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**Self-Service Bill Payment:
 Killer App on a Kiosk**

Source Technologies creates innovative, flexible solutions that give companies the power to control transactions, disbursements, and other secure business processes through dynamic printer, software, and self-service solutions.

Founded in 1986, Charlotte, N.C.-based Source Technologies is the leading provider of magnetic ink character recognition (MICR) printing solutions and consumables for check printing and other secure document applications, plus payment software applications for secure, distributed print management. Customers include FORTUNE 1000 and financial institutions of all sizes, including nine of the Top 10 U.S. banks.

Source Technologies is also known for its groundbreaking self-service software platform and kiosk hardware solution called **concourse™** that is enabling financial institutions, retailers, and governments to automate in-person business transactions. In the retail environment, self-service increases staff productivity and decreases the retailer’s costs while also providing higher levels of personal service to customers.

We have produced this white paper for our customers, partners, and prospects to give them a deeper understanding of the self-service concept, and the business case for deploying such solutions as bill payment automation. It assumes at least rudimentary understanding of payments operations and retail automation strategies.



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The Demands of Retail Bill Payment

“The biggest single cause of customer attrition (other than relocation) is a bad service experience...”

“While all retailers realize the customer is a free agent, exceptional retailers hang onto the belief that inspired customers, in turn, will offer friends word-of-mouth praise that’s as valuable as any well-bred ad campaign.”¹

“The customer experience is the next competitive battleground.”²

There are many ways customers can pay bills from home, whether by mail with a personal check or money order, online via the Internet, or even via debit or credit card over the phone. Despite this, most grocery stores, utility companies, communications companies and financial institutions, must offer in-person bill payment as a necessary service for their customers.

It might seem surprising with the variety of today’s payment methods, that anyone would still opt to pay their bills at a store, payment center, or their local bank or credit union. However, many companies will attest that more and more customers are visiting retail locations to pay their monthly bills in person, rather than paying online, over the phone, or with the traditional envelope and stamp.

Do such service industry retailers consider in-person bill payment to be a problem? In a recent Dove Consulting survey, the head of treasury operations for a top-five cable company estimated that 45 percent of their monthly bill payment transactions are handled either in-person or through walk-up “drop box” payment facilities. Other respondents indicated that walk-in bill payments range from 20 to 80 percent, demonstrating that a significant percentage of utility customers have in-person dealings with the utility company on a regular basis.

In fact, the direct impact on retail operations for such industries is staggering. According to the U.S. Department of Labor Statistics, the average hourly earnings of non-supervisory workers in public utilities were \$16.79 per hour in 2001. At an estimated 6 minutes per over-the-counter transaction, a utility company processing 50,000 payments per month on-site spends over \$1 million annually in retail labor alone processing counter payments.

In-person payments occur for a number of reasons. Some customers need expedited payment to their account to avoid higher fees or suspended service. In fact, more than one-third of households in the US say they have required expedited payment service during the past year.³

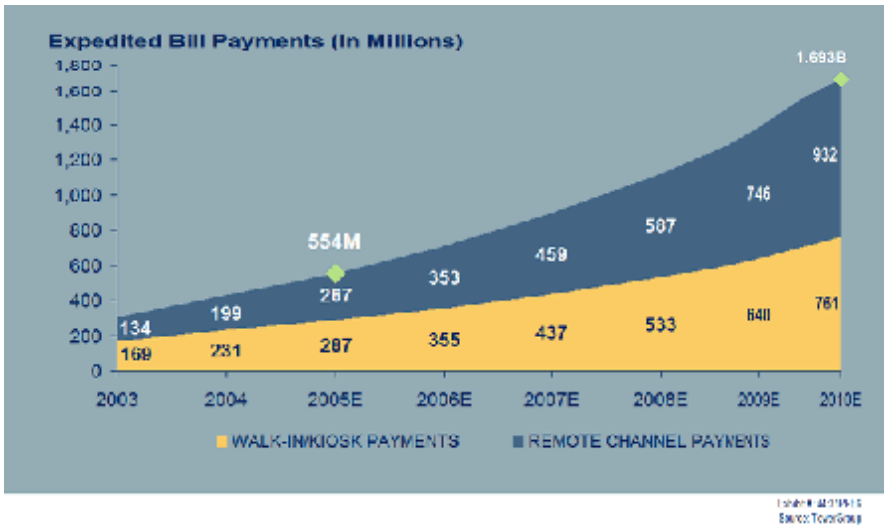
Others do not have a banking or Internet relationship to pay by any other means than over-the-counter. In a 2005 study, Price Waterhouse Coopers estimated that more than 40% of the US workforce lack bank accounts.

¹ *ABA Banking Journal*

² *Michael Dell*

³ *Banking Strategies*

Financial institutions face the same challenges as grocers, utility companies, and communication companies. Despite the investments made in online bill payment systems, a large percentage of people still walk into the branch and expect to be able to pay their bills. As in the retail environment, many times they are using this service to expedite bill payments.



In 2005 TowerGroup estimated that both online and in-person expedited bill payments will continue to rapidly increase through 2010.

Similar to retailers, financial institutions also struggle with the excessive amount of resources that in-person bill payments consume. In addition to the added time these and other customers and members are forced to wait in line, and the direct retail labor costs, there is also the back-end issue of processing the bills. Banks and credit unions lacking a relationship with an aggregate bill payment provider must manually cut checks and process the bills at the end of each day.

However, it is not all bad news; financial institutions are beginning to recognize that branch bill payments present potential opportunities for new revenue streams and new customer acquisition.

Most bankers and their customers consider in-branch bill payment to be a courtesy; however studies show that while customers will not pay for customary bill payment services, they are willing to pay sizable fees for expedited service. In fact 43% of customers say they would pay between \$5 and \$20 for the convenience of making a last-minute payment.

Also, financial institutions recognize the need for greater focus on the unbanked market. According to the Center for Financial Services Innovation, more than 20% of households in the United States are unbanked. This market is largely untapped by banks and credit unions, and represents enormous potential. Not only is there tremendous opportunity for bill payment fees, it also creates a captive audience of prospective customers and members.

Whether in a bank, credit union, mobile phone store, utility office, or grocery store, counter payments are costly – and time consuming – for both customers and counter personnel. The bottom line is service industry retailers and financial institutions must find new ways to manage in-person bill payments in order to cut costs, provide higher levels of customer service, and take advantage of new competitive opportunities.

The Coming-of-Age of Kiosks

In the last five years kiosks have become a well-recognized addition to a variety of service industries. Self-service has become ubiquitous for such activities as airport check-in, pay-at-the-pump, and retail checkout, in particular.

A number of successful self-service kiosk solutions are gaining popularity in several retail verticals, including large retailers with gift registries and product locators, and the quick-service restaurant industry with self-service ordering. In fact, retail kiosk installations were up 20 percent in North America in 2005 and experts estimate that figure will skyrocket to 69 percent by 2007.

Most of these kiosks are considered “first generation”, designed as informational appliances primarily to enhance the retail experience. Features such as a small footprint and sleek form maximize the appeal and adoption of these solutions.

As retail kiosks have become more common, consumers have begun to expect them to do more things in more places. For service industry retailers, the need to remain competitive by reducing costs or improving customer service are driving them to look at self-service applications such as walk-in bill payment, check cashing, and in-store credit card enrollment. Unfortunately, traditional kiosks have more often than not disappointed the consumer and the deployer.

But self-service technology has continued to evolve, and a new generation of self-service appliances has emerged, known as transactional kiosks. These kiosks offer the same level of retail ergonomics and rich customer experience as traditional, “informational” kiosks, but also include ATM-like capabilities and reliability:

- Transactional kiosks are designed to optimize the customer experience.
- They are engineered with the same security and reliability as ATMs—safe and hardened for 24x7 availability.
- They are ergonomically suited for the retail environment, with a small footprint and easy-to-use, graphically pleasing user interfaces.

Transactional kiosks are built from the ground up to provision secure, distributed financial transactions in the most demanding retail environments and to deliver the goods on a 24/7, real-time, up-time basis. First-generation informational kiosks were not designed to provide this level of service.

Transactional kiosks are now beginning to proliferate in the market. First movers in retail and banking are taking advantage of the cost and time savings that transactional kiosks offer. A handful of applications have matured and are “ready for primetime.”

What is Self-Service Bill Payment?

Self-service bill payment is considered by many to be the first “killer application” deployed on transactional kiosks. It takes the mundane task of processing payments from the retail staff and allows customers to pay their bills without assistance. This frees staff to focus on value-added activities, such as up-sell and cross-sell opportunities, and offering improved customer service.

There are two business models for self-service bill payment kiosks:

Direct Bill Payment. Direct bill payment kiosks offer customers the ability to pay their bills in their service providers' retail locations. This is an essential service offering for utility companies, including wire-line and mobile phone operators, gas, water, and electric utilities, and cable companies, which are required by law to accept customer bills in their retail locations.

Currently when a customer enters a store or office to pay their bill, they have to wait in line for an employee to accept and process their payment. This time-consuming and costly service results in longer lines for all customers and hinders staff from focusing on other tasks.

Deploying self-service transactional kiosks allows retail staff to focus on value-added activities, including offering enhanced customer service or concentrating on in-store up-selling and cross-selling.

When a customer enters a store or office, he is presented with signage prompting him to use the kiosk rather than going to the counter. At the kiosk, the customer is met with a welcome screen, which may present a marketing message, or simply instructions to touch the screen to begin.

The customer then authenticates himself by scanning a barcode printed on his bill, entering an account number using a touchscreen, or scanning his fingerprint. Upon verification, the customer is presented with a list of available transactions, such as viewing current balance or making a payment. The specific workflow of any transaction is determined by how the service provider prefers to interact with customers.

In most instances the kiosk can accept and dispense cash, process credit and debit card payments, or accept checks, again depending on the service provider's preferences.

Finally, upon completion of their transaction the customer is presented with a receipt and sales or marketing message.

Other retailers can also benefit from this type of solution. For many large-ticket retailers, new credit card accounts are a key growth engine. However, they are challenged because of skyrocketing enrollment costs and cultural issues with some customers, especially the unbanked. In this case, self-service credit card enrollment would be the lead application, but the ability to walk in and pay down a store credit card balance is a critical component of the offering for this type of customer.

Aggregate Bill Payment. Aggregate payments offer customers the convenience to pay multiple bills at one location. Banks, credit unions, and grocers have offered this "one-stop-shop" service for decades, primarily as a courtesy to their clientele.

Currently, a person enters a branch or store and proceeds to the teller line or, in the case of a grocery, the courtesy desk, where they must wait in line for an employee to accept and process their payments. As with direct bill payment, this time-consuming and costly service results in longer lines for all customers and hinders staff from focusing on other tasks.

Deploying self-service transactional kiosks supporting aggregate bill payments allows retail staff to focus on value-added activities, including offering enhanced customer service.

Despite the obvious need for and benefits of aggregate self-service bill payment, financial institutions and grocers were not early adopters. Convenience stores were the first to recognize the potential of the application and customers' willingness to pay for this fast and efficient service. Similar to the non-captive ATM market, kiosks are deployed by a kiosk manufacturer or independent service operator that manages their kiosk network. Transaction fees are typically shared among the deployer, retailer, and a payment processor.

While convenience stores have a head start deploying aggregate bill pay kiosks, they are inexperienced with in-store bill payment, and often underestimate the technology, support, and training requirements.

Banks, credit unions, grocery stores are just now recognizing the value proposition, both for its cost-cutting and customer service value, as well as the opportunity to build fee revenue and acquire new customers from among the unbanked.

Paying multiple bills on a transactional kiosk is somewhat different from the direct bill payment method. The customer first views a list of billers available for payment (various cell phone operators, local utility companies, et cetera), selects a biller, and then authenticates himself by barcode or account number entry. Workflow and payment options are vary by deployer.

In order to process payments, the kiosks are integrated via the Internet to a back-end aggregate bill payment service, offered by companies such as CheckFree, Princeton eCom, Metevante, and RPPS. These companies partner with deployers, ISOs, and financial institutions to electronically process bill payments for hundreds, even thousands of billers that they already have pre-existing relationships with.

Self-Service Bill Payment Benefits. Retailers and financial institutions benefit significantly by moving these expensive and time-consuming transactions from the counter to a transactional kiosk:

- Manage walk-in traffic without overstaffing stores/branches
- Free staff to take full advantage of customer contact to sell, up-sell, build brand awareness, and educate customers
- Drive more traffic into retail locations
- Process an unlimited number of payments each month
- Reduce operational expenses by
 - Eliminating balancing errors
 - Cutting down back office errors and expenses
- For utilities, enjoy a strong ROI while meeting your regulatory obligations
- Simplify staffing models in multi-lingual markets; drive greater sales and loyalty from the growing non-English-speaking segment of U.S. consumers

There are many benefits for bill-paying customers as well:

- Access fast and easy alternative to traditional bill payment methods
- Spend less time in line – pay your bill and get on your day

- Access bill payment services in more locations virtually any time of day
- Get instant gratification as many payments post in real-time
- Pay-as-you-go if credit is a problem (i.e. cell phone top-ups)

New Tools, New Risks

Financial institutions, utilities, and retailers all stand to benefit greatly from bill payment kiosks. But as with any new technology, it is as important to recognize the potential pitfalls as well as the benefits when considering whether to deploy such systems.

Generally, transactional self-service technology has evolved quickly, and matured to where retailers and financial institutions can and should expect the same dependability they find in other mission-critical technology. They should also demand the same flexibility, upgradeability, and usable life that they find in their other business systems. Here are some key points to consider when developing a self-service bill payment project:

Performance. For many walk-in bill payment customers, time is of the essence. They often wait until the last minute to pay their bills and need a dependable method to ensure ongoing service. And, as with any other “banking” transaction, not knowing whether the kiosk will be in operation is like never being sure if your bank or credit union branch will be open. The demanding nature of the retail environment requires bill payment kiosks to be as reliable and hardened as ATMs. Insist on uptime of at least 98 percent.

Serviceability and Useful Life. Like any hardware platform, kiosk design and engineering must lend itself to ease of upgrading, ease of service, and should be designed with a direct path as upgrades become available. Unfortunately many kiosks are designed and built as essentially closed systems, performing only the task for which they were originally intended.

When reviewing potential bill payment solutions, consider how flexible or open the potential platforms are. For example how easy is it to add additional devices for new applications, upgrade existing devices, or replace failed devices in the field? Is the kiosk modular, allowing for low-cost shipping and on-site assembly or to replace a failed module, such as the base or head unit. Finally what steps has the vendor taken to ensure forward and backward compatibility with the kiosk hardware platform, devices, operating system, and applications?

Standards. One of the great technical leaps of transactional kiosks versus informational kiosks is the emergence of kiosk operating systems that simplify both application deployment and overall management of the kiosk solution. These kiosk operating systems are driving the industry toward hardware and software standards, speeding time-to-benefit, pushing down acquisition costs and providing a greater level of vendor independence. A kiosk operating system—separate from the user applications—ensures greater flexibility and interoperability with different hardware and software platforms.

Ensure that your kiosk vendors embrace an interoperability strategy. Look for vendors that offer a low-level kiosk operating system or device management platform separate from an application development tool. In addition, devices should operate within the emerging XFS standard. Transactional kiosk technology has advanced to the point where you do not have to accept a proprietary solution.

Adoption. The user interface is the most critical factor in customer adoption for any self-service solution. It is also a relatively new field in software programming, and presents challenges for most kiosk deployers. Developing these customer-facing applications requires proficiency in all electronic media: graphic arts, static and full-motion graphics, and effective web design. In addition to these capabilities, one must apply best-practice retail ergonomics to the UI design. This know-how ensures that the self-service offering is adding to your retail environment, and not detracting from it:

- Are the UI screens attractive and easy on the eye, or are on-screen objects crowded or confusing in their positioning and labeling?
- Are kiosk devices well integrated with the UI process flow? How easily do users find and interact with cash acceptors, card readers, pin pads, et cetera?
- Does the design account for hardware and network latencies? Does it apply user input “threading” or other techniques to minimize the perception of waiting?
- Do fonts and color schemes ensure that on-screen signage is legible? Does the signage attract users? Is it consistent with store signage and your overall branding?
- How well does the design allow consumers to control their own experience?

These and other “exposures” can compromise a total retail experience. When accounted for in the design, the UI—and the kiosk itself—deliver a higher level of adoption and retention.

Other Opportunities

Because of self-service bill payment’s technical maturity and proven return-on-investment, it has become a common first-step into kiosk deployment. But in taking this first step, deployers should consider their long-range strategy and opportunities for expanding self-service in their retail environment.

More Applications. Once bill payment kiosks have been deployed and have gained customer acceptance, retailers can add other transactions that are currently handled manually by retail staff, including check cashing and credit card enrollment.

Much like self-service bill payment, automating these existing services increases customer satisfaction, reduces operational expenses and cuts lines for customers.

New Services. The opportunity also exists to expand the number of kiosks in your environment and to offer customers new services.

A mobile phone store, for instance, may offer other self-services such as customer queuing, product finders and product education/information kiosks. Self-service for new service enrollment, plan changes, and accessory selection/purchases are also considerations.

Business Model Changes. Self-service not only automates existing services and supports new ones; it can also drive changes in business models as well. For instance, while banks and credit unions cannot likely charge transaction fees to their customers or members, they may consider applications that open the door for new fee revenue. Transactions such as not-on-us check cashing, non-customer/member bill payments, and personal remittance payments become possible and profitable using transactional kiosks.

About Source Technologies

Founded in 1986, Source Technologies provides integrated solutions for managing financial transactions and other secure business processes. Products include MICR (magnetic ink character recognition) printers and consumables, secure disbursement software, and the groundbreaking **concourse** family of intelligent self-service kiosks and software.

concourse includes ergonomic kiosks built for 24/7 retail applications, specialized devices engineered for financial transactions, and a robust software platform that provides a visual rapid-application-development (RAD) environment for user interface coding, plug-and-play integration to all kiosk devices, and SNMP monitoring of the kiosk, devices, and applications. All of this is delivered to the customer from one vendor.

The company has developed off-the-shelf software for the most common financial self-service applications: check cashing, bill payment, and in-store credit card enrollment, which allows retailers to deploy self-service solutions in half the time typically needed for a sophisticated kiosk system. It has also developed **concourse** Teller, the first teller-assisted self-service solution for retail banking.

Customers include nine of the top ten U.S. Banks, plus hundreds of credit unions, community banks, Fortune 1000 companies, and mid-sized businesses. Source Technologies has created more than \$400 million in economic value for its customers in the last ten years.



**To learn more about Source Technologies'
self-service solutions, visit
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