

# The Problem with Payments

Analysing the effects of failing to collect payments from customers, and the self-serve tools and tactics businesses can employ to encourage payments



Making business communication better

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1

## Introduction

Did you know that 46% of consumers now actively prefer using their mobile devices for the entirety of a purchase process?<sup>1</sup> How about that in the last 6 months alone 62% of smartphone users have made a purchase using their mobile devices?<sup>2</sup>

With these stats in mind it's become clear that in any industry, if businesses want to be as successful as possible, an effective strategy for collecting payments via mobile devices is absolutely critical.

However, many businesses have been slow to realise this. Some businesses are still relying on what they perceive to be "tried and trusted" communication channels like post, and call centre agents. While these channels will fit the bill nicely for connecting with some customer demographics, the needs and preferences of many customers have evolved, and more engaging ways to collect payment from these customers are readily available today.

Another major consideration for businesses is how they can allow customers to serve themselves. Doing this provides benefits to everyone. The business will reduce their cost to serve by providing a fully automated, digital platform which doesn't require any human interaction. The customer will benefit from a more convenient service, which allows them to make a payment any time, any where, without the need to be at a desktop computer, visit a physical location, send a cheque or wait on hold to speak to an agent.

In this paper, we'll firstly be taking a look at the impact that failure to collect payments is having on business. We'll then start to look at what the considerations are for businesses who are looking to move to a digital, self-serve platform, and then move to an analysis of which communication channels will provide this. Finally, we'll take a look at the role Esendex can play in this process by providing a multi-channel payment strategy, which can be used in conjunction with your existing payment channels.



2

What are the problems caused by businesses failing to collect payments from customers?

Collecting payments from customers in a simple, efficient and prompt way is a challenge almost every business will have to face at one stage or another. Having the entirety of their customer base pay in full, and when asked to, is commonplace in some industries, and close to a pipe dream in others.

Obviously, there are a variety of reasons for a customer failing to pay. The customer could have forgotten to; they might not be financially able to, or they might not have received their bill. However, none of these reasons should be seen as an excuse for a business failing to collect at all.

Later in this paper we'll be looking at the tools available to encourage payment, but to start, let's look at the causes, and the impact failure to collect payments is having on businesses.

## Setting the scene - how much do customers owe now?

**The total amount of consumer debt amassed on credit cards, personal loans, and car deals alone in the UK currently stands at an astonishing 200bn.<sup>3</sup>**

Also, according to research undertaken by Comparethemarket.com, the amount owed to business by the average individual UK consumer stands at £8,000 (not including mortgages).

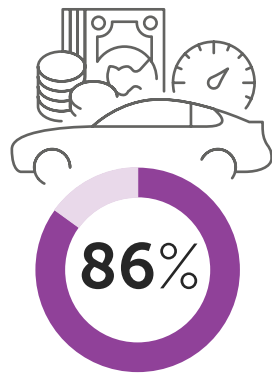
This figure becomes even more alarming when we consider that in the last 12 months 10% of respondents to the same survey had said they'd maxed out their credit card or been overdrawn. A further 33% had said that they plan to take on additional debt in the following year.

# How are payment collection failures affecting industry verticals?

Here are just a selection of the issues surrounding payment collections for business:

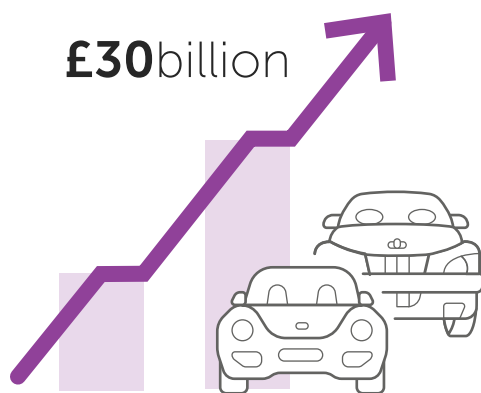
## Car finance

Loans for new cars have seen a sharp increase in recent times. **86% (or more than 1 million cars per year)** of new car purchases can now be attributed to PCPs (Personal contract plans).



Due to the sheer volume of customers buying cars in this way, coupled with the fact that a payment will generally be taken every month, lenders will need to introduce cost-effective, automated payment prompting when needed. As a result, many lenders will need reassess their communication strategies to maximise their collection potential.

In fact, new finance for cars **more than doubled** (in the 5 years leading to 2016) to £30bn, and has continued to steadily rise since.<sup>4</sup>

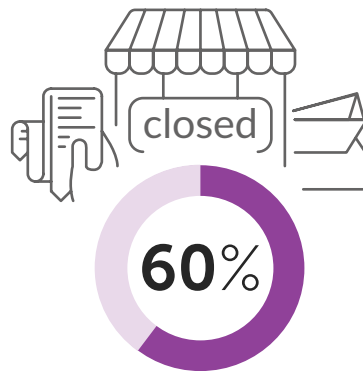
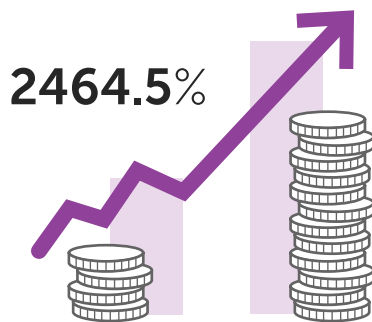


## Retail

Bad debt is on the rise in retail. In the last quarter of 2017, bad debt in the UK rose from £2.1million to £53.6 million. **That's a rise of 2464.5%**<sup>5</sup>

Is this bad debt having an effect on retail performance?

Well, **retail insolvencies grew 60%** in the second quarter of 2018 compared to the same period in 2017 (416 compared to 261).<sup>6</sup> With this in mind retailers need consider alternative channels of recovering bad debt, rather than simply writing it off.

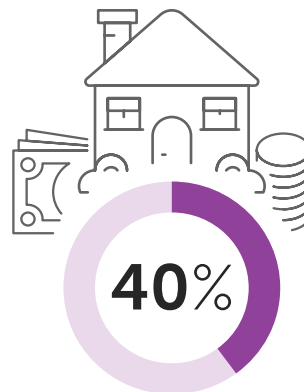


## Mortgage lending

To say that many UK residents with mortgages could find themselves in a precarious position over the next few years would be something of an understatement. After the financial crisis of 2007-08 many prospective buyers utilised the government's "Help to Buy" scheme which helped out with first time buyers' deposits.

The drawback of this scheme is that many buyers took on more debt than they could afford if interest rates started to rise quickly, which is something that started to happen for the first time in 10 years in 2017.

**More than 40% of borrowers in the UK have never experienced a rate rise**, so the potential to get caught out is huge.<sup>7</sup>

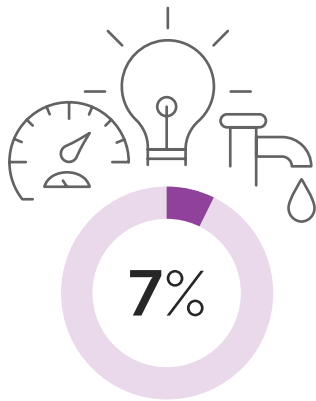


The time for mortgage lenders to prepare for a potential upsurge in non-payment is now.



## Utility sector

Although the utility sector is moving in the right direction when it comes to reducing the amount of customers in debt, the amount owed by the average customer in debt grew to over £600 in 2017 before they started making repayments. **This is a 7% increase on 2016 figures.**<sup>8</sup>



While Ofgem has been calling on suppliers to provide more support to those in high levels of debt, many still aren't doing enough. This has resulted in Ofgem introducing strict new rules for suppliers in providing the support required in bringing down debt levels.

Utility providers need to realise quickly that improving communication channels and providing the appropriate facilities for creating payment plans and making payments is going to play a pivotal part in this.

Based on these statistics, it's clear that businesses have to consider the ways they ask for payments as a priority. Gone are the days when businesses could send a paper bill, or make a manual phone call and hope for the best. Businesses need to be smarter, and employ channels which are not only engaging, but also provide options for easy to access payment facilities, which can be flexible where required.



3

What are the options available to businesses looking to collect more payments?

So far in this paper we've focused on the problems caused by businesses failing to collect payments from customers, but now it's time to focus on how they can collect an increased number of payments, in an easier and more cost-effective way.

For any business looking to create more opportunities to collect payments, self-service facilities should be one of the first aspects to consider. There are two main benefits for businesses who do this.

- It provides much more convenience to customers when compared to traditional channels. Payments can be made at any time or place which is much less likely to present a barrier to payment, when compared to (for example) having to wait on hold to speak to an agent. There is also clear evidence to suggest there is a growing appetite with consumers for self-serve. In fact, a recent study<sup>9</sup> found that 70% of consumers expect a business to provide self-serve facilities, and 40% actually prefer self-service over dealing with a representative.

- There are clear cost savings to be had. In a study conducted by Esendex we found that the average cost for a collections agent to take a payment from a customer was £1.25 (based on a cost per hour of £15, and a 5 minute call time). Compare this with a self-serve telephone payment line cost of 67.5p per payment (7.5p cost of call, and 60p transaction cost). This represents a 46% saving per interaction.

Businesses should also consider the benefits of targeting customers' mobile devices as part of their payment strategies. Every day, 37.3 million people who have a smartphone in the UK use their device<sup>10</sup>, so the opportunity to provide digital, mobile focused customer touchpoints for any type of business has never been greater.

Gartner estimates that by 2020, customers will manage 85% of their banking relationship alone, without ever interacting with a human<sup>11</sup>.

# What are the options available for providing self-serve, mobile-focused payment facilities?

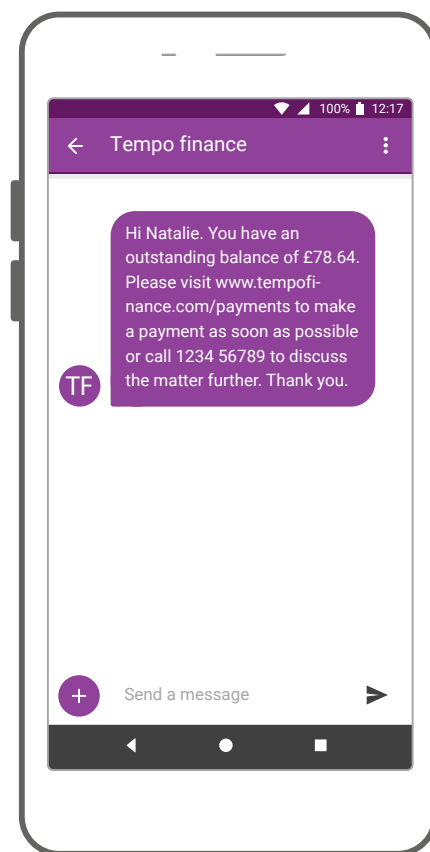
## SMS

This might not seem an obvious place to start, as the amount of self-serve actions that can take place exclusively through SMS is limited, but text messaging is an extraordinarily effective way of prompting customers to take action.

With an unparalleled open rate of 95%<sup>12</sup>, SMS can prompt payment of a bill, trigger a call-back at the convenience of the customer, provide updates on the status of an application, and promote new services that will benefit the recipient.

Studies have shown that businesses who engage with millennials via SMS can enjoy conversion rate increases of up to 100%<sup>13</sup>. In a further example, 77% of millennials (people aged 18-34) had a much better perception of businesses who offered SMS support for customer service than those that didn't<sup>14</sup>.

SMS also provides considerable savings in terms of internal resource usage. Systems like SMS Chat make it easy for in-house agents to manage multiple conversations at the same time, as opposed to managing a single telephone call, one by one.

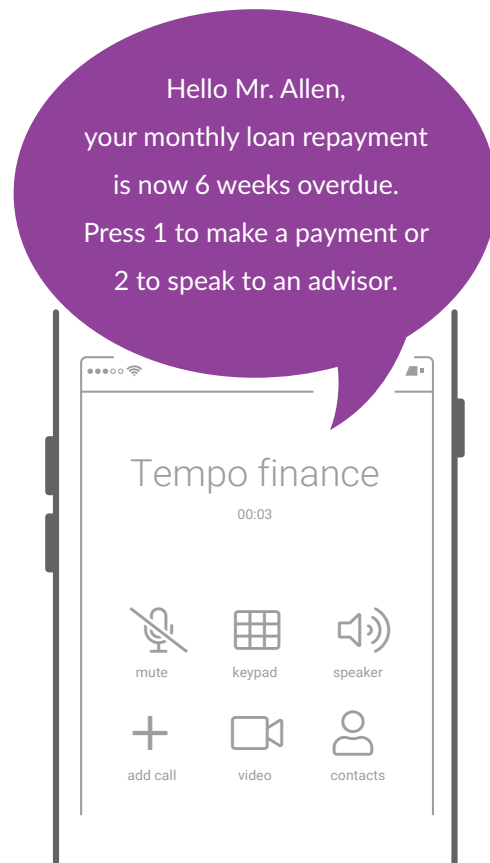


# Outbound Voice Broadcasting

Voice broadcasting enables businesses to maximise payment collection potential by initiating an automated telephone call to all customers at once. Professionally recorded messages can be sent to a landline or mobile, and offer a flexible, memorable alternative to SMS and email.

By using their telephone keypads customers can first of all, validate their identity, before entering details of their payment, and finally details of their chosen credit/debit card. Customers can also choose to speak to an agent at any stage of the call.

Outbound Voice interactions also help financial service providers in particular comply with the principles of TCF (Treating customers fairly), in that the cost of the interaction is absorbed by the provider, and in turn provides free of charge services for the customer.

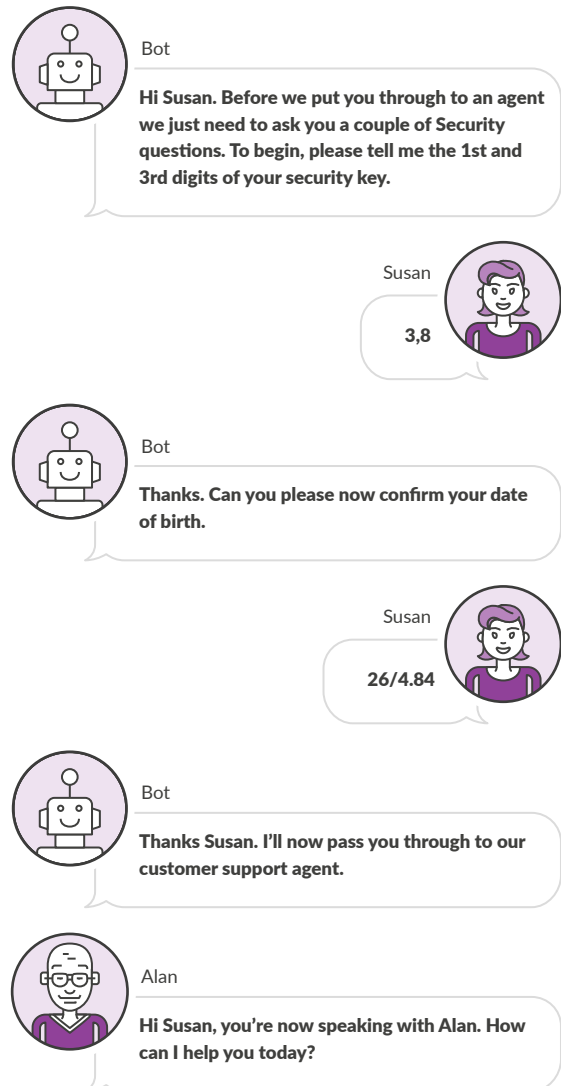


# Bots

Bots are going to play a big part in the future of financial service providers who are looking to save on costs, by offering self-serve facilities.

Contained within chat platforms like Facebook Messenger, bots allow customers to process self-serve payments around the clock, and get useful, instant, automated responses. This in turn represents a benefit to the business by allowing human agents to reduce their time spent on phones processing payments manually.

Some organisations already using bots have recorded some extremely positive results from their new payment processing systems. In the financial sector for example Swedbank, and their bot Nina. Of the 40,000 interactions a month that Nina handles, 81% of the interactions (including payments) are resolved without the need to speak to an agent. This represents massive savings for Swedbank, and a better, more convenient customer experience for customers<sup>15</sup>.



An example of a bot interaction

# Mobile web apps

Mobile web apps go by many different names (e.g. Mobile Payments from Esendex), but the principle remains the same. The customer receives a link (via SMS/Email) to a set of optimised web forms tailored for mobile phone users, which are hard to distinguish from a native or hybrid app.

They remove distractions, by only including the elements that customers need to complete a payment, and reduce friction by making all interactions small-screen friendly. This yields a much higher payment completion rate than would be achieved through traditional web pages accessed on a smartphone (the average web form gets completed 12.6% of the time. Mobile Payments average 46.5% click-to-completion<sup>16</sup>). This statistic is of particular interest, when we consider that mobile web apps can be used in allowing customers to process self-serve payments and eliminate the need for interactions with a human agent.

Businesses will also enjoy the unique nature of each mobile web app instance they send. By using existing data, each journey can be personalised with customers' information, which in turn increases the chances of payment completion.

The image displays three sequential mobile web app screens for Greenville Borough Council, illustrating a payment journey. Each screen features a purple header with the council's logo and name. The first screen, 'About You', contains fields for 'Reference/account No.\*' (2516731277532) and 'Email Address' (joe.bloggs@gmail.com), with 'Back' and 'Next' buttons at the bottom. The second screen, 'Household details', includes a disclaimer and three numeric input fields: 'No. of adults in household' (4), 'No. of children under in household' (2), and 'No. of children 14-18 in household' (0), with 'Back' and 'Next' buttons at the bottom. The third screen, 'Household income Monthly', lists four income-related fields, each with a numeric input field containing the value 4: 'Your pay (after tax)\*', 'Partner's income (if applicable)', 'Benefits (including tax benefits)', and another 'Benefits (including tax benefits)' field. It also includes 'Back' and 'Next' buttons at the bottom.

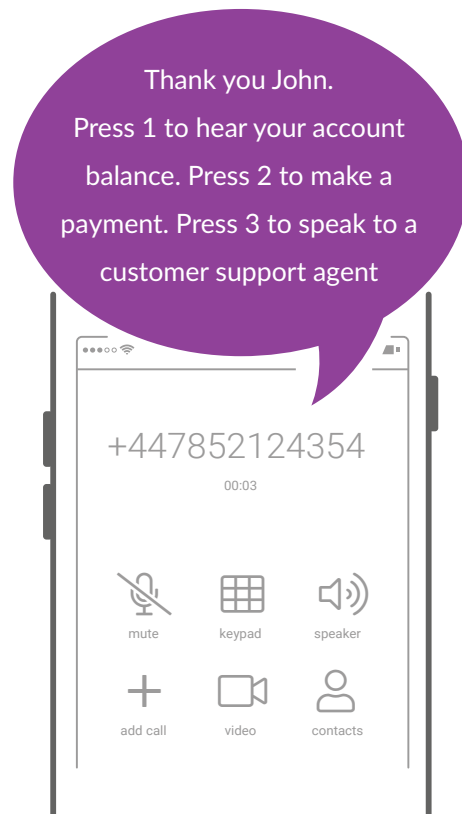
# Interactive Voice Response (IVR)

While interactive voice response might not be the favourite way to process payments for the key millennial demographic (research suggests that they prefer text based interactions like like mobile web apps<sup>17</sup>), they still have a key part to play in allowing other demographics to process self-serve payments.

Businesses will see large resource savings in providing an IVR system which allows customers to process payments via an automated phone call that would have traditionally required a human interaction.

As mentioned earlier in this paper, the cost to serve a customer through an IVR, when compared to a human agent, is significantly lower. For instance, a payment taken via a human agent would cost £1.25 compared to 67p for an IVR, saving 46%.

Almost every demographic has first-hand experience of interacting with an IVR, and that familiarity coupled with the 'always on' attribute of a self-serve system ensures IVR's continued usage.



Example IVR message



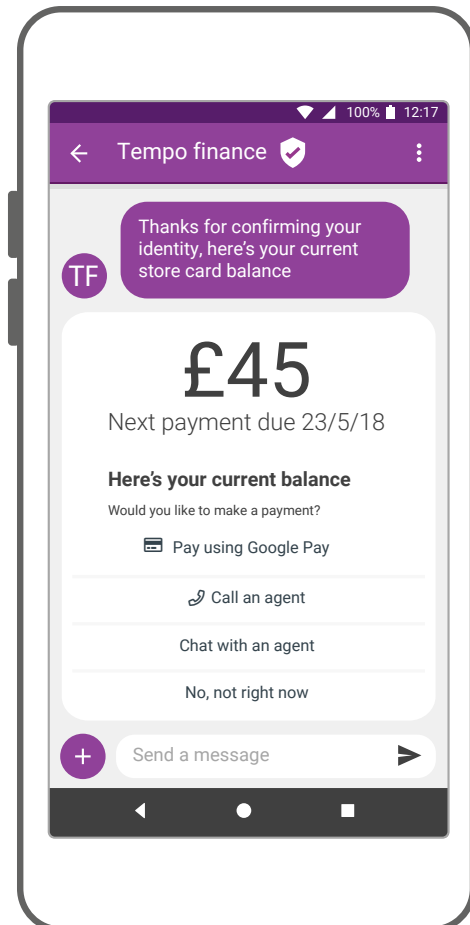
# RCS (Rich Communication Services)

RCS is designed to ultimately replace SMS as the default message app on Android devices over the next few years.

At the time of writing this paper, RCS is supported by 50 mobile operators; this number is expected to rise to over 200 by Q1 2019<sup>18</sup>. The current number of 159 million users is expected to rise to 1.05 billion in the same period.

RCS takes all of the best parts of SMS and gives it an upgrade for the modern marketplace. While still being able to capitalise on the magnificent 95% open rate of SMS<sup>19</sup>, RCS brings much more to the party.

Businesses will be able to set up fully automated and branded interactions with their customers, using new tools like buttons, rich cards, and integrated payment facilities - all of which will appeal to the millennial demographic who are keen to use the latest tools to self-serve. Service providers will also be able to gain “verified sender” status, which will reassure their customers that their interaction is with a trustworthy source.



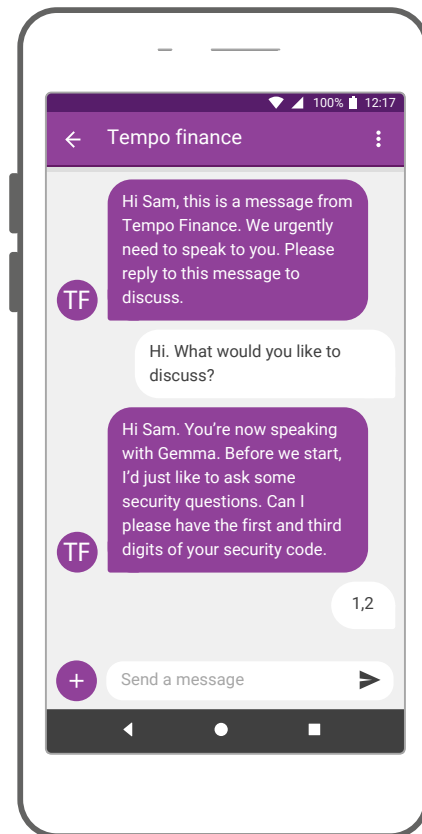
## Web and SMS chat

Both Web and SMS chat platforms are great for businesses who aren't looking for a completely automated self-serve solution, but are looking for better ways to maximise their existing payment facilities.

When compared to a traditional payment channels like telephone support, which only allows support agents to manage a single payment at a time, chat platforms allow customer service agents to manage multiple payments at once. Additionally, some chat providers are also offering bot integration, so you can automate payments too.

Web chat is also popular with customers, with 41% saying that web chat was their preferred method of interaction with businesses, and 51% saying that they would be more likely to use a service provider again, if they provided web chat for B2C communications<sup>20</sup>.

SMS and Web Chat platforms will also be of particular interest to the key millennial demographic, of whom 75% are reported to prefer text over talking<sup>21</sup>.

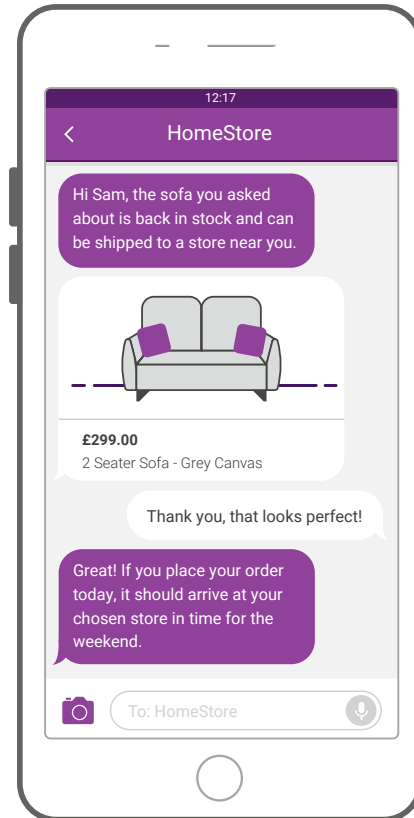


# WhatsApp and Apple Business Chat

Both of these channels are in their infancy at the time of writing this paper, and as such the range of functionalities that these channels offer is quite limited. In fact, the functionality is limited to simple chat style interactions with a live customer service agent.

While this means that WhatsApp and Apple Business Chat can't completely automate a payment, these channels can still be used to process a payment via an agent. Apple Business Chat interactions may also deploy Apple Pay to streamline the payment process further.

While it's early days for these platforms, their potential for making payment collections easier on both the customer and business side is undeniable. WhatsApp can now claim to have over 1.5 billion monthly users<sup>22</sup>, and there are over 700 million iPhones currently being used<sup>23</sup>. These are surely figures that any business collecting payments in a digital, self-serve age has to take into account.





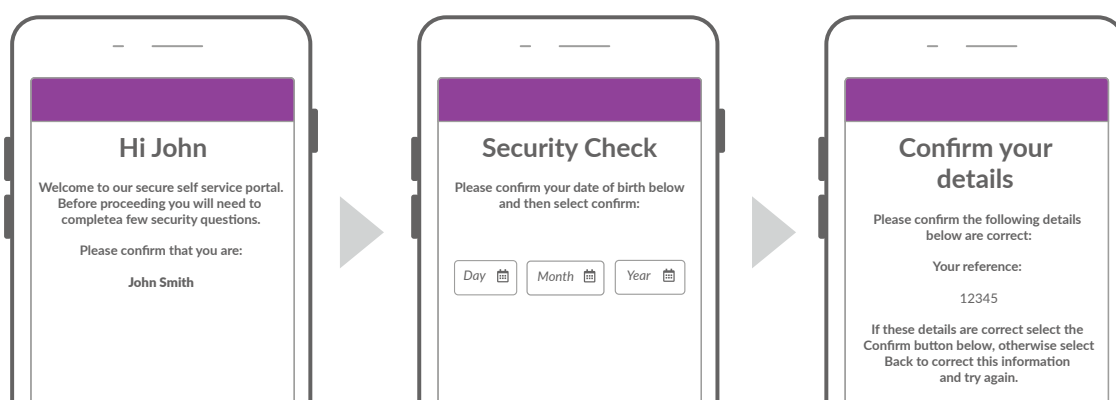
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How can Esendex help?

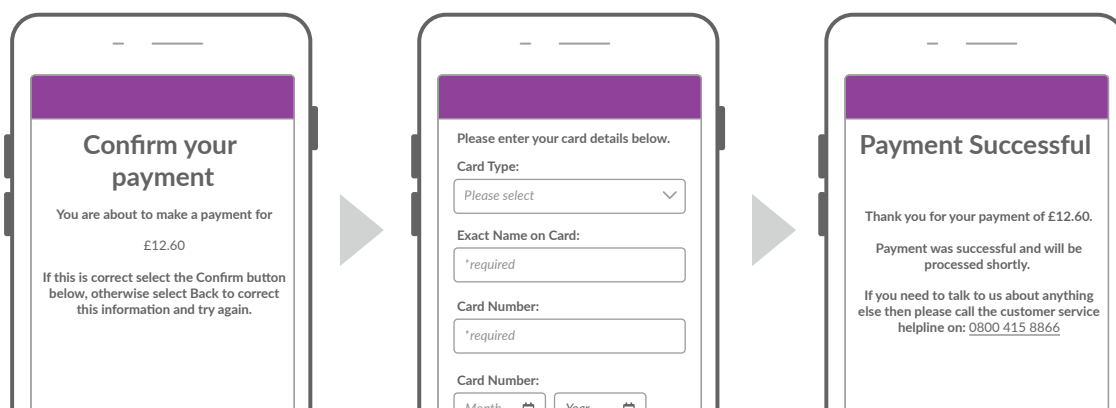
The following case studies offer an insight into how Esendex can help financial service providers have more engaging, self-serve interactions with their customers.

## Using Esendex Mobile Payments to boost collection rates

While SMS has long been used to improve contact rates (by sending SMS reminders) Mobile Payments can build on that, by providing the means to process payments in a secure, convenient and cost-effective way. Here's an example of how Mobile Payments can be used to first validate a customer's identity before providing a convenient and self-serve way for the customer to make a payment.



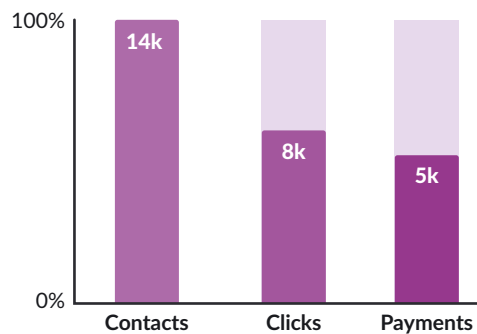
The customer is first asked to verify their identity and account details.



The customer is then asked to confirm their payment amount and payment details before receiving confirmation of the payment being taken.

Mobile Payments are also a proven way to increase payments when compared to traditional forms of payment collections like post and payments over the telephone.

We took a sample group of 14,000 customers and found that just over 5,000 (38.2%) of them went on to make a payment.

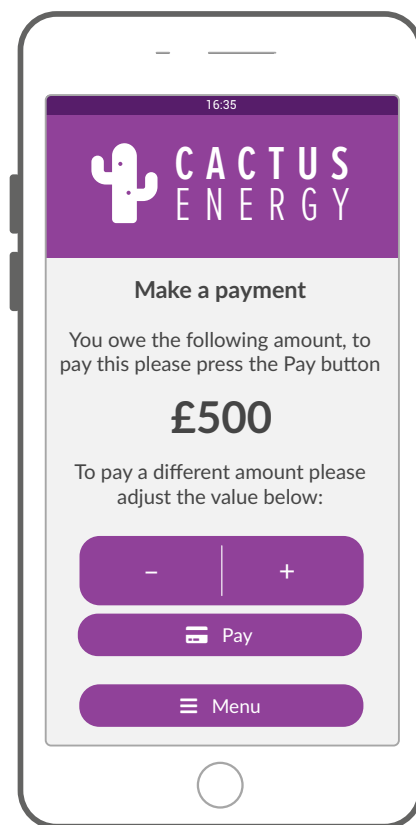


Results of customer sample group study

## Mobile Collections for payments and plan building

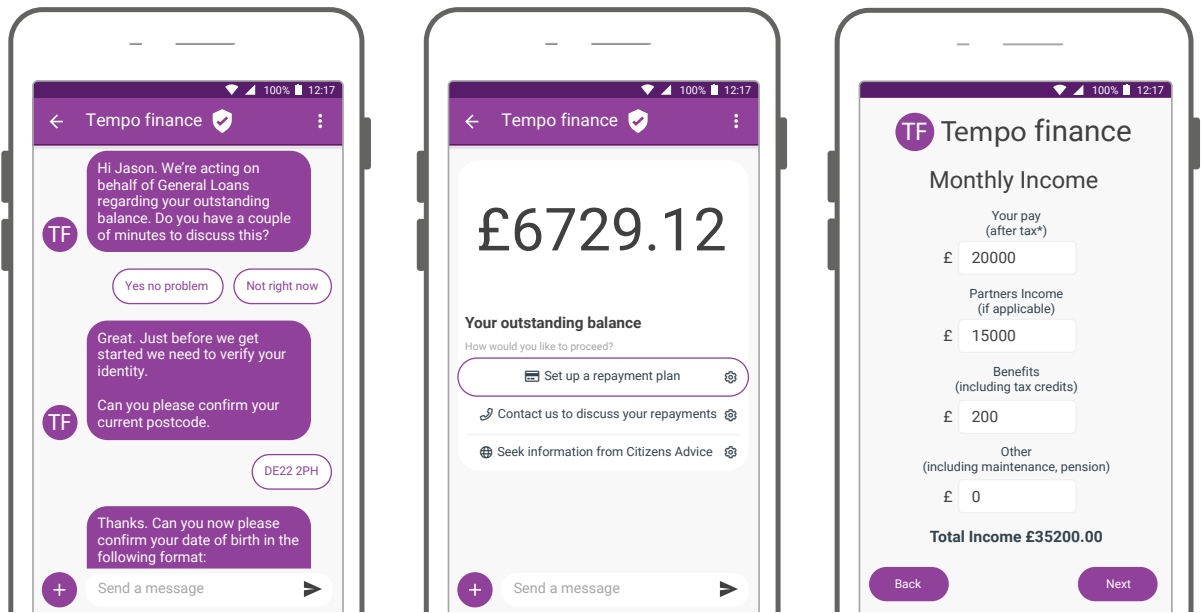
Mobile Collections builds on the functionality offered by Mobile Payments by offering an array of extra payment options. As well as being able to process a payment, customers can also setup a repayment plan, make a payment promise or chat with an agent via a communication channel of their choice.

As with Mobile Journeys, Mobile Collections can be completely customised for each customer and include all of a businesses corporate branding to maintain a familiar user experience



## RCS for repayment plan building

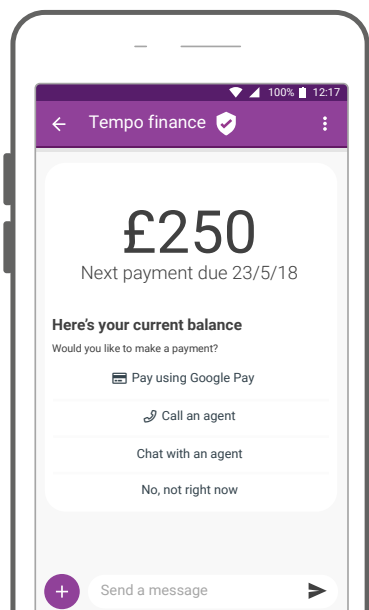
As we've mentioned earlier in this paper, RCS represents the next evolution of B2C SMS messaging. Here's an example of how RCS can build on SMS, by providing the means to make enquiries and payments from within a single conversation, without the need to visit a separate website or app.



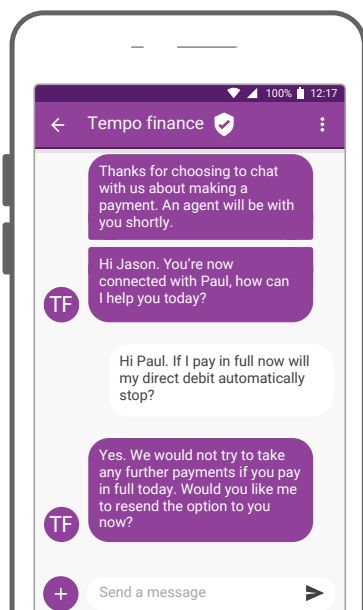
First of all, the customer's identity is confirmed by providing answers to a series of automatically triggered questions.

The customer is then provided with information about their balance. They're also invited to set up a repayment plan, or speak with an advisor.

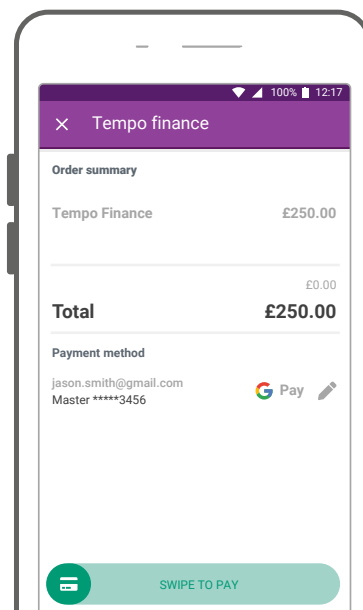
If the customer selects "Set up a repayment plan", they'll be taken to a Mobile Journey with an automated income and expenditure assessment, and commit to a repayment plan.



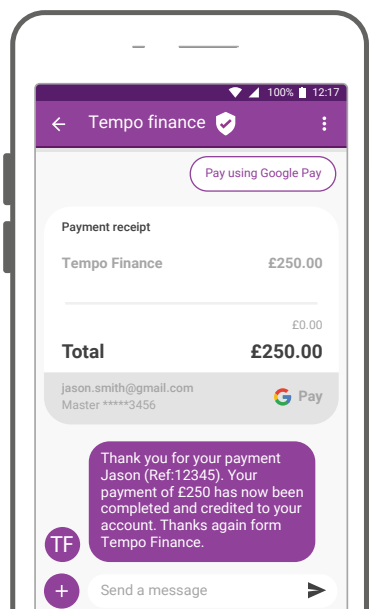
*The customer can then choose to view their agreed repayment schedule or view their current balance.*



*The ability to chat with a live agent within the RCS workflow is always available to the customer.*



*Payments can be taken without leaving the conversation, or if the provider prefers, payment can be taken via a linked automated phone serve/secure payment portal.*



*Finally a payment reference and thank you are given to the customer*

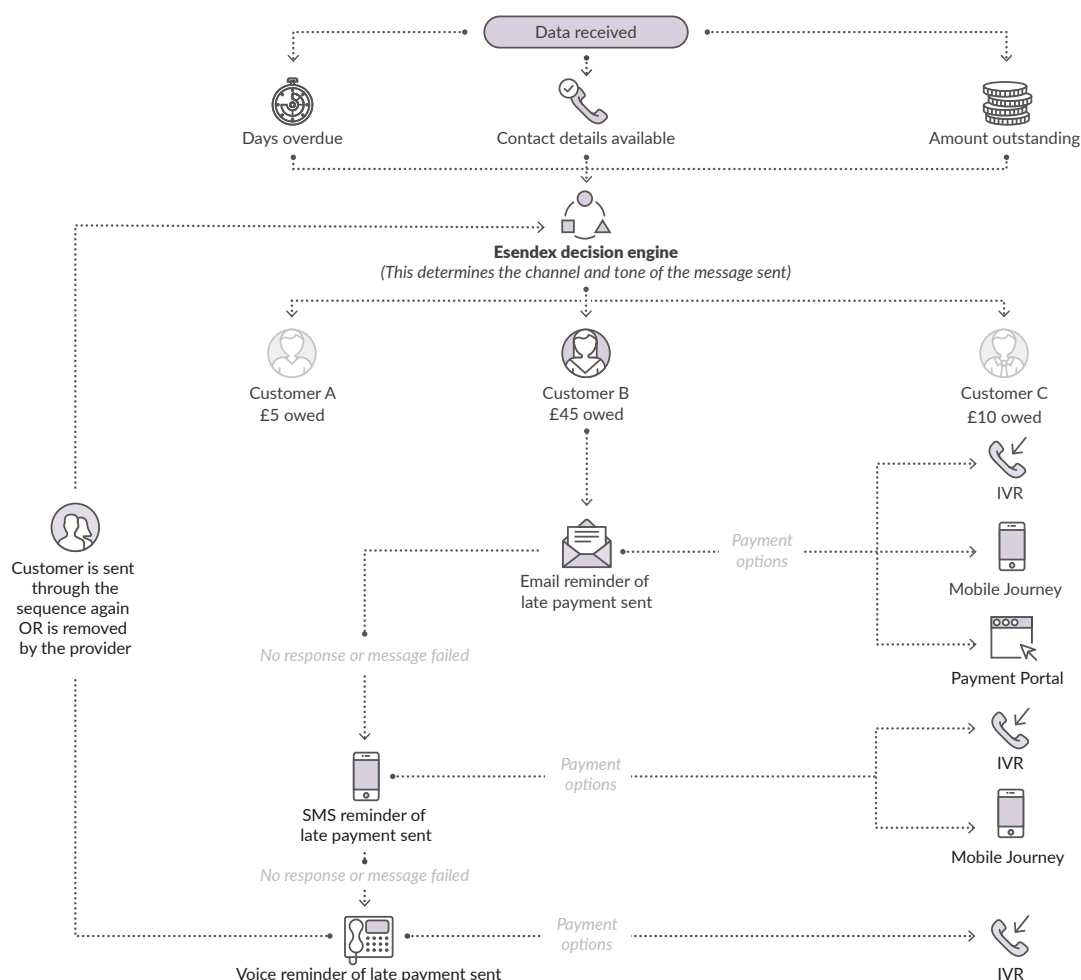


## Multichannel communication strategy for automated debt collection

In the 2015/16 financial year, The UK's SMEs wrote off a combined £5.8 billion alone, with the average business currently owed £62,957<sup>25</sup>. Much of this can be attributed to having a lack of effective collection/payment strategies. From retailers to credit providers, having a low-cost, effective way of collecting debt is a major business goal. It's no surprise, then, that this is one of Esendex's most popular multichannel automations.

Working with companies' data, Esendex can develop tailored and fully automated treatment paths. The experience is unique to the end customer, and automatically adapts to changes in their circumstances. Levels of complexity can be built into strategies allowing for minimal human interaction and allowing customers the ability to self-serve.

In the example below we've illustrated a workflow that's generated a 15% increase in collection rates for an Esendex customer. Importantly, there is zero human interaction required.





# 5

## Conclusion

Making the switch from traditional payment channels to modern self-serve channels is a consideration that most businesses need to make if they are to remain competitive. Many businesses will no longer be able to write off uncollected payments and debt if they are to stay ahead of the competition.

Consumers have already seen advancements in bricks and mortar stores with the introduction of tools like contactless payments and Apple Pay, which have both been adopted on a massive scale - but can the same be said for advancements in how payments are taken remotely? Probably not.

Making the right decision on which channel to use, for the right type of customer, will remain one of the key decisions that businesses need to make. And when dealing with multiple types of customer demographics, a multichannel approach which maximises payment potential has to be considered too.

Adopting a next generation digital, self-serve platform for payments is understandably going to present challenges and trepidation for some, but the opportunities presented as a result should be seen as a greater cause for optimism. Being able to reduce the strain on staff by providing fully automated systems being one major benefit. Reducing cost to serve being another.

The main benefit of providing these new payment platforms, however, is to improve customer satisfaction. Modern customers don't just want, but now expect convenience and ease of use at every touchpoint.

Using a new payment system also doesn't have to mean that any legacy systems are instantly discarded. The process can be gradual, or even partial. Esendex's payment options for instance can be layered over the top of existing systems which from a technical point of view, means that extensive work won't be needed to take the next steps.

With all of this in mind it has to be concluded that the benefits of providing digital mobile payments are too good for businesses to ignore. Failure to adopt a mobile payment strategy may not mean your business goes bust, but it won't keep you up to speed or ahead of the competition, and it certainly won't help keep your customers happy.



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