

**Research Paper**

Con Edison E-bill Study: Measuring the Impact of E-bill on Critical Customer Success Factors



# Con Edison E-bill Study: Measuring the Impact of E-bill on Critical Customer Success Factors

For consumers, receiving and paying monthly household bills is a part of life. But as the source of the recurring bill, billers have a significant opportunity to enhance their brand by meeting consumers' desire for clear and easy bill management and payment. Over the past decade, more and more billers have satisfied the needs of many customers by enabling them to receive and pay bills online at their point of preference and consumers have embraced online bill payment as a way to pay bills quickly and painlessly. While billers have been able to convince many customers to pay their bills online, they have been challenged to convert a high percentage of customers from paper to electronic bills, or e-bills. In order to justify additional investment in promoting e-billing and reaching customers who fall outside of the early adopter category, billers are taking a deeper look into the value of e-bills beyond pure cost savings.

While the majority of billing managers believe strategic customer benefits such as increased satisfaction, higher retention and faster payments can come from anticipating and meeting customers' billing needs, they may struggle to bolster internal support due to a general lack of awareness of and hard data to support the greater benefits e-billing offers. To build a strong business case, billers are taking a more strategic view of the billing and payments function in order to better understand and quantify the impact these services have on critical customer success factors such as customer satisfaction, customer service related expenses, improved cash flows, retention and profitability.

In this paper, we present the results of one biller's investigation into its e-billing program along with valuable data from other research studies that reinforce the holistic and strategic value of e-billing. We also present segmentation analysis that suggests different consumer sets receive and pay bills in different ways. This fact should remind billers that it is not only important to stay in tune with customers' needs but also to understand how their needs vary by customer segment, not exclusively by channel. What billers learn from these studies will enable them to justify the renewed focus and additional investment in optimizing their billing and payment offerings to help them meet the needs of all customers.

## Con Edison: A Leader in E-bill Marketing

Metropolitan New York, the "melting pot of the world," is home to millions of people who represent all ages, races and income levels. For more than 180 years, Con Edison of New York (Con Edison) has been serving this dynamic and demanding marketplace. As a regulated utility, Con Edison is in the fortunate position where customer retention is not as big a concern as it is for most billers, but how it is perceived in the marketplace and by its shareholders is still extremely important. And like any business, it is challenged with keeping costs down while satisfying its customers.

### About Con Edison

Con Edison is a subsidiary of Consolidated Edison, Inc. (NYSE: ED), one of the nation's largest investor-owned energy companies, with approximately \$13 billion in annual revenues and \$36 billion in assets. The regulated utility provides electric service to approximately 3.3 million customers and gas service to approximately 1.1 million customers in New York City and Westchester County. The company also provides steam service in parts of Manhattan.

Con Edison was recently ranked 17th among Corporate Responsibility Magazine's "Best 100 Corporate Citizens" and second among all the utilities.

To make it easy to do business with the company, Con Edison has enabled customers to view and pay bills online through multiple channels since 2001 and has established itself as a leader in e-bill marketing. In fact, Con Edison was one of the first billers to implement an ongoing environmental marketing promotion tied to its e-bill service.

In May 2007, Con Edison launched "Go Green With e\*Bills"; a multi-channel marketing campaign that emphasized the environmental benefits of e-bills and provided an incentive for its customers to activate e-bills. For every e-bill activated, Con Edison donates one dollar to a non-profit tree planting initiative such as the New York Restoration Project, the MillionTreesNYC campaign and Friends of Westchester Parks, Inc. With its e-bill marketing initiative to convert as many

customers as possible to paperless billing, Con Edison promotes its ongoing green campaign with a variety of innovative multi-media tactics such as:

- An animated ad that appeared on the 100-foot scoreboard at Yankee Stadium in 2008, reaching over 55,000 consumers
- "Power of Green" social media networking campaign that featured the "Go for Green Lights" video on e-bills posted on Facebook, YouTube and Twitter
- Prominent website advertising, including a dedicated "PayItGreen" video channel with award-winning e-bill videos
- Endorsement from New York Mayor Michael Bloomberg for Con Edison's role in the city's MillionTreesNYC program
- Helping entertainer Bette Midler's New York Restoration Project (NYRP) and the New York City Parks Department to plant 5,000 trees paid for by its flagship e-Bill Trees program



Source: E-bill promotional video on ConEd.com website

In addition to these out-of-the-box marketing campaigns, Con Edison leverages more traditional ways to promote its e-bill service including customer emails, direct mail postcards, on-hold messaging, radio advertising, invoice messaging, and customer and employee newsletters. It also runs frequent promotional offers with prizes, putting the utility on the leading edge of a relatively new category of e-bill marketing Fiserv calls Green Plus – offering both an environmental contribution incentive plus a chance to win a prize.

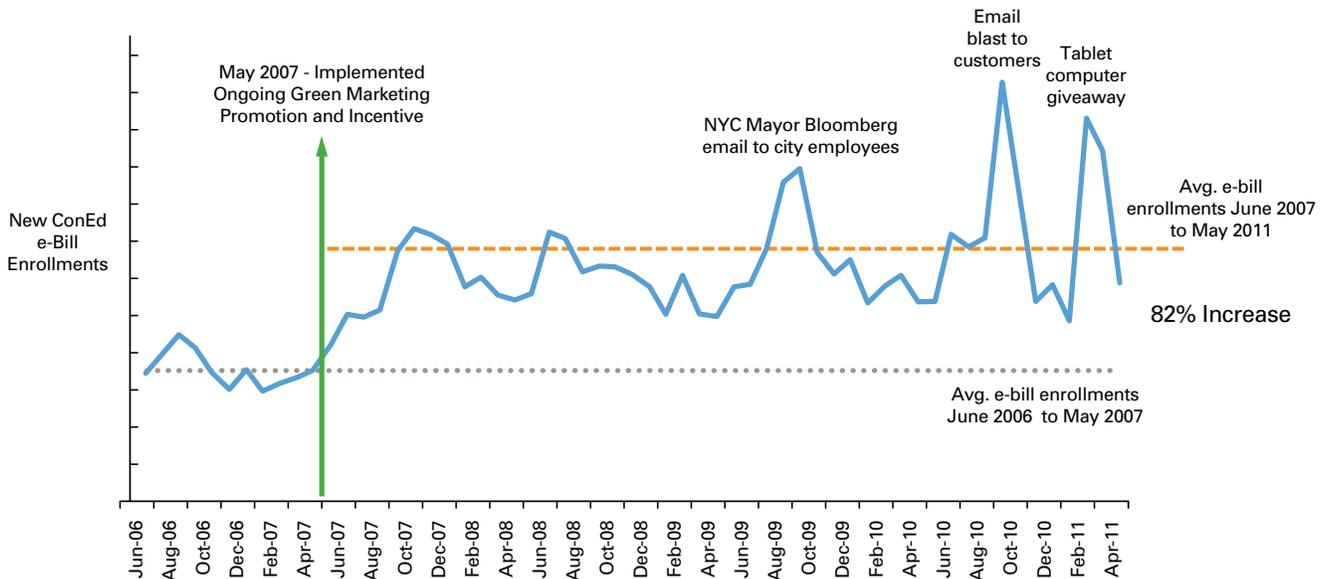
Con Edison’s marketing strategies have garnered national media attention and have been the focus of several industry case studies. The company also received The Electronic Payment’s Association’s (NACHA) George Mitchell Payments System Excellence Award for its efforts in promoting electronic billing and payment. While awards and accolades are nice, for

Con Edison, the best way to evaluate its success is by measuring the impact on new e-bill enrollments.

**“Go Green With e\*Bills” generates immediate and long-term results**

In the first seven months after Con Edison launched its “Go Green With e\*Bills” campaign, new e-bill enrollment increased by more than 50 percent as compared to the prior comparable period. Since implementing the campaign, the company has been able to sustain considerable growth over the past four years with an 82 percent increase in the average number of new e-bill enrollments per month. The chart below illustrates the significant increase in new e-bill enrollment “Go Green With e\*Bills” has generated as well as the enrollment spikes that can be attributed to Con Edison’s frequent one-off campaigns.

**Con Edison “Go Green with e\*Bill” Campaign Launched May 2007**



Source: Con Edison E-bill Study: Measuring the Impact of E-bill on Critical Customer Success Factors, Fiserv, Inc., 2011

# Investigating the impact of e-bill beyond cost savings

While Con Edison was pleased with the success of its e-bill marketing program, management – specifically those managers within the departments responsible for funding the incentive program – was interested in determining the return on investment (ROI) of its signature e-bill program. As such, the utility reached out to Fiserv for help in discovering what other benefits e-bills provide beyond helping the environment and reducing postage and other expenses.

Fiserv commissioned research firm, AccuData, which has experience in segmenting and analyzing online billing and payment customer groups for Con Edison and NACHA, to conduct the data gathering and analysis for the study. Using data from over two million customer records, AccuData studied the correlation between the bill delivery channel (paper, bank e-bill and biller direct e-bill) and various factors including, customer care calls, internet service inquiries, self-service usage and rate of arrears. Con Edison offers its bills through three delivery channels:

- Paper bill sent by mail
- Bank (or consolidated) e-bill – electronic bill distributed through a bank network that includes more than 3,000 Financial Institutions
- Biller direct – electronic bill accessed through Con Edison’s website, ConEd.com

The study also involved a comprehensive segmentation analysis to identify the demographic and psychographic characteristics of each of the major billing and payment usage segments. The research found:

- E-bill customers contacted customer care less often than paper bill customers
- E-bill customers utilized online customer care more than paper bill customers
- Bank e-bill customers visited ConEd.com for self-service as much as biller direct customers
- Customers who receive e-bills make more timely payments (lower rate of arrears)
- Different customer segments utilize different billing and payment methods and channels

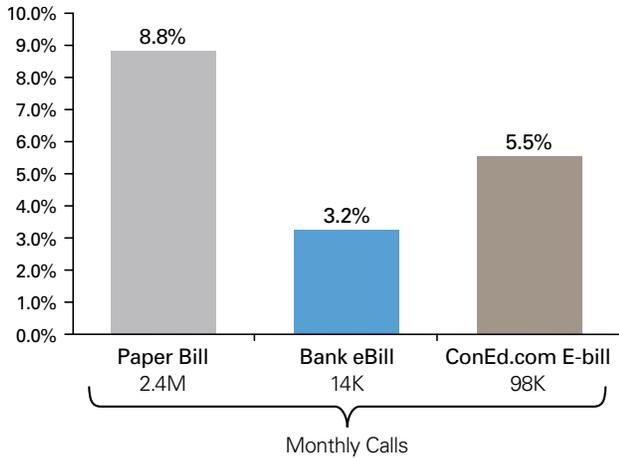
It is important to note that the statistical analysis conducted within the scope of the study examined correlations between variables and did not attempt to isolate bill presentment to establish one-to-one cause and effect between bill presentment and the variables measured. While the study could not measure causality, the correlation findings were powerful.

## **E-bill customers call customer service less often**

A primary business objective for billers is to reduce the number of billing-related customer service calls and to drive customers to the less costly online channel. According to this Con Edison study, e-bill customers are less likely to use live customer service when it comes to questions about their bill. The number of bank e-bill customers who called Con Edison for customer care was 60 percent less than the number of paper bill customers. More than 35 percent fewer ConEd.com e-bill customers called live customer care versus paper bill customers.

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**Percent of Customers that Called Live Customer Service Per Month**



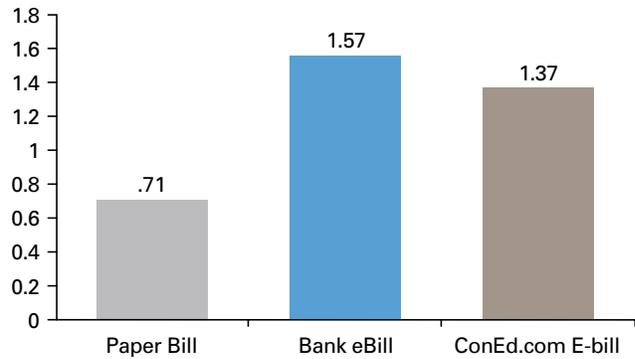
Source: Con Edison E-bill Study: Measuring the Impact of E-bill on Critical Customer Success Factors, Fiserv, Inc., 2011

In support of these findings, the 2011 Fiserv Billing Household Study also showed that customers who visit a biller's website for any reason are less likely to call customer service. According to the survey, 74 percent of respondents had visited one of their biller's sites in the previous six months. Of those, 66 percent said that conducting activities at billers' sites helped them avoid calling the biller's customer service for help.

### **E-bill customers use online self-service more**

The Con Edison study also revealed that regardless of the bill delivery channel, e-bill customers are more likely to use the online channel for customer service. Perhaps even more interesting is that customers who receive their bill at a consolidated or bank site are more likely to use online self-service than ConEd.com e-bill recipients. Looking at the average number of unique, registered self-service visit per customer, per month, AccuData found bank e-bill customers are 55 percent more likely than paper bill customers to use online self-service while ConEd.com e-bill customers are 48 percent more likely to use online self-service than paper bill customers.

**Average Number of Unique ConEd.com Registered Self-service Visits Per Month**



Source: Con Edison E-bill Study: Measuring the Impact of E-bill on Critical Customer Success Factors, Fiserv, Inc., 2011

This indicates that not only does e-billing promote self-service through the online channel but also billers can drive billing and payment through bank sites without jeopardizing the customer relationship. Results from the Fiserv Billing Household Survey also support the finding that customers who receive their bills at their financial institution or other portal return to the biller's site when they need to. Over 40 percent of consumers of consumers surveyed said that they visit the biller's website (for e-bills received through bank-based bill pay) 12 or more times each year. Another 18 percent visit six to 11 times per year and 23 percent go to the biller's site two to five times each year.

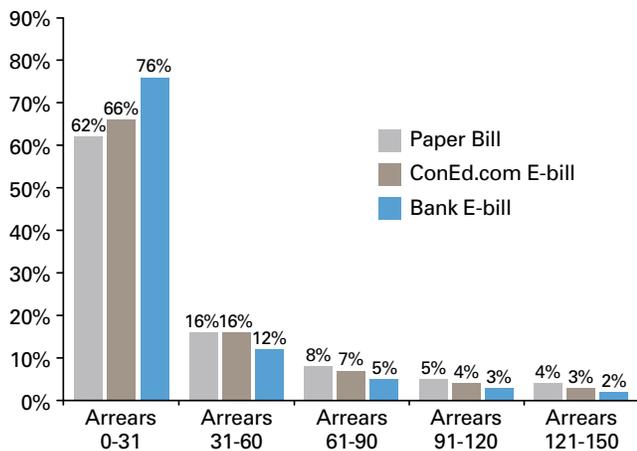
### **E-bill customers are more timely when making payments**

Con Edison was interested to know if there was any correlation between the bill delivery channel and the rate of arrears or delinquency. In other words, does the delivery channel have an impact on when a customer pays their bill? According to the study results, e-bill recipients are more likely to pay their bills on time than paper bill recipients. More than 75 percent of bank e-bill customers and 66 percent of biller direct e-bill customers paid their Con Edison bill within 0 – 31 days as compared to 62 percent

## Fiserv Research Paper

of paper bill customers. This suggests that by enabling customers to receive their bill online at the Con Edison site as well as banks and credit unions sites, ConEd can reduce its days sales outstanding (DSO). In a separate study, ePost and PriceWaterhouseCoopers also found Canadian residential e-bill recipients paid their bill more quickly with an average DSO 1.5 days better and a 5.7 percent improvement overall versus customers who receive paper bills.<sup>i</sup> Another interesting finding of this study shows that 27 percent of residential customers and 40 percent of commercial customers felt as though they were paying their bills more quickly after switching from receiving a paper bill to an e-bill.

### Average Percent of Customers In Arrears Per Month



Source: Con Edison E-bill Study: Measuring the Impact of E-bill on Critical Customer Success Factors, Fiserv, Inc., 2011

### Different customer segments use different billing and payment methods

Recognizing that it serves one of the most diverse populations in the United States, Con Edison wanted to be sure it was satisfying the unique billing and payment preferences of a wide variety of customer segments. To help the utility make this determination, AccuData

analyzed and segmented Con Edison customers by billing and payment channel using Equifax SuperNiche, Claritas Prizm Clusters and Demographic Intelligence. The results indicate that customers who utilize different billing and payment channels have distinct characteristics. What this means for Con Edison and other billers is that it is very important to offer a variety of methods for customers to receive and pay bills in order to satisfy the wide range of preferences.

Results from the Con Edison customer segmentation analysis are very similar to those of other segmentation analyses Fiserv has conducted on behalf of other biller clients. In a Fiserv white paper, *The State of Paperless Billing: Multiple Channels and Innovative Marketing Can Help Billers Extend E-bill Beyond Early Adopters*, segmentation analysis showed the consumer segments who receive their bill at a biller's website are very different than the consumer segments who receive an e-bill through the bank channel.<sup>ii</sup> Using valuable customer segmentation intelligence, billers can more easily identify and target those customer groups who have a higher propensity to activate an e-bill and to develop customized messaging and promotions that will effectively appeal to the target audience.

Because consumers view billing and payment interactions as an extension of a biller's brand, it is important for billers to provide customers the option to view and pay bills where and how they want. On the e-billing front, leading billers have found the most cost-effective way to do this is through a strategy that incorporates both the biller direct and bank channels. By enabling different customer sets to receive their bill at their preferred bill payment domain – bank, credit union or biller site – billers can increase customer satisfaction, enhance their brand image and entice more customers to shut off their paper bill.

<sup>i</sup> Billing Optimization Study: Comprehensive Analysis of Electronic Billing Adoption within the Utility Sector, PRICEWATERHOUSECOOPERS, ePost, 2009

<sup>ii</sup> The State of Paperless Billing: Multiple Channels and Innovative Marketing Can Help Billers Extend E-bill Beyond Early Adopters, Fiserv, July 2011.

**Segmentation Psychographics and Demographics by Billing and Payment Channel (Paper Bill Delivery Only)**

Bill Delivery Channel	USPS	USPS	USPS	USPS	USPS
Bill Payment Channel	Paper Check	ConEd.com	Walk-In	Third Party Credit Card Processor	Field Collector
<b>Equifax SuperNiche Group</b>	Young-at-Heart, IRA Spenders	Home Hoppers	Working Hard, X-Tra Needy	Parks, Parts & Prayers, Oodles of Offspring	Parks, Parts & Prayers
<b>Prizm Household Descriptions</b>	Close-in Couples, City Roots, The Cosmopolitans	Young Digerati	Urban Elders, Low Rise Living	Big City Blues, Low Rise Living	Big City Blues
<b>Age</b>	55+	25 – 34	18 – 25, 65+	18 – 34	35 – 44
<b>Income</b>	150,000 and over	40K – 49K	<30K	<30K	<30K
<b>Length or Residence</b>	15+ Years	2 Years	3 Years	<2 Years	11 – 14 Years
<b>Occupation</b>	Retired, Homemaker	Sales-Service	Craftsman-Blue Collar	Clerical-White Collar	Clerical-White Collar
<b>Household Type</b>	One adult (female) and NO children, Married with NO children	One adult (female) and NO children	One adult (female) and children	One adult (female) and children	One adult (female) and children
<b>Gender</b>	Male/Female	Male/Female	Skews Female	Female	Male/Female

Source: Con Edison E-bill Study: Measuring the Impact of E-bill on Critical Customer Success Factors, Fiserv, Inc., 2011

**Segmentation Psychographics and Demographics by Billing and Payment Channel (Various Delivery Channels)**

Bill Delivery Channel	USPS	ConEd.com	Auto Pay	USPS	Online Banking
Bill Payment Channel	Recurring Payment	ConEd.com	ConEd.com	Online Banking	Bank E-bill
<b>Equifax SuperNiche Group</b>	Home Hoppers, Diamonds-to-Go	Totebaggers and Home Hoppers	Totebaggers and Home Hoppers, Just Sailing Along	Totebaggers and Home Hoppers, Just Sailing Along	Just Sailing Along
<b>Prizm Household Descriptions</b>	Young Digerati	Young Digerati, Urban Achievers	Young Digerati	Young Digerati	Young Digerati
<b>Age</b>	25 – 44	24 – 34	24 – 34	25 – 44	25 – 44
<b>Income</b>	100+	40K – 50K and 150+K	40K – 99K	150+	40K – 50K and 150+K
<b>Length or Residence</b>	2 – 5 Years	2 Years	2 Years	2 Years	2 – 5 Years
<b>Occupation</b>	Management, Technical, Sales	Professional-Technical	Students, Management	Management, Professional - Technical	Management
<b>Household Type</b>	Two adults (married unknown) and children, Male/Female NO children	One Adult Male NO Children	One adult (female) and NO children, Adult Male NO Children	Two adults (married unknown) and children, One Adult Male NO Children	One Adult Male NO Children
<b>Gender</b>	Skews Male	Skews Male	Skews Male	Male	Skews Male

Source: Con Edison E-bill Study: Measuring the Impact of E-bill on Critical Customer Success Factors, Fiserv, Inc., 2011

# Research Illustrates the Value of E-bill in the Consolidated and Biller Direct Channels

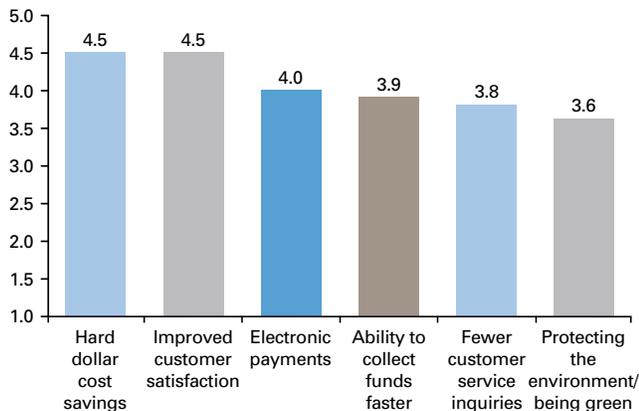
The results from Con Edison's study suggest that billers have an opportunity to derive more from e-billing than pure cost savings. In the next section of this paper, we present additional research findings that further support Con Edison's results and help billers adopt a more holistic view of e-billing.

## E-bill offers billers the opportunity to do more than reduce costs

While billers have historically focused on the cost savings e-bill offers, they are starting to realize that e-bill offers key strategic benefits and that when combined with online bill pay and recurring payments, e-billing is an important part of a synergistic offering that consumers are more likely to adopt. In a 2011 eBilling Benchmarking Study conducted by Blueflame Consulting and sponsored by NACHA, over 85 percent of billers said e-billing is significant to their organization.<sup>iii</sup>

### Billers Believe E-billing Delivers Multiple Business Benefits

The most compelling benefits of e-bill for their organization, cited by biller (1 = not compelling and 5 = very compelling):



Source: eBilling Benchmarking Study by Blueflame Consulting sponsored by NACHA, 2011

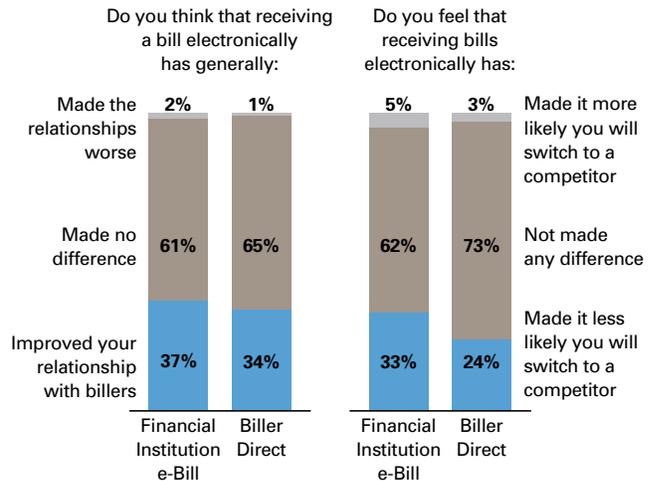
iii eBilling Benchmarking Study by Blueflame Consulting sponsored by NACHA, 2011

In addition to cost savings, billers cited the ability to improve customer satisfaction, electronic payments, fewer customer service inquiries, the ability to collect funds faster and environmental benefits as reasons why e-billing is important.

## E-bill users are more loyal, profitable and self-sufficient regardless of channels

According to the Fiserv Billing Household Survey, e-bills can help billers build a better relationship with their customers and increase retention. As seen in the chart below, the impact e-bills have on the consumer's relationship with the biller and the likelihood that they would switch to a competitor is virtually the same for bank-based and biller direct e-bill customers.

### 2010 Billing Household Survey: E-Bill Strengthens Relationship and Retention with Billers at Both FI and Biller Direct Channels



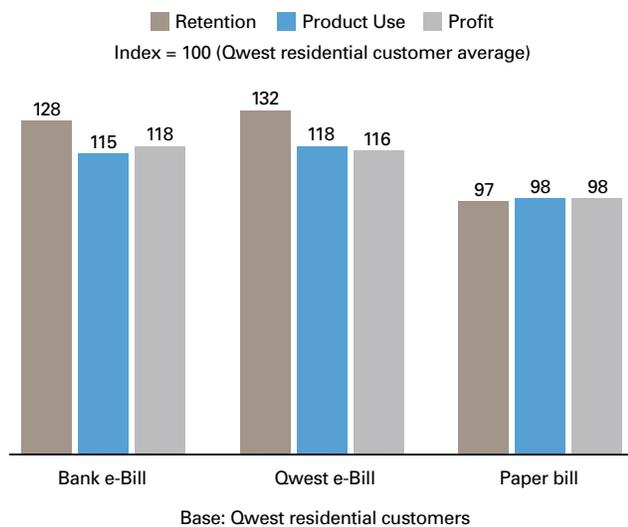
Source: Changes in the Consumer Billing and Payment Marketplace 2000-2010, Fiserv, Inc.

Similar results were found in a case study by Aspen Analytics that examined the impact of e-bill on churn, product usage and profitability for Qwest Communications. In this study, Aspen Analytics found

# Making the Marketing Business Case by Quantifying the Value of Billing and Payments

that Qwest customers who receive their e-bill either at their bank or credit union or the biller's site were less likely to leave, used more products and were more profitable than those who receive a paper bill.<sup>iv</sup>

## E-bill Benefits are The Same, Regardless of Presentment Location



Source: Research Study on the Impact of Bill Presentment and Payment on Retention and Profitability for Qwest Communications, Aspen, 2009

In several separate studies it conducted, JD Power and Associates also found that customers who use online billing experience fewer billing errors and have higher satisfaction scores compared with the average customer.<sup>v</sup> When evaluating the satisfaction levels of e-bill customers specifically, JD Power and Associates found that e-bill customers have an average overall satisfaction score that is 29 points higher than paper bill customers.<sup>vi</sup>

When billers start to consider all of the benefits e-bill offers, it increases the value of e-billing and helps to justify a greater investment in driving e-bill adoption. It also helps billers to understand the importance of developing e-billing best practices that include both the biller direct and consolidated channel.

The emergence of new technologies has given consumers numerous options for where, when and how they view and pay their bills and different customer groups will embrace methods that are most convenient, painless and provides the most control for them. This presents a challenge to billers to satisfy a wide range of billing and payment preferences. And while strategic, many billers have found it challenging to build the internal business case necessary to aggressively and consistently promote online billing and payment. Yet emerging industry insights reveal that customer-centric billers who proactively invest in and manage their billing and payment operations stand to realize considerable benefits. New research from studies such as the Con Edison E-bill study now offer billers valuable data that helps to reinforce the impact billing and payment have on critical customer success factors.

As a leader in e-bill marketing, Con Edison has made a considerable investment in promoting the benefits of e-bills and driving e-bill adoption. Like any biller, it was important for Con Edison to know that its investment was paying off above and beyond the benefits of lower costs and helping the planet. After a careful and thorough data and segmentation analysis, Con Edison obtained the insights it needed to evaluate both past and future investment in its online billing and payment initiatives.

For billers like Con Edison who are interested in taking their billing and payments strategies and practices to the next level, studies like Con Edison provide the data necessary to garner internal support for more strategic investment in optimizing their billing and payment offerings and increasing e-bill adoption. As a leader in billing and payment, Fiserv can help you use this data along with our industry expertise and innovative marketing tactics to build a comprehensive e-bill strategy that generates results. If you have any questions regarding this paper, or would like to learn more about how Fiserv can help you get started, please contact your Fiserv representative.

<sup>iv</sup> Biller Survey Shows Stronger Relationships Result From Viewing And Paying Online, Forrester, 2009 OR Research Study on the Impact of Bill Presentment and Payment on Retention and Profitability for Qwest Communications, Aspen, 2009 (chart right)  
<sup>v</sup> J.D. Power and Associates 2008 Internet Service Provider (ISP) Residential Customer Satisfaction Study  
<sup>vi</sup> J.D. Power and Associates 2008 Residential Television Service Satisfaction Study, 2008

## About the Author

Eric Leiserson is a Senior Research Analyst at Fiserv. His responsibilities include the development of consumer related electronic billing and payment research, adoption strategies and marketing programs for Fiserv. He has conducted numerous primary research projects and webinars in the areas of green marketing, consumer segmentation, longitudinal surveys, web usability and focus groups. Prior to joining Fiserv in 2004, Leiserson held marketing and sales positions at Unisys Corporation and Intuit.

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**Fiserv, Inc.**  
255 Fiserv Drive  
Brookfield, WI 53045

800-872-7882  
262-879-5322  
getsolutions@fiserv.com  
www.fiserv.com

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