

2018 Global Payments Insight Survey: Bill Pay Services

Cloud, security, and immediate payments will drive
the agenda in 2018

Catalyst

To succeed in a rapidly changing environment, organizations need to future-proof their payment strategy

The payment market is changing, and with it the operating environment for enterprises in all industries. Across the value chain, organizations are investing in new technology as they adjust to shifting market conditions and consumer expectations. For many, these investments are necessary to respond to short-term changes, but in many cases they also form part of longer-term digital transformation plans. The decisions that are made in the coming years will be huge determinants of both the shape of future value chains, as well as the businesses that participate in them.

Investments in payment technology and services have become integral to both short and long-term plans. The need to support changing consumer preferences to transact via digital channels remains a major driver of change, particularly because of the increasing expectation that payment services will become a deeply embedded and largely invisible part of the digital customer experiences of tomorrow.

This creates its own challenges of course, particularly that of delivering on customer expectations while still managing to invest in necessary back and middle-office

improvements. For many organizations, these investments will be in key components of the underlying infrastructure needed to deliver the next wave of organizational change and customer-facing innovation.

To understand the evolution of the landscape, technology analyst house Ovum, in conjunction with ACI Worldwide, has conducted its annual Global Payments Insight Survey since 2015. This survey of merchants, retail banks, and billing organizations examines strategic plans and IT investment trends, asking respondents about their experiences, perceptions, and expectations of payments and how these shape their investment and development activity for the year ahead.

This report focuses on billing organizations. It provides an explanation of how the views and perspectives of different billing organizations contrast. It is one of four reports based on Ovum's 2018 Global Payments Insight Survey. The other reports, which focus on merchants, retail banking, and the wider market, respectively, can be found at:

<https://www.aciworldwide.com/lp/payments-insight-2018>

Recommendations

Each billing organization faces its own unique set of operating and market conditions, but all should consider the following steps to best respond to the opportunities in today's market:

- **Continue to invest in delivering the digital experience that consumers expect.** Payment technology and consumer expectations continue to evolve, and keeping pace – both with customer needs and the competition – will require organizations to maintain their focus on improving the consumer payment and wider digital transaction experience.
- **Remember that the next wave of service innovation will be driven by enhancements to payment and other back-office infrastructure.** For many, the rapid expansion in the adoption and development of new payment and

digital services has meant that equally important enhancements to middle and back-office capabilities have been neglected. Delivering the next wave of improvements to the customer experience will rely on centralized and integrated underlying systems, particularly for cross-channel services.

- **Embrace the opportunities presented by new market infrastructure and consumer technology.** New payment infrastructure can drive internal efficiencies as well as enhance the customer experience. This does not simply mean faster ACH, and should not be seen as such. The emergence of voice-activated commands should not be overlooked. Organizations should experiment now in case such technologies become a mass-market channel.

Summary

The need to deliver greater security and efficiency as well as a better customer experience will drive investment in payments

Key findings from the survey include:

- 56% of billing organizations plan to increase their investment in payment capabilities in 2018. The need to continually invest to meet consumer expectations remains a clear growth driver.
- Cloud is growing in popularity, with 72% of all organizations surveyed planning to increase their use of SaaS to consume core payment applications.
- Investing in mobile solutions will be the focus of much of the efforts around improving the customer experience, but delivering services via smart home devices is an area that 28% of enterprises are currently looking to develop.
- There is now a strong consensus around the benefits of immediate payments, and attitudes have shifted noticeably since 2017. Just over 82% of organizations believe real-time payments will result in cost savings – up from 48% in 2017. Meanwhile, 77% believe that this will improve their customer service.
- Security remains a clear focus area for billing organizations. 22% report that they had experienced a loss of payment data in the previous year, driving greater payment-related IT investment.

The need to continue enhancing the customer experience while optimizing operational

efficiency and security is causing many organizations to increase their investment in payment-related technology in 2018.

Consumers' preferred channel continues to be mobile, but further investment is required in this area. A significant minority of respondents are recognizing the potential of voice-activated commands and smart home devices.

Many organizations are looking to tackle the growing pressure on costs with greater operational efficiency: 42% report that their operational costs relating to payments have increased since 2015. They also want to ensure systems and processes in middle and back offices can support further improvements to the consumer experience.

Some 90% of organizations plan to better integrate their payment and ERP systems (up from 69% in 2017).

There is a growing appetite for cloud-based payment applications (SaaS in particular), thanks to the promise of reduced costs and greater agility.

In the past year, attitudes to immediate payments have become almost entirely positive. We will see further innovation in 2018, no doubt catalyzed by the launch of real-time payment infrastructure in many markets, including the US.

Payment services play a critical role at the operational level for all organizations, and the investment planned for 2018 will result in even greater developments and innovation across all areas.

Organizations show little sign of slowing their investment in new payment and billing capabilities

The need for service enhancements will see most organizations increase their payment technology investments in 2018

Growing customer expectations, alongside increasing competition, will see organizations invest heavily in their payment capabilities in 2018. Although priorities differ at enterprise level, delivering a superior user experience and improving operational efficiency are common drivers of investment. These projects often form a core element of wider digital transformation activities.

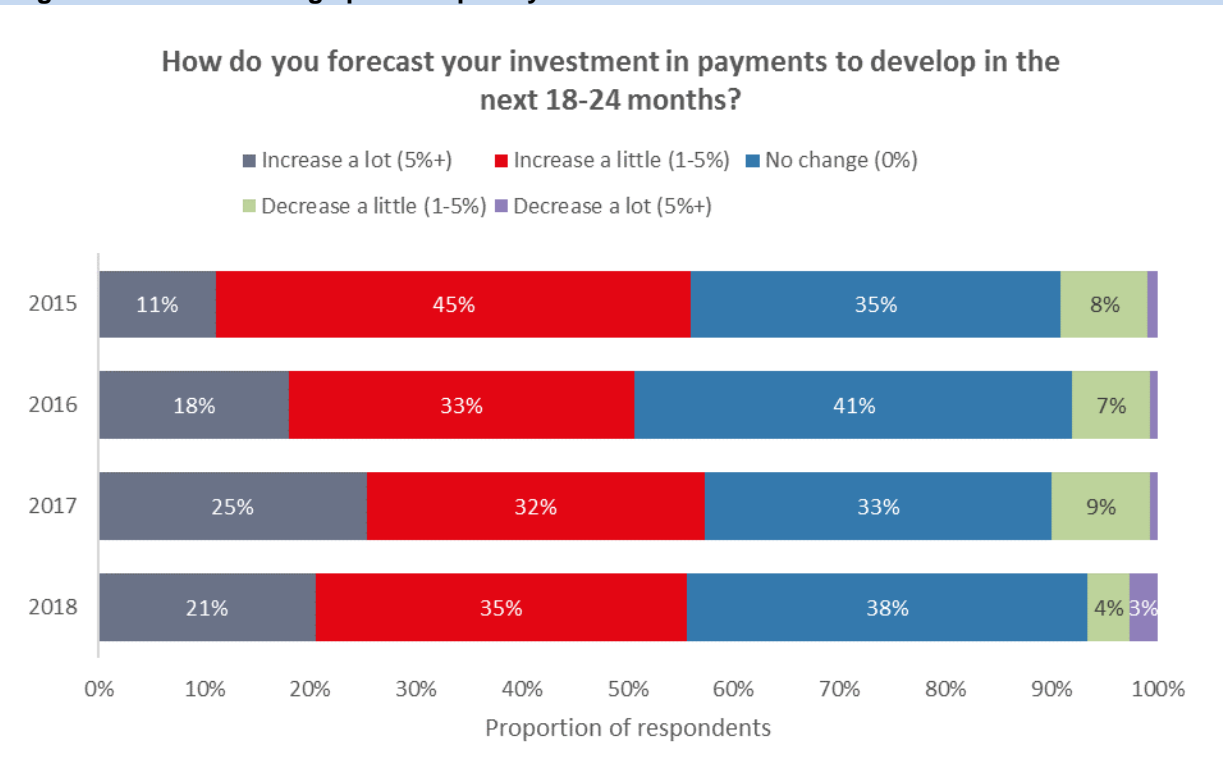
At a global level, 56% of the enterprises surveyed report increased budgets for payment-related technology spending in 2018, with 21% growing budgets by 5% or more on the prior year.

As Figure 1 demonstrates, this follows the trend of the previous three years, demonstrating the importance of billing and payment services to the operational abilities of businesses across all sectors.

The consumer finance sector will experience the most rapid budget growth, with 78% increasing their spend, followed by government agencies (65%).

The utilities industry is more polarized, but 31% of providers still plan to increase their investment in payments by 5% or more on 2017 levels.

Figure 1: Investment in payment technology will remain high in 2018, with 56% of organizations increasing spend on prior-year levels



Source: 2018 Ovum Global Payments Insight Survey

The focus of investment will be balanced between enhancing the customer experience and improving operational efficiency

Analysis of the factors driving growth in investment shows the spread of priorities that today's organizations need to balance.

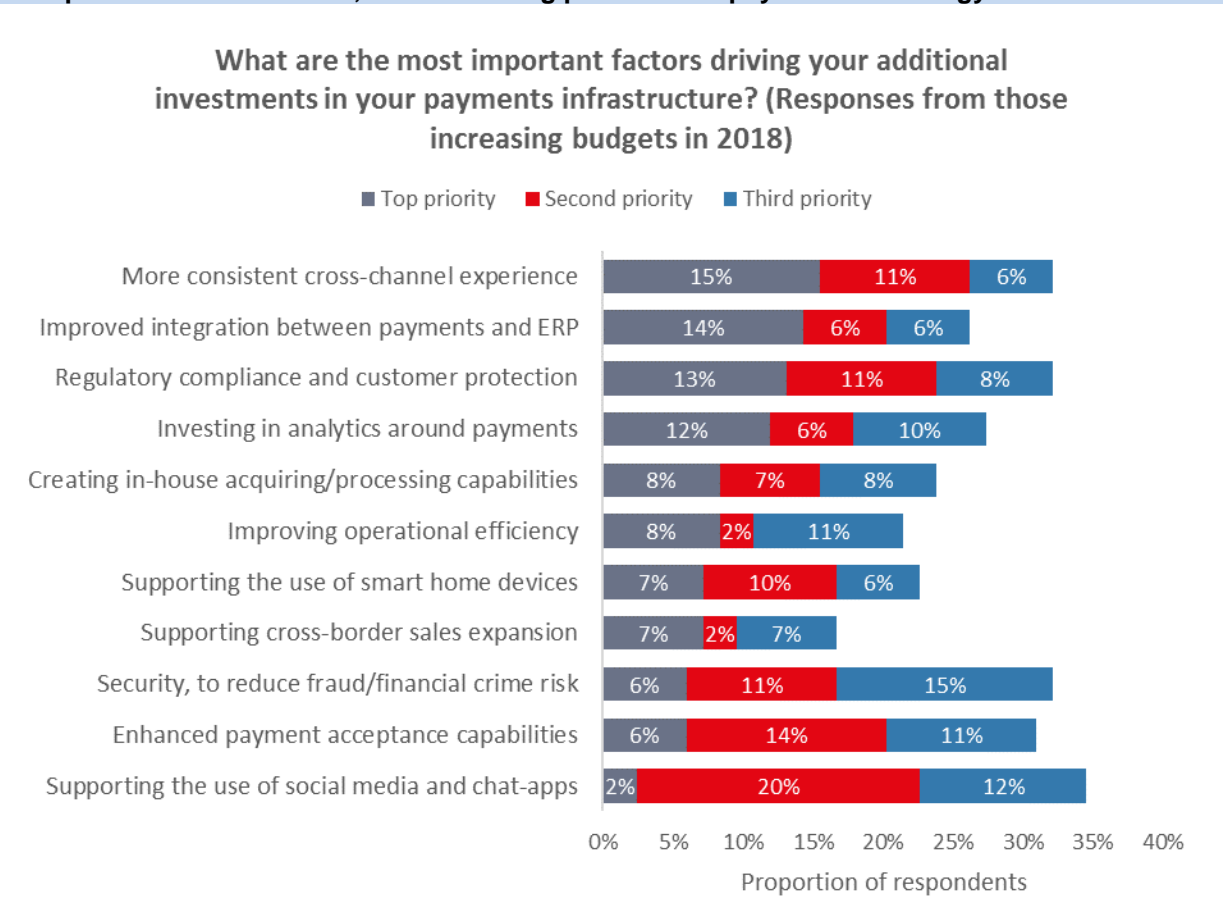
Delivering on the customer expectation for a smooth cross-channel experience is the biggest overall priority for billing organizations, with 15% citing this as their single most important area of focus.

The use of smart home devices and digital assistants is a leading project priority for close to a quarter of enterprises. This, along with a high degree of focus on supporting the use of social media and chat apps, demonstrates the

need to continually invest to bring payments and account servicing to the customer.

Back-office efficiency remains another core objective. Improving integration between payment systems and ERP is a top-three project for 26% of organizations, highlighting the value to the enterprise of better alignment between these core functional areas. Indeed, 90% of organizations now plan to improve integration between their ERP and payment system in the next 12 months. This is up from 69% in the 2017 survey, demonstrating the growing importance of this area.

Figure 2: Delivering a more consistent cross-channel experience, and operational and compliance considerations, are the leading priorities for payment technology investments



Source: 2018 Ovum Global Payments Insight Survey

Attitudes towards cloud are becoming more positive, with the majority now clear on the potential benefits

Billing organizations are positive about the cloud for core payment applications, recognizing a number of benefits that SaaS solutions can bring to their operations.

On average, organizations surveyed reported that just under 23% of their core payment software is currently consumed via SaaS. They expect this to grow to close to 25% by 2020. Some 72% expect to move more of their payment software to SaaS in the future. This is up from 54% in last year's survey, showing a strong increase in the popularity of cloud. This trend is reasonably even across all verticals, but government and the insurance sectors make the greatest use of SaaS today (both at 24%).

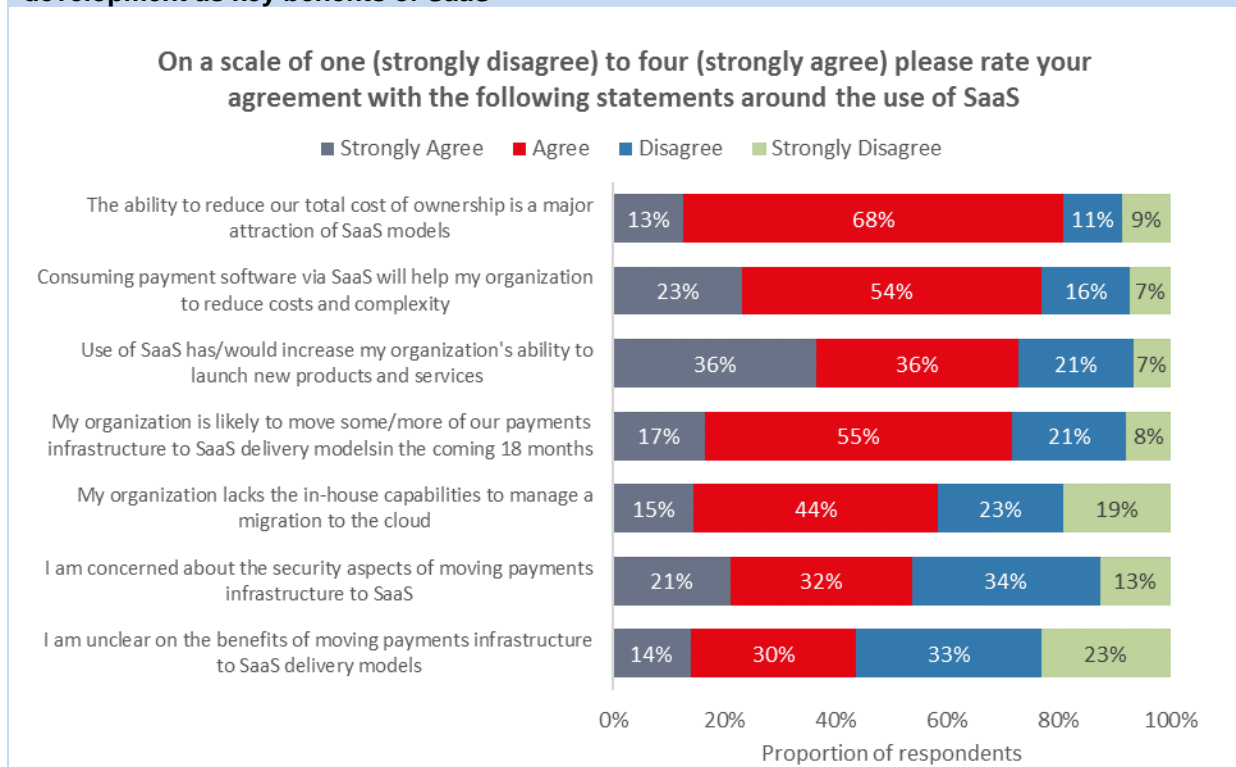
There is also broad agreement on the benefits of SaaS, particularly around cost, with 81%

citing the ability to reduce total cost of ownership (TCO) as a major attraction. The ability to reduce complexity was highlighted by 77% of respondents.

While cost and complexity reduction are seen as the principal benefits of SaaS, more than three in five organizations (62%) highlight the greater agility around the launch of new products and services SaaS affords.

However, challenges remain, not least around how easily in-house IT teams can move from on-premises to SaaS. This challenge was mentioned by 59% of organizations, and is doubtless a factor in the relatively small increase in expected consumption of core payment applications via SaaS by 2020.

Figure 3: Billing organizations see lower costs, reduced complexity, and easier product development as key benefits of SaaS



Source: 2018 Ovum Global Payments Insight Survey

Investment in the customer experience will be focused on supporting digital channels

Mobile optimization is the priority for the payment experience, with personalization a future differentiator

Investing in billing and payment services to deliver an enhanced customer experience is a priority for billing organizations. In line with prior years, ensuring that customers can transact via their preferred channel, be that viewing their account information or directly making payments, is a major focus.

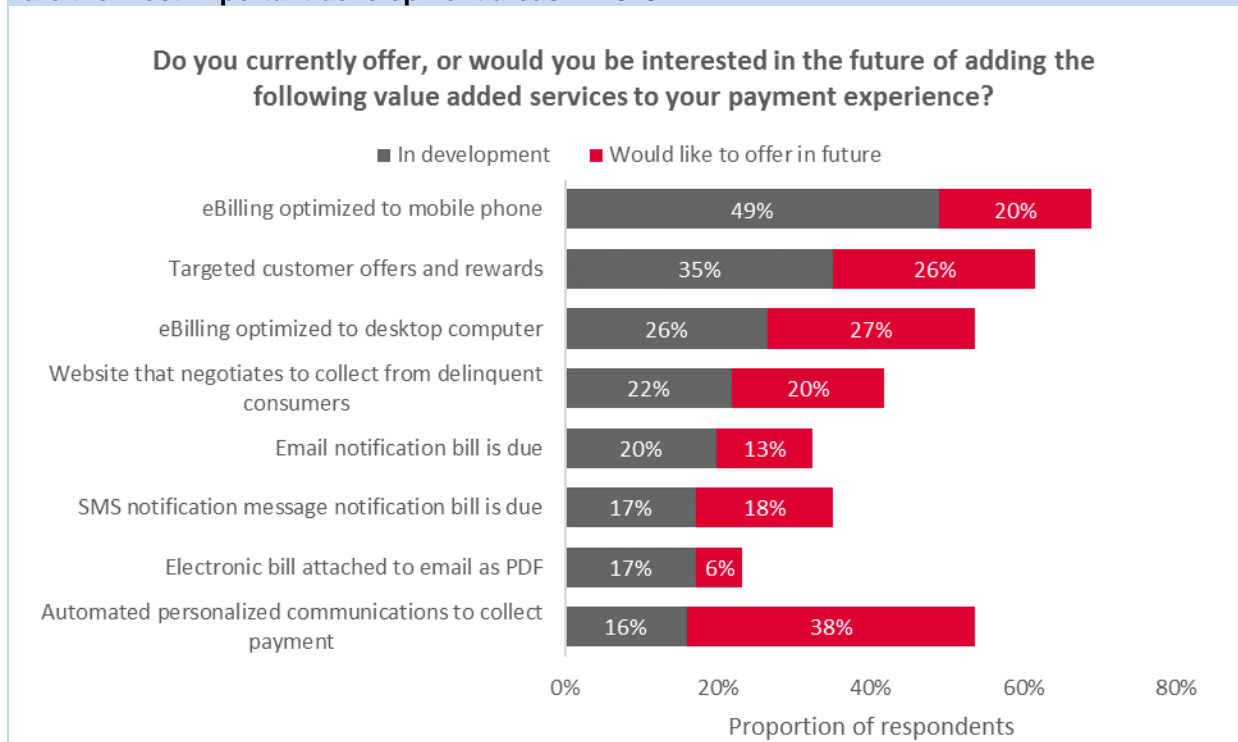
Mobile-optimized electronic statements are the biggest current development area, with just under half (49%) of all organizations currently adding new capabilities here. This is a particular focus for those in the higher education and healthcare verticals, with 53%

of these respondents currently delivering new or enhanced mobile e-billing services.

Developing the ability to target customers with offers and rewards is currently a focus area for 35% of respondents. Healthcare providers (43%) and higher education institutions (41%) are particularly focused here.

Of the new capabilities billing organizations plan to develop in the future, personalized communications to collect payments is set to be a differentiator. Across all businesses, 38% would like to offer this feature, but there is particular interest among the government (50%) and consumer finance (48%) segments.

Figure 4: A mobile-optimized payment experience and better-personalized communications are the most important development areas in 2018



Source: 2018 Ovum Global Payments Insight Survey

Improved mobile services are the focus of enhancement across the broader billing and payment experience

Looking at the consumer billing experience more broadly, there are a number of specific enhancements that many organizations are planning or would like to add to their capabilities. Enhancing the functionality available on mobile is central to the development plans of many organizations.

Across all industries, 46% of enterprises are currently improving their ability to receive payments from a mobile-optimized website, with 42% focused on enabling the payment process to be triggered via SMS. Consumer finance businesses (61%) are particularly focused on optimizing services for mobile, followed by government organizations (55%).

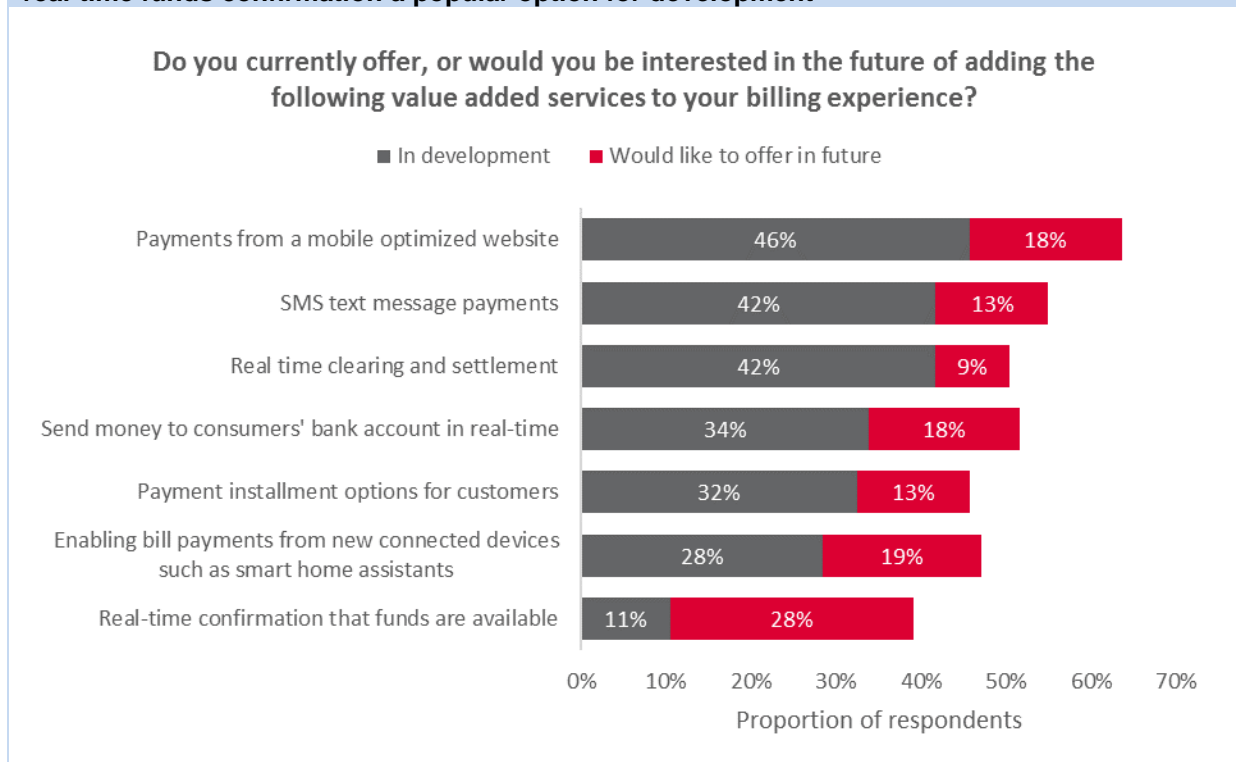
Real-time payments are another important focus area, with over two in five (42%) of organizations currently developing solutions that will use this new infrastructure.

Looking further ahead, one of the biggest areas of future development is delivering services via smart home devices. While still in its relative infancy, and with limited penetration at present, the potential of voice to become the channel of choice for many consumers is driving many organizations to invest.

Just over 28% of enterprises are currently developing the capability for consumers to trigger payments via voice, with a further 19% interested in exploring this area in the future. Current interest is strongest in the consumer finance and insurance sectors.

With half the market either currently active in developing propositions for smart home devices or planning future projects, this could be a key future differentiator.

Figure 5: Enhancing the mobile experience is the most pressing investment area in 2018, with real-time funds confirmation a popular option for development



Source: 2018 Ovum Global Payments Insight Survey

Immediate payment infrastructure is also expected to deliver improvements to the customer experience

The steady progress made in developing real-time infrastructure in many markets, notably the US, has seen attitudes toward immediate payments change over the past year.

The biggest change relates to cost savings. Between 2017 and 2018, the proportion of organizations that expect immediate payments to deliver cost benefits increased from 48% to 82%, marking a significant change in attitude.

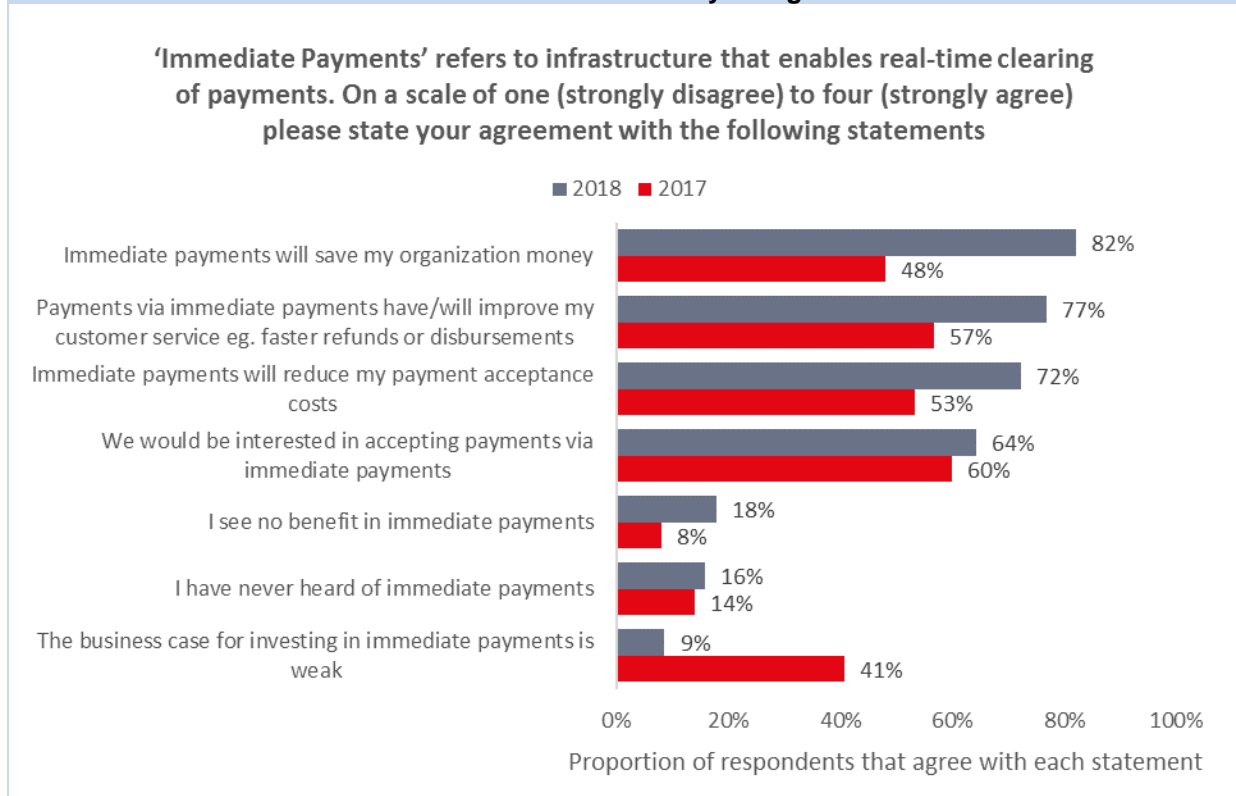
There has also been growing awareness of how immediate payments benefit the customer, particularly around refunds and disbursements. In 2018, 77% of organizations were clear on the potential benefits, from 57% in 2017. The government, healthcare, and

higher education verticals see opportunities here.

Given this level of awareness over the benefits, the industry now has a compelling business case for investing in both accepting immediate payments and offering new services that leverage this infrastructure.

Across all industries, only 9% of organizations believe that the business case for investing in immediate payments is weak, declining from 41% in 2017. Again, this highlights how far real-time payments are set to deliver both operational and customer-facing benefits across the market.

Figure 6: Attitudes to immediate payments have changed markedly since 2017; potential cost reductions and enhanced customer service now widely recognized



Source: 2018 Ovum Global Payments Insight Survey

A high incidence of payment data theft will see security prioritized over customer experience

Over one in five organizations report that they have suffered a data breach in the past year

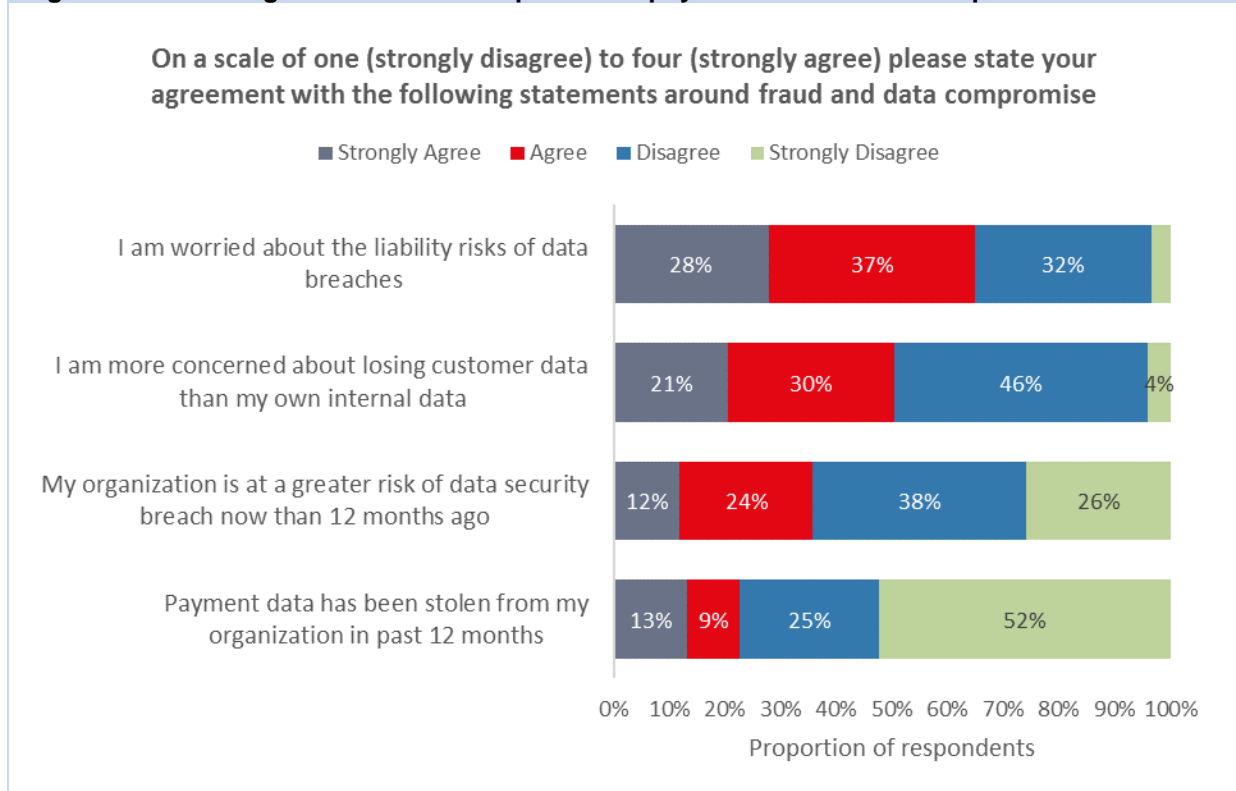
Data security is high on the agenda for billing organizations. It is a focus for investment in projects involving core payment infrastructure.

In many cases, this is driven by recent experiences of fraud or data breach, with 22% of businesses reporting that they had experienced theft of payment data in the past 12 months. Government agencies (30%), consumer finance (26%), and healthcare (25%) were the sectors most heavily affected.

Liability risks are a pressing issue, with 65% of all organizations reporting concerns here.

Many businesses feel that the risk of fraud or data compromise is receding. Across all verticals, the proportion of enterprises that believe they are at greater risk of data breach than a year ago stands at 36%, suggesting that up to two-thirds of the market feels safer. Security was cited as a driver of payment investment for 85% of billing organizations in Ovum's 2017 Payments Insight Survey; therefore, the fact that enterprises feel less at risk now could reflect recent security enhancements more than a lower-risk operating environment.

Figure 7: 22% of organizations have experienced payment data theft in the past 12 months



Source: 2018 Ovum Global Payments Insight Survey

Utilities and the higher education sector believe they face the greatest risk of compromise

While just over a third of billing organizations believe their risks of a data security breach have increased over the past year, businesses in some verticals are facing considerably greater challenges than others.

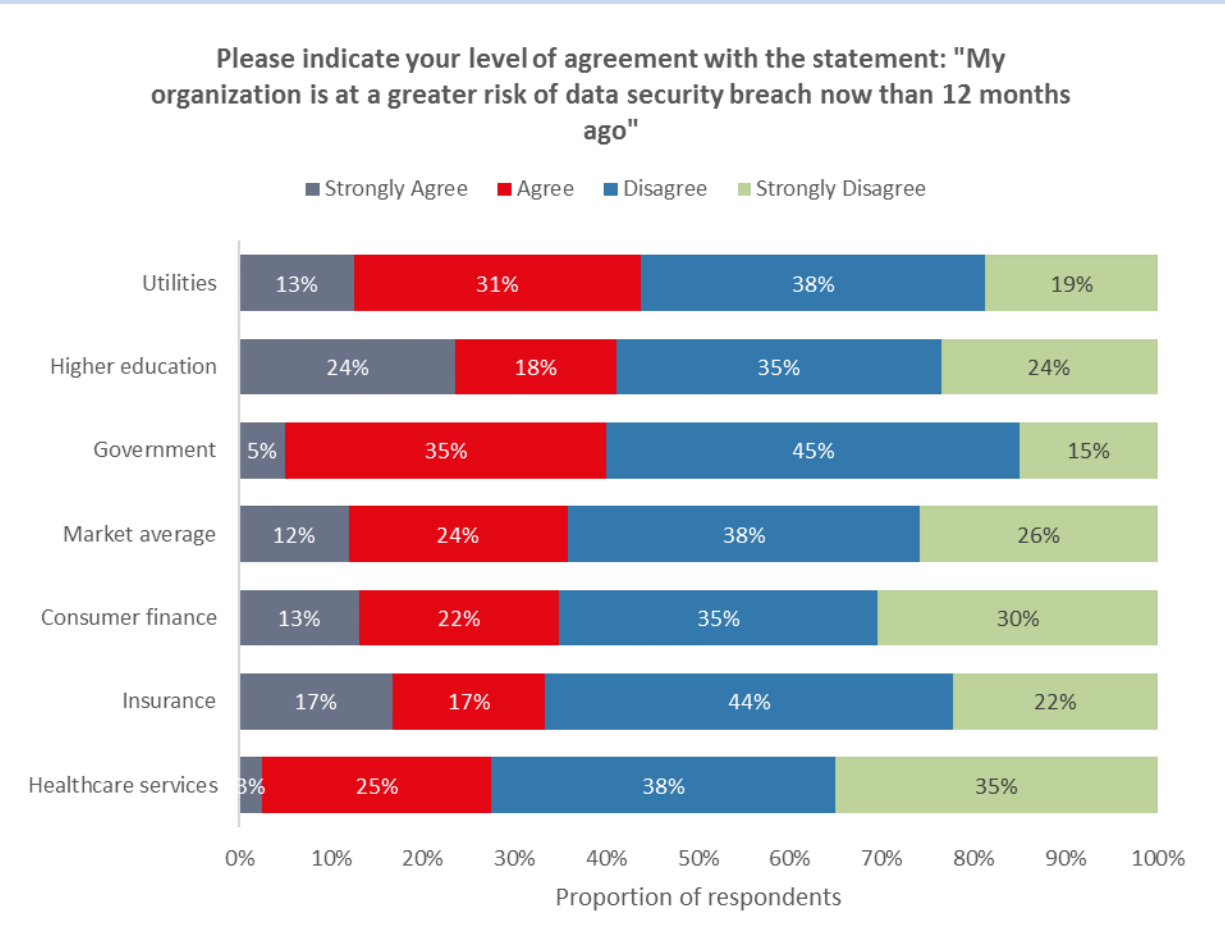
The utilities and higher education sectors appear to be under greatest pressure, with 44% of utility companies and 42% of higher education institutions believing that their risks of a data breach this year are higher than in 2017.

These growing concerns over data breach are driven in part by the potential reputational and financial costs that could be incurred. Indeed,

94% of utility agencies report they are concerned about the liability risk they face from loss of customer data, followed by 78% of those in the consumer finance sector (compared to a market average of 65%).

Unsurprisingly, these concerns are a major driver of investment in payment services, as enterprises look to more modern payment and security solutions to reduce some of their risks. Of those organizations that report they have suffered a data breach in the previous 12 months, 71% plan to increase their investment in payment technology in 2018, compared to 52% among those not affected.

Figure 8: Utilities and the higher education sector believe they face the greatest risk of customer data breach



Source: 2018 Ovum Global Payments Insight Survey

The balance between the customer experience and protecting against data compromise is tipping toward security

Although cases of data breach are not a new phenomenon, the financial and reputational damage that can result has increased considerably over recent years. This issue is now a board-level topic and a growing proportion of organizations are beginning to prioritize risk reduction over the customer experience.

In Ovum's 2017 Global Payments Insight Survey, 57% of billing organizations agreed with the following statement: "My company would not invest in fraud solutions that add friction to the customer experience." Clearly, the majority view was that introducing friction would be detrimental to revenues.

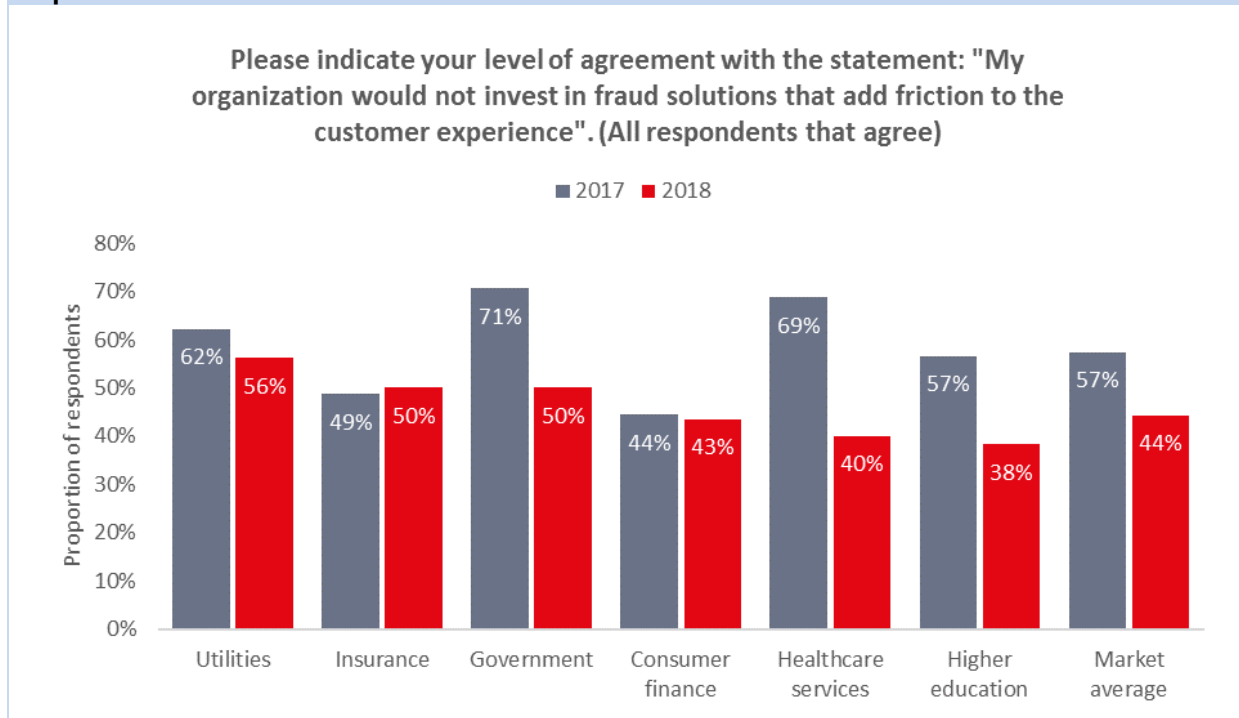
This position has changed. In Ovum's 2018 study, agreement with this statement has fallen to 44%, highlighting both the growing need to address these risks as well as action taken in the previous 12 months.

There are differences at sector level, with healthcare providers showing the biggest change in sentiment: 40% would now not invest in fraud solutions that add friction to the customer experience, compared with 69% in 2017.

The utilities sector is the only sector in favor of a smooth user journey at the expense of possible data compromise, with 56% in agreement with the statement. Nevertheless, this has still fallen slightly from the 62% in 2017.

While addressing these risks will remain an understandable priority (particularly given the reputational and financial damage that can ensue), delivering both a low-risk and low-friction customer experience will continue to drive investment in modern payment and security technology.

Figure 9: Many organizations are prioritizing security of customer data over customer experience



Source: 2018 Ovum Global Payments Insight Survey

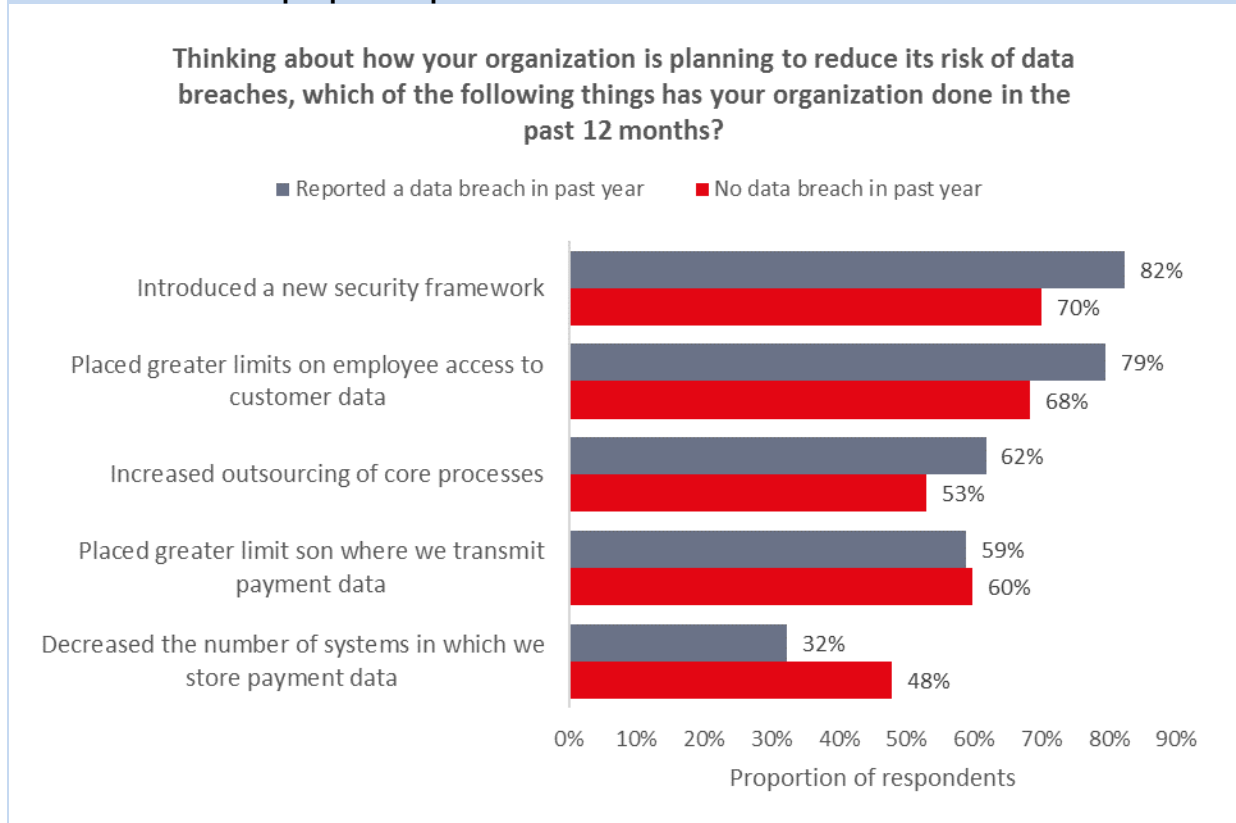
Experience of a data breach drives both increased investment in payment technology and internal policy changes

Although all organizations should have clear policies and systems in place to manage their risks around fraud and data loss, there are some important lessons to learn from how enterprises that have experienced these issues have responded.

The first is to continue to invest in modern payment and fraud solutions. Of those organizations that have experienced a data loss in the previous year, 71% are increasing their budgets for payment technology in 2018 and none report plans to reduce their spending. For the rest of the market, 52% plan to increase their budgets and 8% plan to reduce expenditure.

However, this is only one piece of the puzzle, and internal weakness around people and data management policies also need to be addressed. Of the organizations that have been impacted by data loss, 82% have introduced a new security framework and 79% have reduced employee access to customer data. These figures are at least 10% lower for organizations that have not experienced a data breach in the past year, highlighting the need for all organizations to address these areas in addition to offering improved payment and security capabilities.

Figure 10: Organizations that have experienced a data breach focus on addressing weaknesses in their people and processes to reduce risk



Source: 2018 Ovum Global Payments Insight Survey

Appendix

Methodology

For Ovum's 2018 Global Payments Insight Survey, Ovum and ACI Worldwide partnered to produce 22 questions for a global panel of respondents, with a focus on retail banks, billing organizations, and merchants.

The aim of the survey was to understand current attitudes toward payments in each respondent company as well as each company's business objectives and operational pain points. This in turn creates a unique view of how investments in payment technology will underpin both the immediate and longer-term objectives of each institution.

The main topics of focus for the survey included:

- IT investment plans around payment services
- Core business objectives and priorities
- Attitudes toward fraud and security
- Payment systems architecture
- Plans and experiences around both open banking and real-time payments

Fieldwork ran between December 2017 and January 2018, providing a clear insight into current thinking in the industry across financial institutions, merchants, and billing organizations such as higher education, consumer finance, and insurance.

A total of 1,032 executive respondents across 13 industry sub-verticals in 19 countries participated in the survey, resulting in over 225,000 separate data points on current perceptions of and investment plans in payment technology on a global basis.

This paper focuses on the survey findings for billing organizations. Those interested in a global overview or in viewing merchant/financial institution-specific findings are advised to visit <https://www.aciworldwide.com/lp/payments-insight-2018> for further information.

In addition, any readers who would like to access the findings from Ovum's 2017 Payment Insight Survey on billing organizations can find that report [here](#).

Billing organization respondent breakdown	
<i>Total respondents</i>	151
Sub-verticals and samples	
Higher education	34
Insurance (personal, insurance, auto)	18
Consumer finance (e.g. automotive loans)	23
Government (includes municipal utilities)	20
Healthcare services	40
Utilities	16
Example respondent titles	
Director, global corporate payments, chief operations officer, finance director, revenue manager, owner	

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Ovum Consulting

We hope that this analysis will help you make informed and imaginative business decisions. If you have further requirements, Ovum's consulting team may be able to help you. For more information about Ovum's consulting capabilities, please contact us directly at consulting@ovum.com.

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