



# Bill Payments 2020

**cafp** Breakfast , November 19, 2009

by Steve Winston, The Payments Company



# As the World Turns for Bill Payments



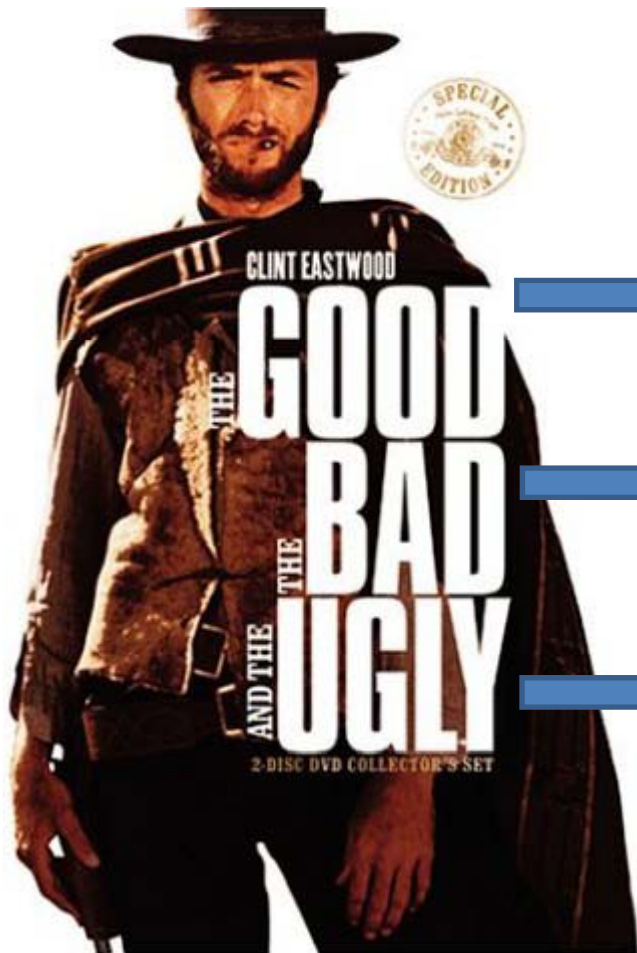
- Bill payment market today
- Models and players
- Strengths and weaknesses
- 2020 possibilities
- OpEd on future direction

# One man's assessment of the bill payment market

“Your gravy is lumpy, your meat loaf is mushy, and your eggplant parmesan is a disgrace to this house!”



# Go ahead and make my day..or maybe not

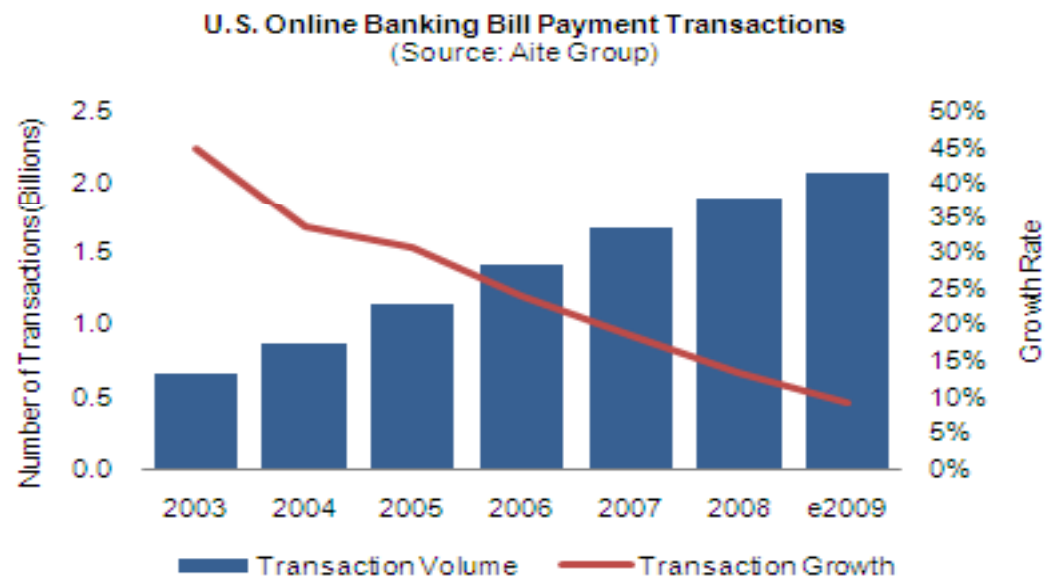


Over 2 billion bill payments processed electronically

There has been steady downward growth

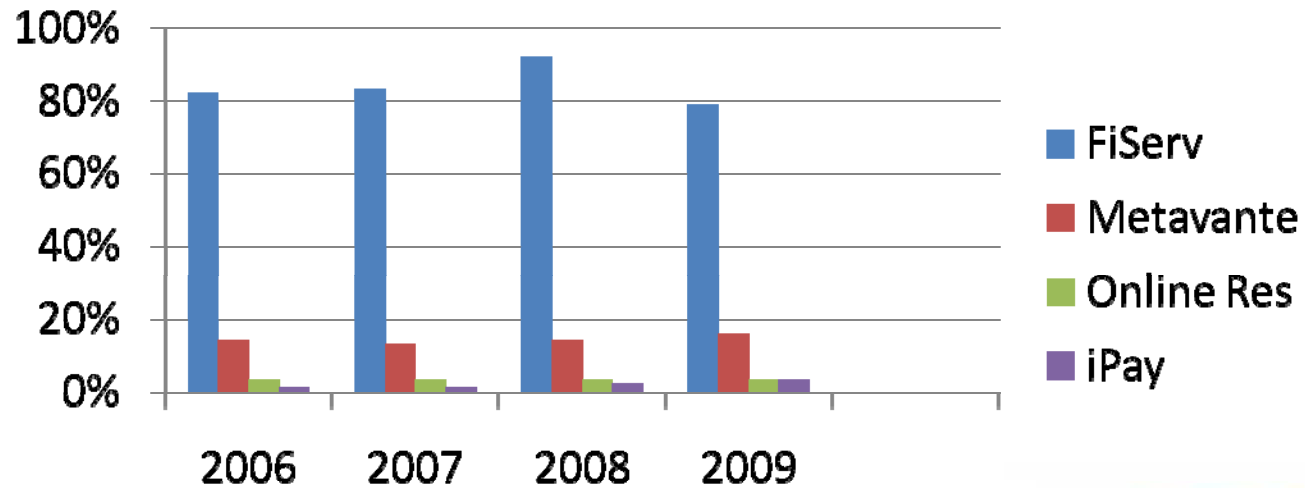
Very few standards in the industry and checks are still big volume

# Just the Facts Ma'am



Over 2.07 billion online bill payments will be processed in 2009

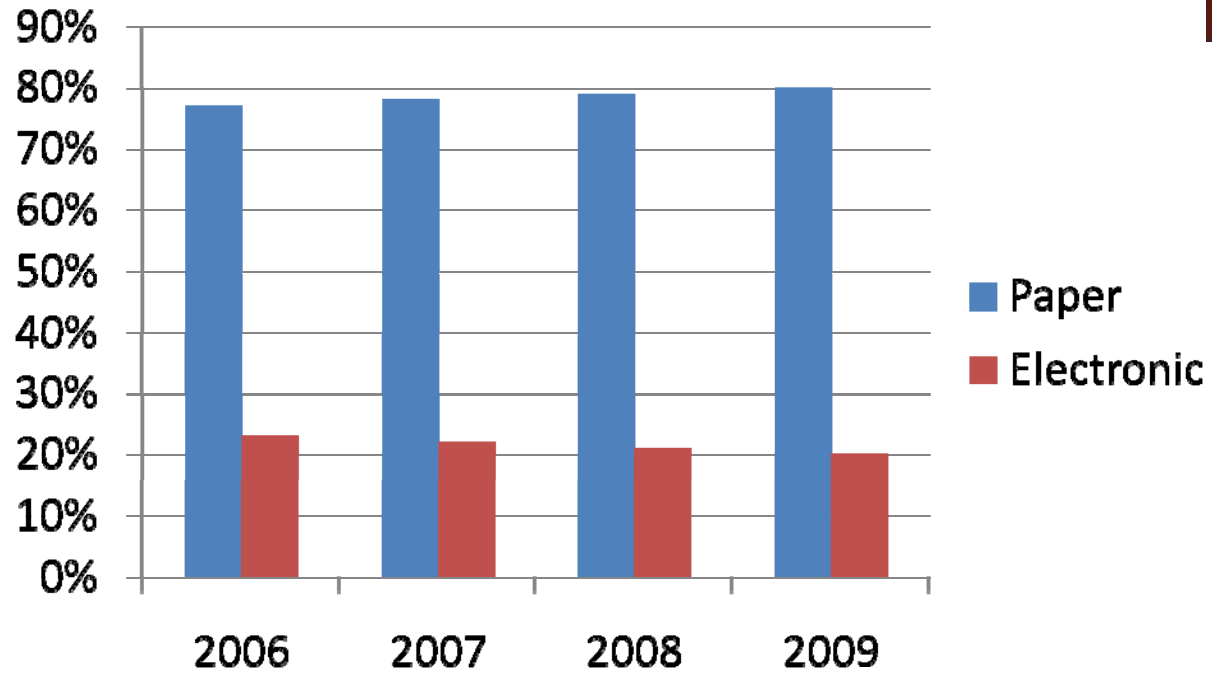
# The big players haven't changed much



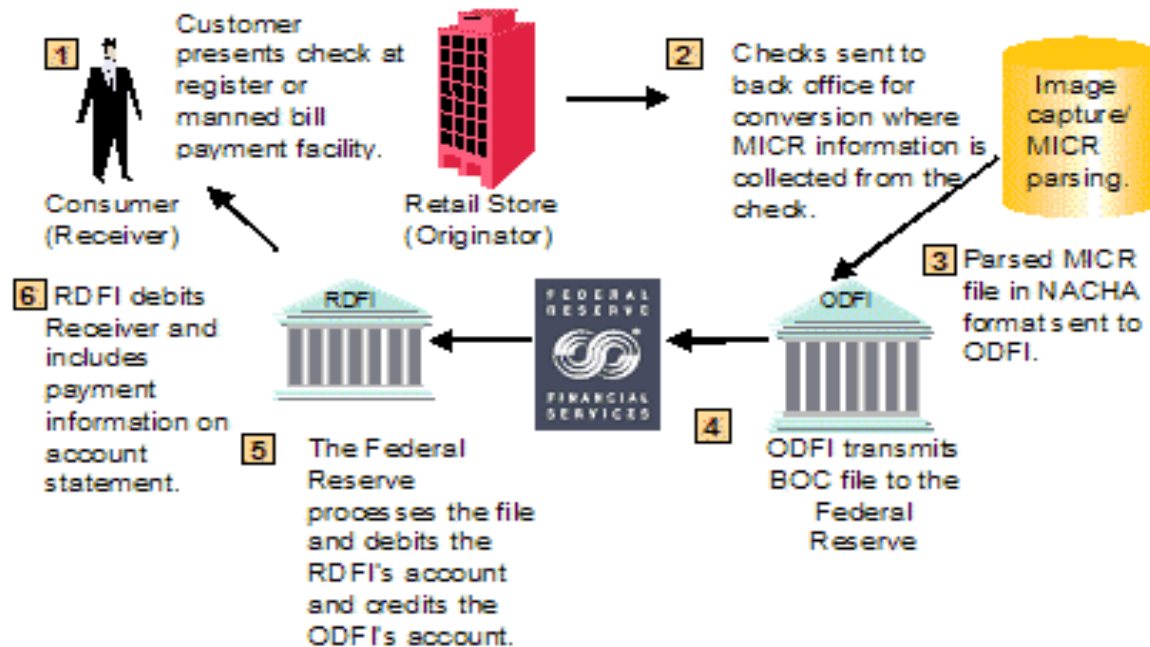
Big Switch



# Nearly 20% of online bill payments are still checks



# The check conversion model (ARC) still has > 2.5 billion transactions annually



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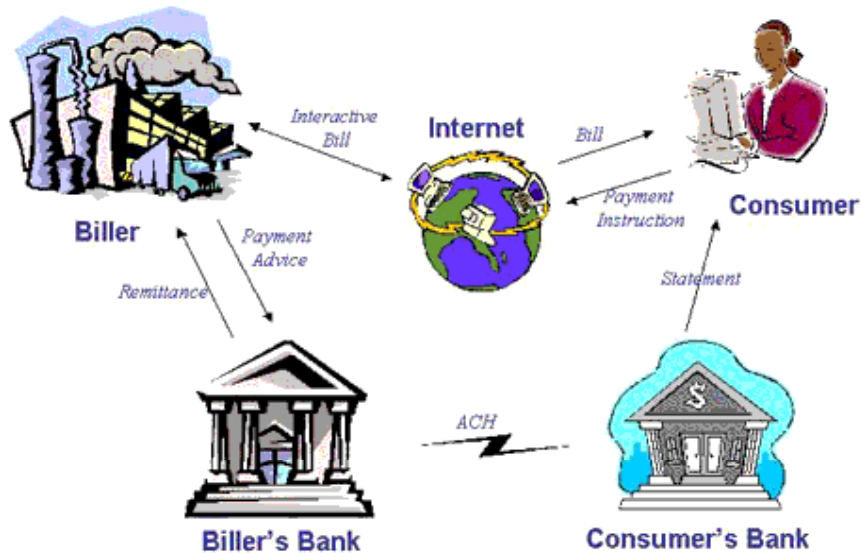
Tree destruction



Check fraud

# The online banking models for bill payments

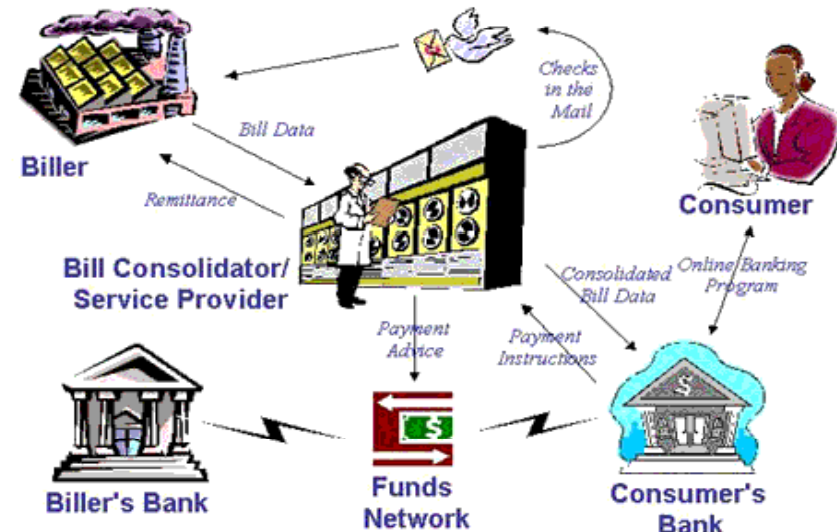
## Biller Direct Model



### Pull-me Model

- View balances online and make payment
- Billers may or may not provide bill to bank site
- Majority of payments made via ACH debit

## Biller Consolidation Model



### Push-me Model

- Some bills available online if provided by biller
- Funds are pushed to biller with bulk settlement
- Payments may or may not travel in bank systems

# Why do billers still have two models?

## **Billers Direct Model View**

- Keeps consumers linked to web site
- Cross sell other products
- Payments can post faster (eg credit card)
- Cost to present bills to online banking



## **Online Banking Model View**

- Eliminate paper bills
- Some consumers want to pay @ their bank
- Good funds model for many payments
- Eliminate paper bills

# Okay, lets take a look 10 years into the future



John Doe  
123 Main St  
Anywhere US 10111

Date 01/01/2008

PAY TO THE ORDER OF The Sandwich Shop \$ 8.15

Eight and 15/100 DOLLARS

Your Bank  
456 Main St  
Anywhere US 10111

MEMO \_\_\_\_\_

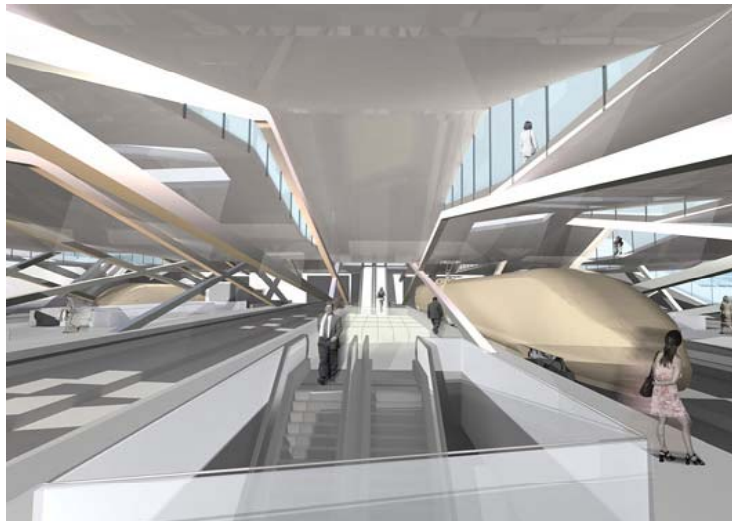
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DEVELOPMENT  
CONCEPT REVISION / PACKAGING

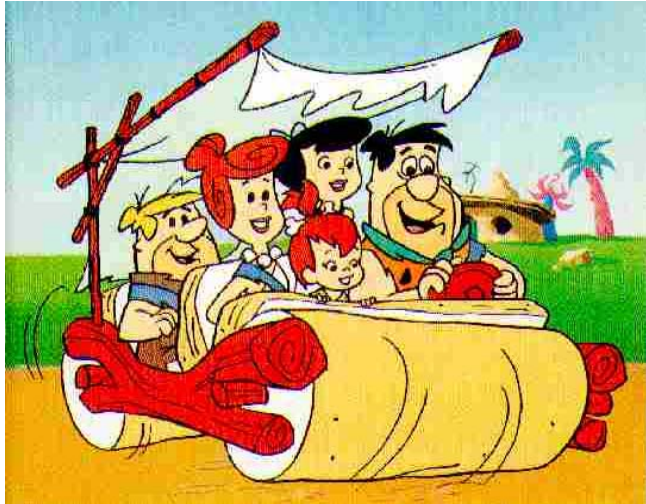


2020  
CITY CAR FAMILY

Nicolas STONE



# How much progress will we make by 2020?



# Will others follow where PayPal has already gone?



facebook



**If yes:**

- What new risks will exist?
- Will there be a new network?
- Push-me or Pull-me?



twitter

# Pinless Debit could may have a niche

## **Industries for Pinless Debit:**

- Utilities – Telecom, Cable, Satellite, etc
- Education – Universities and Colleges
- Government Agencies - City, County, State and Federal
- Miscellaneous Bill Payment Businesses - Insurance, Medical

## **Benefits of Pinless Debit:**

- Cheaper interchange than credit cards
- Real-time funds verification.
- Transaction clears faster
- No bank account information required



# Will any of these channels ignite growth in online bill payments?

**YES**



**Probably No**



**Maybe**



# Father Knows Best



The Federal Reserve has an impact on electronic bill payment growth:

- Continued investment in checks
- Trend of consumer fairness policies
- Willingness to regulate bill payments
- Expand use of ACH system



# We must work together to get off the island



## What should be done?

- Standardize bill payment presentment formats
- Require large billers to present @ bank if requested
- Leverage ACH system to control pricing
- Regulate networks with rules and fee limits
- Require Visa and MC to offer low fee pin-less debit
- Federal Reserve needs to quit investing in check technology

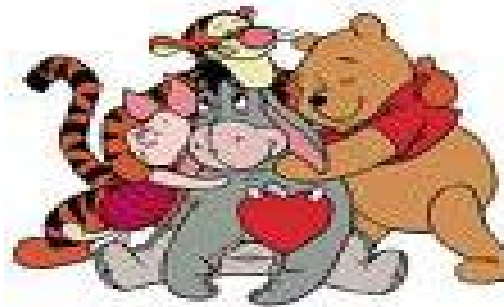


Can this man make it happen?



**No, not by himself**

But.. these guys can if they work together



# We'll know if we get it right if we can....



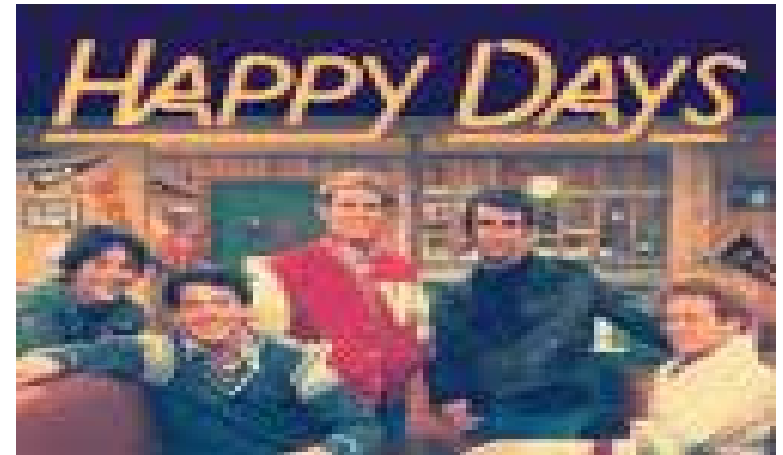
Pay bills today



For a few cents



Without fraud



And.....everyone participates

Have a nice day!



**Questions  
or  
Discussion?**