

Nudging Consumers to Adopt Electronic Correspondence

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Many of the nation's leading financial institutions and other large businesses like utilities and telecommunications service providers have spent years trying to convince customers to migrate to an electronic-based system of bill presentation and payment. Electronic delivery of monthly bills and statements saves companies printing and postage costs, and those savings can be significant as postage rates continue to rise. But while the volume of bills paid via the Internet has grown steadily, the adoption rate of EBPP across all industries remains only about 10% to 15%. Not surprisingly, younger people who have never known a world without computers and the Internet are the most willing to accept electronic billing and payment systems, while seniors are generally the most determined to hang on to traditional printed and mailed communications.

While many EBPP systems notify consumers via e-mail that their monthly statement is available, consumers must typically go to a Web site to retrieve a copy of the document. They have to enter a username and password and then drill through several pages to locate the statement. Additionally, printing out a recognizable copy on a home printer may be nearly impossible because the statement is often displayed on the screen in an application that home printers can't read. This inconvenience is regarded as one of the major obstacles to EBPP adoption.

Despite these complexities, NACHA, the Electronic Payments Association that oversees the Automated Clearing House Network, said an average household that receives 20 bills and financial statements monthly can spend as much as \$100 on postage plus another \$50 annually for checks, late charges, and the fuel used to mail them.

Highlighting environmental considerations may also be an effective route to encourage the move from printed to electronic correspondence. According to PayItGreen.com, which is affiliated with NACHA, migrating to an electronic payment system can save 6.6 pounds of paper per household annually, as well as 0.079 trees; it would also avoid the use of 4.5 gallons of gas, the release of 63 gallons of wastewater into the environment and the production of 171 pounds of greenhouse gas emissions.

For many people—especially younger people—these benefits have been attractive enough to convince them to pay at least one or two bills over the Internet every month. Consumers can be moved step-by-step toward a complete electronic communications system. Start by first asking customers for their preferences—if they would like to begin receiving statements, bills and other correspondence by e-mail rather than through the mail, or both while they try it out. However, an electronic statement should be identical to the hard-copy document, and members should be able to print it on their desktop printer. This alternative process is a mixture of the electronic and traditional and might help customers accept a wholly electronic system. They still have the convenience of getting a statement delivered to them, and as they become more comfortable with new media, they may be more willing to make payments electronically. Regardless of the correspondence method, it is important for credit unions and mailers to note current federal regulations set to protect any communication involving a recipient's financial privacy and enforce delivery in a safe and secure fashion.

Many consumers may not be comfortable making payments or receiving financial statements through multiple portals due to the growing fear of identity theft. To address this issue, NACHA is developing a program to allow financial institutions and billers to deliver summarized billing data through the ACH Network. Using this secure and reliable system, a credit union or biller may deliver statement summaries to a member's preferred payment portal with the security of the Federal Reserve and the Electronic Payments Network acting as operators.

No matter the specific details of an EBPP program, the technology exists today to support it. Software applications are available to create one master document, such as a monthly statement, and then to produce and deliver identical versions of it through multiple channels. And once customers gain hands-on experience with these processes and are convinced of their reliability and security, they are more likely to switch to electronic systems.

In launching this type of communication promotion, consider utilizing the "TransPromo" concept of combining regular monthly invoices and statements with marketing material—in this case, information about an e-mail delivery option now available and the advantages it provides.

In these challenging economic times, consumers as well as credit unions are actively looking for ways to reduce expenses, and electronic statement systems are an effective way to do this. At the same time, you're greening your organization, giving members yet another reason to choose your credit union over the competition.

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