising new features, products and/or services. Furthermore, such a system can be used to get clients registered for recurring automated payments each month/period as well as providing the option of non-recurring payments, such as a one-time bill.

Taking into consideration the overall advantages provided by the implementers of EBPP, it would be safe to say that the growth potential for the e-billing sector is enormous. Up until now, there are approximately 100 Canadian companies implementing the system. This number is expected to grow in time due to the vast number of advantages provided by EBPP.

ii)Benefits to the customer: Although most systems are designed to further benefit the company implementing them, EBPP is a tool for both the company and its clients.

EBPP enables the customer to immediately self-activate (open) their account in order for them to make recurring periodic (monthly) payments. It ultimately saves the customer the time taken to physically mail or make the payment at their financial institution, and practically eliminates the mail float by allowing the customer to make payments immediately after viewing the bill online. EBPP is also flexible in the sense that it can be implemented in

many different forms providing the customer with a vast number of ways to utilize its many features.

EBPP gives the customer an array of drafting options, from customer-initiated payments to automatic drafts or even safety drafts if necessary. Customers can make the payments either through a consolidator such as epost, the corporation itself such as Rogers Telecom or through their bank such as Bank of Montreal. By giving the customer a wide range of choices, he/she can choose what they are most comfortable with in terms of security and quality of service.

The number of errors made by the bill payers and the billers are also substantially reduced due to the ability of the platform to allow pre-filled customer interactive information to ensure all content collected/distributed is correct. Additionally, epost provides its registered users with the option to store their bills for up to 7 years. This allows for maximum efficiency, the customer will no longer have to pile up his/her paper bills for future reference rather, they will have their bills stored online and accessible at all times. Security wise, EBPP is rather comprehensive.

In order to gain access to an account, the account number and its matching password are required. Furthermore, it encrypts the information transmitted from a computer to the designated server through Secure Socket Layer (SSL) technology. This reduces the chances of confidential information falling into the wrong hands. Overall, EBPP systems are usually designed to maximize security and confidentiality in order to encourage users to share their personal financial information to streamline the activities involved in making payments for desired products/services. ii)Benefits to the Environment:

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Although the benefits to the environment are clearly visible, translating the benefits in terms of Greenhouse Gas (GHG) emission reductions would illustrate the concept in a more effective light. If Canadians were to replace 40% of their paper bills with electronic bills and only print 20% of the electronic bills, GHG emissions would be substantially reduced by 10, 500 tonnes per year. Replacing 80% of the paper bills and printing only 5% of the electronic ones would lead to 22, 000 tons of reduced GHG emissions.

Such goals would serve to better preserve the environment and would reduce the amount of waste produced by a significant portion. Canadian businesses would end up saving approximately \$1. 1 billion dollars in total. Doubling the implementations would lead to a \$2. 2 billion reduction in expenditure by businesses increasing their overall profits while ensuring that their operations are in line with the environmental constraints of reducing waste/GHG emissions.

## **Risk Affiliated with the Adoption and Non-Adoption of EBPP**

Billers must take into consideration every type of billing presentment and payment the market offers today since it is their main ingredient to be successful. Therefore, billers have to offer the optimal billing presentment and payment that will bring customer satisfaction and be convenient for the biller at the same time. After the introduction of Electronic Bill Presentment and Payments (EBPP) many billers are facing a dilemma of risk due to the adoption or non-adoption of EBPP.

For instance, if the biller decides to adopt EBPP, there will be potential of non-acceptance from the biller's customers after the implementation of EBPP

and that will lead to a decrease in the profit margins because of lost customers. The biller might also encounter fraud attempts especially because the bill will be electronically paid. Moreover, there might be a defect in the operational process of electronic presentment and payments such as a system freeze which will incur more costs on the behalf of the biller.

Then again, if the biller decides not to implement the EBPP, the biller might be going against the market's new trend hence this will put the company in a competitive disadvantage. Therefore, the biller will start losing market share and this will reflect negatively as a decrease in the biller's profit margins due to lost customers.

### **Users of EBPP in Canada (Business Sectors)**

Most businesses that implement EBPP provide their customers with services that require recurring payments, rather than a one-time payment (non-recurring).

This implies that EBPP would be more convenient for service geared businesses that provide the customer with an ongoing service, which would require the customer to make repeated payments. Businesses operating in the following service providing sectors would greatly benefit from the implementation of EBPP, since all forms of viewing/paying the bill would be streamlined and undertaken from one location. i)Telecommunications Service Providers ii)Utilities Service Providers iii)Visa/Master Procurement cards iv)Banks and financial institutions v)Insurance providers vi)Postal Industries.



## Conclusion

Electronic Bill Presentment and Payment offers a streamlined method of payment, which is very advantageous for both the billers and their clients and notably the environment. Moreover, it considerably reduces costs and the amount of time to make a payment. Despite the drawbacks or risks of implementing EBPP, the benefits clearly outweigh the disadvantages. We believe that by 2015 paper bills will probably be inexistent in Canada, due to the expectations of recessions, companies will realize that they will save a lot of money by implementing the e-billing component, despite its high implementation costs.

EBPP is the next trend for all businesses, and is expected to become the standard form of bill presentment and payment.

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