

A guide from SelfServiceWorld.com

Billpay: Kiosks Offer Benefits to the Bottom Line



Convenient billpay lies with self-service, where retailers are installing aggregated billpay kiosks that allow customers to take care of all of their bills in one stop. Find out the benefits offered by self-service billpay kiosks, and learn why they can add to both the biller's and the retailer's bottom line.

Developed and published by

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About the sponsors



U.S. Payments supplies turnkey solutions for self-service bill payment. Its network of payment terminals lowers the cost of in-person payments and enhances the customer experience. Customers who use the company's machines report greater satisfaction and find the process to be fast, convenient and easy. Clients receive expedited payments from the network through real-time, memo post or batch-remittance data. U.S. Payments' PaySite kiosks enable continual, anytime service. When positioned in an accessible location, similar to ATM sites, the kiosks provide all-day customer access for increased self-service convenience.



SelfServiceWorld.com, owned and operated by Louisville, Ky.-based NetWorld Alliance, educates top-level executives and experts in the areas of retail, finance, restaurant, travel and lodging, government, healthcare and entertainment self-service technology.

Published by NetWorld Alliance.

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Written by **Christopher Hall**, contributing editor, SelfServiceWorld.com.

Updated by **Richard Slawsky**, contributing editor, SelfServiceWorld.com.

Dick Good, CEO

Tom Harper, president and publisher

Andrew Davis, senior vice president, sales and marketing

Joseph Grove, vice president and executive editor

Introduction

Why use self-service billpay?

Even in these troubled economic times, people need to pay their bills. And people need day-to-day essentials, such as utilities and phone service (whether landline or cellular) even in hard times — and, in some cases, more than ever.

But bill payers are caught between making payments so that essential services aren't cut off (and hefty disconnect and reconnect fees applied) and needing to hold on to their money as long as they can by paying on the due date.

Meanwhile, billers are feeling the economic pinch as well, and they need to save money and receive payments on time so they can start putting their money to work as quickly as possible.

The answer to these challenges? Making self-service bill payment readily available.

The billpay kiosk business has been growing steadily for years. But according to industry insiders, it has started gaining even more traction in the marketplace in the last two years, in no small part because of advances in technology and the growing demand for convenience, as well as an economic recession that has caused customers to manage cash flow more closely.

But self-service billpay also helps the silent third party in the billpay equation — the retailers, such as grocery stores, that take bill payments at their customer-service counters or through their cashiers.

The players in the self-service billpay

market that have seen recent growth in their businesses include U.S. Payments in Tulsa, Okla.; Pay-Ease in Rockville, Md., and Chicago; and TIO Networks in Burnaby, British Columbia.

In October 2009, U.S. Payments announced a partnership with the Knoxville, Tenn., Utilities Board to deploy its PaySite bill-payment kiosks in E-Z Stop Food Marts throughout the city. The PaySite kiosk allows customers to pay more than 30 different billers from a single kiosk.

The KUB kiosks bring the number of PaySite kiosks operated by U.S. Payments to 295 units in 21 states.

Self-service billpay also helps the silent third party in the billpay equation — the retailers, such as grocery stores, that take bill payments at their customer-service counters or through their cashiers.

Pay-Ease announced partnering in a pilot program with Direct General Auto Insurance, an insurance company with customers in 13 states. The program allows some Direct General policyholders to pay their premiums at Pay-Ease's Automated Commerce Machines.

In January 2010, TIO Networks Corp. announced a strategic alliance with Best Buy to roll out self-service billpay and financial-service kiosks to Best Buy stores across the United States. Customers can now make expedited bill payments on their wireless, utility, cable and other accounts

By Christopher Hall
Contributing editor,
KioskMarketplace.com

through the touchscreen and Internet-enabled kiosks.

Self-service billpay also is gaining ground, some say, because it appeals to younger bill payers who are more comfortable with technology and less comfortable with making a payment to a person.

Even older customers are becoming more accustomed to using self-service terminals for such transactions as buying plane tickets and prepaid phone cards and paying bills.

Billers, especially public utilities, can realize significant savings by offering kiosk billpay rather than building or renting facilities to house their bill-acceptance operations and hiring full-time cashiers.

Self-service billpay offers advantages to billers, customers and retailers. This guide explores the growing popularity of self-service billpay kiosks and offers a detailed look at the benefits they offer to all three parties.

Chapter 1 Who's using self-service billpay kiosks?

Although it may be easy to make generalizations about the typical billpay kiosk user, chances are those generalizations would be incorrect.

Of course, self-service billpay offers alternatives to the growing number of unbanked or underbanked customers. For people who do not have a bank account and therefore can't pay by check or credit card, self-service billpay kiosks provide a lifeline directly to the biller.

More than a third of the U.S. population is either unbanked or underbanked, according to the Center for Financial Services Innovation's Underbanked Customer Study, published in 2008. The study showed that 51.5 million people in the United States are unbanked, while another 54.9 million are underbanked.

But it's not just the unbanked or underbanked who use self-service billpay.

Although a significant part of the self-service market is the unbanked and underbanked, says Pay-Ease CEO Marc Meisel, the largest part of the market is that which caters to all communities.

"It really services the banked as well as the unbanked," he said. "[But] there is a tremendous, growing underbanked population. And the question has been how to get to them, and the kiosks have been seen as the answer."

Perhaps surprisingly, according to U.S. Payments CEO Jim Bennett, roughly half the people using U.S. Payments kiosks have bank accounts and/or credit cards. But some of the studies seem to suggest that those who say they are banked may



While self-service billpay kiosks appeal to the unbanked and underbanked, the convenience of the kiosks means all customers use them.

consider their payroll cards or stored value cards their "bank," he says.

Self-service billpay offers numerous benefits for bill payers, particularly when considering increased convenience and the ability to pay on time, in real time. In addition, unbanked or underbanked customers have more options for paying their bills.

"It's not next day; it's immediate. That's the big benefit to the customer," said Craig Nelson, director of risk management and loss prevention for Oklahoma City, Okla.-based Homeland Acquisition Corp., which operates a chain of 74 stores, among them Homeland Supermarkets, United

Supermarkets and Country Marts. “They can avoid (utility) cutoff, which they can’t do with the in-person payment companies ... They come in with a cutoff notice, put the money in the machine and avoid cutoff.”

But Bennett pointed out that U.S. Payments’ customer studies have shown the ability to have the payment posted immediately is actually the secondary reason most people use the kiosks for bill payments. The majority of the company’s kiosk bill payers cite convenience as their primary reason for using the kiosks, he says.

“We’ve found putting these machines where customers shop provides a new level of service for our retail partners,” he said. “Customers appreciate the ability to conduct more business in one place.”

Pay-Ease is seeing much the same thing, Meisel says. “The key ingredient that it holds for the actual payee, so to speak, is convenience,” he said. “It allows them the convenience, in many cases, of not waiting in line.”

People today are less inclined to spend time waiting in lines, since they conduct a larger amount of their business and shopping online and over the phone, he says.

And just because a customer prefers to pay bills online doesn’t mean that they won’t ever make use of a billpay kiosk.

“Convenience is all about where I am at the time, whether it be at home, at work or out roaming,” said Bob Tramontano,

vice president of marketing for financial services for Duluth, Ga.-based NCR, a self-service technology provider. “That really dictates what channel you use, whether it is online or over the phone or a kiosk. All of us are very short on time, and that’s why you’ll find that customers tend to use multiple types of bill payments.”

The convenience factor also cuts both ways. It means customers don’t have to stand in long lines, waiting for their number to be called, but it also means the creditor companies can take in more payments in a shorter span of time.

“People are just more comfortable using technology these days. People think, ‘Is it faster to do that than to go to a cashier?’ And the answer for a lot of people is, ‘Yes, if I can speed up my day and get out faster, then that’s how I’m going to proceed,’ and the fear of it has really been taken away.”

— Marc Meisel, CEO, Pay-Ease

Studies showed that for the city of Chicago, the average cashier took approximately three and a half minutes to conduct a billpay transaction, but utilizing the EZ Pay kiosk technology took less than a minute, Meisel says.

“That’s a lot more people you can move through, and with lots of locations it allows the payer to do it while they’re in the middle of their normal routine,” he said. “It saves [the payer] money because they don’t have to drive somewhere or walk somewhere or buy a stamp and an envelope. And it saves them time, and time is money these days, regardless of who you are.”

Attracting the computer generation

It's not just the unbanked, the underbanked, the convenience payers and last-minute payers who use self-service billpay kiosks, says Bridget Debus, a senior accountant with Kansas Gas Service, a partner of U.S. Payments.

Those in the computer generation, defined as people 45 years of age and younger, are the primary users of the utility's self-service billpay kiosks, she says.

"The younger generations typically don't want to deal with people. They'd rather just do it on the Web or go to a kiosk," Debus said. "They'd rather go to a kiosk than they would to a person."

And, as Meisel says, most people have become more accustomed to using kiosks, thanks to airport and movie theater kiosks and self-service checkout at the grocery store.

Since more people now have home computers, they're savvier and feel more comfortable going to what amounts to a computer instead of a person, he says.

"People are just more comfortable using technology these days," he said. "That's a big part of it, the comfort factor. In the past, most people would not have walked up; they would have walked past. Now, people think, 'Is it faster to do that than to go to a cashier?' And the answer for a lot of people is, 'Yes, if I can speed up my day and get out faster, then that's how I'm going to proceed,' and the fear of it has really been taken away."

For everybody — unbanked, banked, young, old, retailers, billers and bill payers — the bottom line is still the bottom line.

"Regardless of the economic downturn, people have always looked to maximize their dollars and lower their expenses," Meisel said. "The self-service industry has allowed people to do that across the board."

Concept gaining traction

Bennett, who has been in the self-service billpay business for approximately a decade, says he sees growth by watching the market and observing what public utilities are doing.



Billpay kiosks help companies make it more convenient for customers to pay bills without having to invest in more infrastructure. At the same time, the growth of kiosks, such as at airports and ATMs, has made customers more comfortable using a kiosk to pay bills.

CHAPTER 1 Who's using self-service billpay kiosks?

“Over the past 12 to 24 months, there’s been a significant amount of traction in the kiosk-payment market, and it’s grown considerably,” Bennett said. “It appears there is a combination of increasing base costs in the traditional walk-up billpay sites and decreasing costs for the kiosks, making them more competitive.”

Pay-Ease’s Meisel agrees that the kiosk-payment market is growing and says his company has seen a “tremendous amount of increase” in the last 12 to 24 months for two main reasons: one, because of the economic downturn and people holding on to their money as long as they can, and two, because the technology is so prevalent. Airport kiosks, ATMs and other kinds of informational or business kiosks have paved the way for the general public to accept newer types of kiosks, he says.

“The main reason we’re so busy these days is twofold: Companies want to lower expenses but not lose out on customer service, so they’re using kiosks to replace personnel,” Meisel said. “The second reason is that it makes it more convenient for their customers to be able to pay at a remote location without investing in more infrastructure.”

Self-service billpay companies offer a service that some see as a convenience, but it’s more than that, Bennett says. Self-service billpay is a positive-sum game, an option that means everybody benefits.

“It’s a win-win-win,” he said. “One: our clients report an improved customer experience; two: the retailer finally makes some money in the process; and three: bill payers are not wasting their time standing in long customer-service lines.”

Industry analyst Francie Mendelsohn, president of Summit Research Associates Inc., said she has been a fan of self-service billpay for almost 10 years, calling it “a perfect use of kiosks.” Mendelsohn says she has seen steady growth in the industry for years and predicts that the current economic crisis will only help.

“More and more people are going to be living in more of a cash society, either because their credit is maxed out or because they’ve lost credit,” she said. “Their phones and other utilities are their lifelines; they have to keep them current. The beauty of the billpay is that you can usually pretty much pay at the last minute.”

The worsening economy hasn’t slowed the number of payments being funneled through U.S. Payments kiosks, Bennett says. If anything, it seems to have had the opposite effect.

“The economy has an interesting effect on the payment business,” he said. “Whether good times or bad, people still need to pay their bills. Our observation is that during economic downturns, cash flow becomes increasingly important to bill payers. They need to wait longer, oftentimes cutting it very close to their due date before paying bills. Volume at our PaySite terminals has continued to grow during the recent economic conditions. Customers appreciate real-time posting; they can wait longer yet still have confidence the company they are paying will receive their payment right when it is made.”

Chapter 2 Benefits to billers and retailers

With self-service billpay, both billers and retailers are cashing in.

For utilities such as Kansas Gas Service, a U.S. Payments customer, and municipal entities such as the Chicago Department of Revenue, a Pay-Ease customer, having self-service billpay is a means to an end, a way of providing people with an option for making their payments and thus increasing the biller's payment intake.

“Our experience has been that if you provide people with more options to pay, they're just more likely to pay you,” said Ed Walsh, spokesman for the Chicago Department of Revenue.

For retailers such as U.S. Payments partner Homeland Supermarkets, having self-service billpay kiosks provides a laundry list of benefits, from cutting labor costs to increasing customer traffic and spending.

“Retailers are at a place now where they're getting squeezed harder and harder by the big-box outlets, and their margins are narrower,” U.S. Payments' Bennett said. “They're trying to save money wherever they can.”

Offering better service options to customers

Utilities and municipalities tend to see self-service billpay less as a means of saving money and more as a way to offer better service options and increased flexibility.

“It's just a great tool that we can provide for our customers,” said Kansas Gas Service's Debus. “We've closed all of our

“If you provide people with more options to pay, they're just more likely to pay you.”

—Ed Walsh, spokesman, Chicago Department of Revenue

business offices, and this is one of our alternatives ... The benefit is improved customer service.”

The case is much the same for the city of Chicago, whose EZ Pay kiosks make it easier for residents to pay a wide variety of city-related bills and fines. The stations accept payments for water bills, fines for parking tickets and minor traffic infractions, certain permits and city taxes, among other options. The city also hopes to add the capability to accept other kinds of bill payments, Walsh says, such as utility payments.



A kiosk not only increases convenience for customers, but it also saves a company the cost of training and retaining employees.

The Department of Revenue also is trying to increase buy-in among residents through a promotion offering a \$1 discount for using any of the city's 17 kiosks, because self-service billpay represents a savings over in-person payments, he adds.

"We've seen our revenues increase from tickets, but we're issuing fewer tickets each year," Walsh said. "It's been trending down for about a decade, but collections have continued to rise, and part of that is attributed to Web payment options and kiosks. More and more people pay online every year ... We expect some level of growth with the EZ Pay kiosks each year, especially as we add bill types and people get used to using them."

The self-service billpay option also saves utilities and municipalities money by reducing labor and infrastructure costs, says Pay-Ease's Meisel. Pay-Ease, which specializes in government utilities and insurance companies, provides a service by building a specialized kiosk to house billpay services that in the past would have been located in a billpay center.

"By utilizing kiosks to either replace or enhance the cashiering process, it saves them a lot of money," Meisel said. "In essence, a kiosk can save anywhere from \$3.50 to almost \$8 per transaction in cost. And when you add up all the components of having a cashier — salary, benefits, vacation time, as well as the other expenses that go along with it, computers, infrastructure, accounting, the people behind the scenes — there's a significant savings using self-service technology versus cashiers."

Retailers have been closing down locations due to economic hardship and increased Internet shopping, Meisel notes, which may mean a loss of billpay centers for utilities and insurance companies.

Replacing a brick-and-mortar payment center with the limited initial investment and comparatively low cost of installing a self-service kiosk represents a significant savings, he says.

Getting paid faster

Another advantage self-service billpay offers utilities and municipalities is that, just as bill payers benefit from paying at the last minute, billers benefit from getting the money faster once it is paid, Meisel says.

In addition, many kiosks offer the bonus of posting payments immediately, a benefit to both billers and customers.

Payment options

There are several ways kiosks can make billpay more efficient, including:

- **Real-time posting of payments.** As soon as a customer uses the kiosk, the payment is posted immediately. This is the quickest option.
- **Batch postings of payments.** Companies can determine how often they would like to post payments, such as once or twice a day. While not as fast as real-time posting, the system is still more efficient than processing in a billpay center.
- **Check acceptance.** In addition to cash, customers can pay by check, increasing flexibility and kiosk usage.

While Kansas Gas Service has not chosen real-time functionality, which would provide for immediate posting of paid bills, the utility receives postings for its kiosk payments twice a day.

Its kiosks also accept checks, as do many of Pay-Ease's kiosks, including the city of Chicago. To help prevent bounced checks, the city daily provides a list of people prohibited from paying by check.

Even for twice-daily batch postings, the benefits are obvious.

In a traditional cashier billpay system, Meisel said, the cashier takes a check, enters the information into the system and puts the check in a drawer — where it sits before going to accounting at the end of the day. Someone then has to total the cash and checks and examine the checks for errors, all of which can take a day or more, and then take the payments to the bank, where processing can take several more days.

“That could be up to a five-day process for that to occur,” Meisel said. “When they enter a check into our kiosk, the kiosk transfers that as an ACH (automated clearing house) debit out of that person's checking account at that same moment.

“[Companies] would like to get their money faster, and when it gets put into a kiosk, it gets put into their accounts faster, and they get their money many days faster by using a kiosk than they would by utilizing a cashier,” he added. “And with all the checks they get, that's a big load of money for these companies.”

Freeing up customer service

For retailers, one of the main benefits is putting a stop to what amounts to providing free labor for someone else, Bennett says.

“The grocery stores, which are the predominant players, are typically providing free labor to some extent, and retailers are at a place today where they're tired of that,” he said. “The cost of labor is going up, and their margins are already tight.”

Nearly half of stores operated by Homeland Acquisition have at least one U.S. Payments billpay kiosk.

“The reason we have billpay at the stores in the first place is for customer convenience,” said Homeland Acquisition's Nelson. “And if you're getting them into your store, you're making your store a destination for them.”

The problem with traditional billpay services, though, is that while it may attract new customers, it also ties up customer-service lines with bill payers, taking away from more profitable services such as check cashing and money transfers, Nelson says.

“Billpay is a pretty small margin, so you need to automate it somehow, and with the kiosks it's a huge time savings,” he said. “Number one, it's a huge labor savings, but it's also freeing up your lines for more profitable transactions.”

“Would you rather have your employees handling \$15,000 in cash all day long, or would you rather have it going straight into a machine? No theft, no counting errors, and I only have to balance it three times a week.”

— Craig Nelson, director of risk management and loss prevention, Homeland Acquisition Corp.

Minimizing human error

The secondary benefit of self-service billpay, Nelson says, is that it reduces and, in most cases, eliminates what he sees as one of the biggest problems with traditional billpay services: the potential for human error.

A customer recently paid a \$198 utility bill at one of his stores with an in-person payment, but the cashier accidentally keyed in \$798, Nelson said.

“Well, guess what? Now we’re \$600 short ... and when the customer calls and recognizes that they got a \$600 credit, the utility says, ‘That’s not our problem,’” he said. “It’s taken us almost two weeks to resolve that issue and get the customer credited correctly and get our money back. And the exact same thing happens the opposite way ... That’s a huge problem when the customer’s paid his bill and the power company’s out there cutting off the power.”

Nelson listed more benefits of self-service billpay. “Let me put it this way: Would you rather have your employees handling \$15,000 in cash all day long, or would you rather have it going straight into a machine?” he asked. “I like that. No theft, no counting errors, and I only have to balance it three times a week.”

And when there’s a problem with a U.S. Payments kiosk — which is rare — he doesn’t have to deal with it at all, Nelson says. The company’s support services handle the problem, usually within 24 to 48 hours. Homeland employees are responsible only for changing the receipt tape.

That represents a huge benefit to his company, Nelson said.

“Problem resolution with customers is out of my hands,” he said. “I don’t have to deal with it. U.S. Payments does it for me ... On this one customer problem, I’ve spent probably 10 hours on phone calls and e-mails. In the years I’ve had U.S. Payments in my stores, I’ve not had a single phone call from a customer to deal with ... I just don’t deal with the angry customers. I don’t have that headache. They walk in and use it and shop and walk out,” he said. “That’s the beauty of it; you don’t even know it’s there.”

Building the bottom line

Another plus on the kiosk side of the ledger, Nelson says, is the financial benefit realized by the stores.

First, the money pulled from the machines in the morning can be used by the host store for check cashing throughout the

day. And since the checks will be deposited the next day for same-day credit — and the store didn't have to withdraw as much money for check cashing from the bank in the first place — the money from the machines becomes a kind of no-charge float loan, he says.

"I can use that cash. I've got a full day's flow with that, and those funds are now generating fees for me at a rate of 2 percent, and I didn't have to go to the bank to get it, nor did I have to pay interest on it," he said.

Second is what Nelson calls opportunity costs. In addition to saving on labor costs because his cashiers aren't dealing with bill payments, the stores benefit in other ways.

If someone wants to cash an \$800 check but leaves because the line at the customer-service counter is clogged with bill payers, that's a \$16 fee walking out the door, Nelson says. But if the line is short and the customer cashes his check, the store has a ready-made customer with \$784 in his hand.

"How many groceries are they going to buy?" he asked. "How many money orders? There are so many opportunity costs that it's immeasurable. You can't even quantify them ... I expect we will have [a kiosk] in every store."

And third is the benefit realized simply by drawing more customers into a store. According to a survey conducted by Tulsa, Okla.-based RVA Market Research and Consulting in Homeland's store

Each PaySite transaction (in a Homeland store) resulted in \$24.98 of additional revenue to the host store, representing an additional \$24,980 each month for a store that has 1,000 transactions.

Source: RVA Market Research and Consulting

locations, increased PaySite use correlated with increased store visits. On average, respondents reported 5.3 visits per month to the store (and 2.4 visits to the in-store PaySite kiosk).

That correlation likely works in both directions; in some cases more store visits may result in more PaySite use, while in other cases more PaySite use may prompt more store visits.

Of the respondents, 81 percent said they also make store purchases when using the PaySite kiosk. Average spending per store visit was \$47.70. The survey results indicated that each PaySite transaction resulted in \$24.98 of additional revenue to the host store, representing an additional \$24,980 each month for a store that has 1,000 transactions.

"U.S. Payments brings in customers to my store without tying up lines, which inhibits other financial services," Nelson said. "These customers buy products, and they end up being regular shoppers in many cases. Best of all, we spend nothing on advertising to get them into our stores."

Chapter 3 Increasing billpay kiosk usage

Billpay kiosks may be one of the most efficient, customer-friendly ways to pay bills, but people still have to be persuaded to use them.

Despite the success stories, some self-service kiosk networks are failing, U.S. Payments' Bennett says, in large part because the machines aren't handling enough transactions. Those failures could result from poor placement, needlessly complicated technology or inadequate promotion. Both the retailer and the biller need to sell the value of the service by letting customers know the machines are there.

So how do billers, billpay companies and retailers decide where to put the kiosks? And more important, how do they get people to use them?

Bennett says one key is keeping the transactions simple; people need to learn new technology, but they can't be expected to learn too much too fast. If new technology is too complicated, Bennett says, we're not doing our job.

Location, location, location

As in real estate, location is key for billpay kiosks.

"We learn more every day about predicting good locations for our kiosks. But, to be honest, we still have to relocate about one in five machines we place," Bennett said. "If after six months or so the expectation for volume is not being realized, we try a new location."

Chicago has placed some of its EZ Pay kiosks in the city's payment centers, and the results show that people will use them there — and in significant numbers.

"There are high volumes in our payment centers because it is an alternative," said Chicago Department of Revenue spokesman Walsh. "When they come in, they want to pay quickly and leave. I think when they see the choice of maybe standing in line or going directly to the EZ Pay Station, it's sort of an easy choice."

Time will tell if one of the city's other placement strategies is working. Seven of the 17 EZ Pay kiosks are located in spots that are open 24 hours a day, seven days a week, but they're also sites that some people prefer to avoid — police stations. Even Walsh acknowledged that getting people to feel comfortable using kiosks in police stations will be a gradual process.



When placing a billpay kiosk, companies should consider who will be using the kiosk, what is most convenient for customers and what the alternative billpay options are.

When looking for likely spots to place the utility's U.S. Payments kiosks, Kansas Gas Service's Debus said she looks for locations like college towns that are likely to attract younger residents in their 20s and 30s, and even those edging into their 40s.

"In a sense, location is everything," she said, describing a new Kansas City development with an outdoor shopping center and waterslides located in an area that has attracted a high percentage of 40s and under. "That's someplace where I would populate a kiosk, for example."

Debus said she also looks for places where she sees new growth and new development — areas that are likely to attract the utility's younger customers.

"They'll be more likely to use that than to go talk to a cashier behind a window somewhere," she said.

One strategy for deployment is fairly straightforward and relatively simple, Pay-Ease's Meisel says.

"Anywhere you have a cashiering operation, where you're paying for the overhead of employees, a kiosk makes sense," he said.

Comparing a cashier's salary, benefits and vacation and sick days to the cost of leasing a kiosk and paying a per-transaction fee of a dollar or two, it's easy to see which is more cost-effective, Meisel says.

"Anywhere you have a person doing cashiering work, it makes economic sense to utilize a kiosk to lower that cashiering expense," he said. "That's what it really all boils down to. And anywhere

a company feels like they can either gain new customers or provide an added convenience for their existing customers, that's a second case for using self-service kiosk technology," he said.

Getting the word out

Regardless of where kiosks are placed, if people don't know they're there, they're not going to use them, say both Meisel and Bennett.

"If you do not market a bill-paying kiosk program appropriately, it will fail," Meisel said. "It's that simple. If you do not let the payer/customer know that that kiosk product exists, it's not going to be used — it will fail."

One way to get the word out about self-service billpay is to include a notice in the bill itself. Pay-Ease has had success marketing its kiosks on bills or the issuing documents, utilizing inserts in envelopes, Meisel says.

Another successful strategy includes promoting the kiosks on the billing company's website.

Strategies for marketing the kiosk

- Include a notice in the bill
- Promote the kiosk on the billing company's Web site
- Market on buses
- Run ads in the local newspaper or on local television shows

CHAPTER 3 Increasing billpay kiosk usage

Municipalities can place promotional signs on bus exteriors and interiors and run ads or stories in the local media, Meisel adds.

“In many cases, that first step of putting it on the bill when they’re sending it out to the customers is key. Advertising is an excellent, excellent first step to letting your customers know where these kiosks are, and they will make the ultimate determination if they want to stand in line or utilize this express method.”

Once the kiosk has been placed, it’s vital to let customers know where it is, what it is — and that it’s not an ATM.

Two important tools are in-store signage that lets customers know the machine is available and a design distinctive from that of any ATMs in the same location.

“Letting people know that it’s not an ATM is very, very key,” Meisel said. “The market is flooded with these little mini-ATMs. People see so many they ignore them. If your kiosk doesn’t look significantly outside of the ATM box, then people are naturally going to walk by it and not pay any attention to it.”

Finally, a key ingredient for all sectors of the self-service billpay market, from billers to retailers to the kiosk companies themselves, is to realize that bill payers have to understand the value of the service being offered.

If there’s a transaction fee, payers need to see how the fee compares to the cost of reconnecting a service that was shut off due to a late payment or the cost of a returned-check fee if it takes too long for the payment to process.

From the perspective of retailers and billers who are trying to serve their customers, it’s important to look at things from the bill payer’s perspective and build in value, Bennett says. The feedback U.S. Payments gets from its customers tells the company that the service must be fast, easy and convenient to be worth paying a transaction fee.

“Communicating this value to every customer is our challenge,” Bennett said. “Our machines cannot be beneficial to anyone if they are not being used. We must provide an experience that is faster, better and easier to induce customers to change the way they are currently paying bills.”

Chapter 4 Future trends

As self-service billpay becomes more prevalent in the marketplace, the manner in which the service is delivered is changing. Standalone billpay kiosks are being supplemented with ATMs that offer billpay and a host of other services in addition to cash dispensing.

In 2008, information technology provider Fiserv Inc. announced a partnership with Rancho Palos Verdes, Calif.-based PayScan America Inc., a provider of billpay expertise, to leverage technology from both companies to enable customers to pay bills quickly and easily at retail checkout lanes.

“Retail locations provide a convenient and cost-effective option for the 40 million customer households that prefer to pay their bills in cash and in person,” said Jennifer Roth, research director, global payments, for Needham, Mass.-based TowerGroup, a financial research and advisory firm. “This represents the next step in delivering automated efficiency and convenience in the walk-in bill-payment market.”

In late 2009, Texas-based Merchants First Choice, which owns and operates a network of approximately 800 ATMs, announced plans to place multifunctional financial kiosks in retail locations with high densities of unbanked customers. The ISO is in placement negotiations for 170 locations with one unnamed drug store, as well as with 70 Walgreen Co. sites.

Merchants First Choice’s custom-built financial kiosk also offers payday cash loans — a service the ISO expects to be its bread and butter in the long term.



Kiosks need to offer multiple services to stay competitive in the marketplace.

“We believe these multifunctional terminals are the future of the ATM industry, and we are looking at things like prepaid ATM/debit cards, billpay, check cashing and money orders,” said Jamil Adair of Merchants First Choice. “We are in a position right now where a lot of people are going from banked to unbanked because of the economy, and these are the services they want.”

The systems can integrate ATM functionality or simply offer bill payment or check cashing, Adair says, depending on what’s right for the location.

Additional products and services

Prepaid media such as store-branded gift cards or prepaid Visa or MasterCard cards are becoming increasingly popular. Prepaid cards serve as a convenient gift, as a secure way to carry money while traveling and as an easy way to track where children are spending.

The sale of store-branded gift cards was projected to hit \$58 billion in 2009, according to TowerGroup. Although that figure is off \$5 billion from the previous year, prepaid debit cards are beginning to take up the slack, increasing to \$29 billion from \$28 billion the year before.

The National Retail Federation's 2009 holiday spending survey reported that gift cards continued to top customer gift preferences. Nearly 80 percent of customers were expected to buy a gift card during the holiday season.

The biggest problem facing the prepaid market is the need for a secure distribution channel that represents a trusted, familiar point of sale convenient for the customer. That's where a kiosk comes in.

Gift cards dispensed from kiosks respond to major concerns in the gift card industry: tampering and theft. Customer groups and news reports have encouraged customers to buy gift cards only from secure areas, such as from behind the cashier counter, where the cards could not have experienced tampering.

When gift cards are kept on J-hooks, they are readily accessible to thieves who can record Card Security Code data from the backs of the cards and then check those cards online periodically to see if they have been purchased and loaded with a monetary amount. Thieves are able to spend down activated cards before the intended recipient ever gets to use them.

Gift card sellers have sometimes resorted to sturdier packaging to prevent this, but thieves can get past this, too, pulling it open and gluing the packaging shut again.

Internal compromises also can be a concern for retailers. Because employees have access to gift cards, they can swap activated cards with blank gift cards and pocket the redeemed money from the activated cards.

Comdata, a leader in payment innovation based in Brentwood, Tenn., estimates that 62 percent of gift card losses are attributable to dishonest employees, 13 percent are skimmed cards or cards that are entirely counterfeit and another 13 percent are due to outright theft. Retailers have attempted to curb theft problems, but the resolutions have sometimes been time-consuming and expensive.

Gift cards dispensed from kiosks respond to major concerns in the gift card industry: tampering and theft.

Keeping gift cards inside a kiosk prevents tampering, removing the human element from the equation.

U.S. Payments offers gift cards distributed through the mail, but expects to allow J-hook sales later this year.

"We have taken much of the risk out of the product by creating a 'closed-loop' application for our clients," U.S. Payments' Bennett said. "Part of our security measures include knowing where funds originate and where they are being used."

Retailers, too, may prefer to offer gift cards from kiosks because it frees up their customer service representatives to spend their time selling customers merchandise or processing transactions that need

hands-on attention. Of course, the easier the transaction is for customers, the greater chance they'll return to the store, time and again, to buy more gift cards. Retailers can capitalize on the opportunity to retain this new clientele; some offer promotions and other innovative means to convert these customers into repeat customers.

New ways of doing business

Although prepay is relatively common in the mobile phone industry, the concept is spreading to services that have traditionally operated on a post-pay basis.

More than 2,500 customers of the Norman, Okla.-based Oklahoma Electric Cooperative have signed up for the company's prepaid metering service. Under the program, electricity usage is calculated daily, and when credit runs out the electricity is automatically shut off.

Prepaid metering offers the customers the opportunity to pay when they want, in the amounts they want. Prepaid customers don't have to put down a deposit for the service, don't pay late charges and aren't charged disconnect and reconnect fees if the account runs out of credit.

Customers are automatically notified when their balance drops to a predetermined level. Notifications can be delivered via e-mail, text message or automated calling service.

Kiosks are an integral part of making such programs a success, says Bennett.

"Kiosks afford customers the ability to replenish their accounts 24 hours a day, seven days a week, 365 days a year," Bennett said. "The net result is the utilities' customer saves a lot of money in disconnect and reconnect fees."