

# 2017 Global Payments Insight Survey: Bill Pay Services

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Cloud, IoT and ERP integration drives investment  
in the consumer experience of the future



# Catalyst

## Payment players need to rethink roles and relationships

The payments market is changing. Across the value chain, organizations are investing in technology as they try to adjust to a shifting market. Both existing and new players are now creating new payments models and in the process upending existing business paradigms. Market participants across the payments value chain now have to create new strategies to address the changes occurring and seize the opportunity these payment shifts are bringing.

Critical to forming an effective payments strategy is understanding how the forces at play in the payments market affect all corners of the value chain. Organizations of all types must understand how these changes fit in with existing payments capabilities and business priorities.

Starting in 2015, technology analyst house Ovum, in conjunction with ACI Worldwide,

has conducted the annual Ovum Global Payments Insight Survey. This global 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 this is shaping their investment and development activity.

This billing organization focused report highlights some of the key findings from the third year of this research. It provides an explanation of how the views and perspectives of the different players in the ecosystem contrast. It is one part of a four-part series based on Ovum's 2017 survey. Those interested in the reports focusing on merchants, retail banking and a broader market overview should visit [www.aciworldwide.com/paymentsinsight](http://www.aciworldwide.com/paymentsinsight) for further information.

# Recommendations

There are steps that billing organizations can take that will help them better prepare for – and respond to - the opportunities and challenges presented by the changes now happening in payments.

These steps include:

- **Billing organizations need to continually invest in their payments capabilities.** Although payment capabilities are improving among many billing organizations after high levels of investment in recent years, this is no time to lose sight of the broader opportunity to continue to improve the customer experience. Competitive pressures only add to the need for continual service improvements.
- **Payments innovation extends to new Cloud/SaaS delivery models.** Cloud driven payment capabilities are still relatively rare in the billing organization space. This is now changing. As more organizations seek to improve their payments capabilities, new means of enabling payments will provide a range of benefits. Security concerns must be kept top of mind, but Cloud/SaaS options should be explored by all organizations.
- **Improved payments integration into ERP systems can have broad organizational benefits.** The role of payments in the enterprise is becoming more critical; indeed for many becoming their primary touch points with consumers. Better integration of payment and ERP capabilities can help billing organizations to improve both the customer experience and their overall operational capabilities, particularly in light of the growing importance of consumer data across the enterprise.

## Summary

### The pace of investment in bill pay services is getting faster

Key insights of this research include:

- 57% of billing organizations are increasing their investment in their payments capabilities over the next 18-24 months. The rate of increase is growing year over year and is driven in part by cloud, Internet of Things (IoT) and ERP integration activities.
- While cloud only accounts for a small proportion of billing organization delivery models today, a majority (54%) report they are likely to move more of their payments infrastructure to SaaS/cloud models in future.
- The IoT is high on the agenda for billing organizations; 49% of organizations are actively developing or would like to offer payment capabilities embedded into new devices.
- Most organizations already post payments to their ERP system in real-time, yet almost 70 percent plan to enhance ERP integration even further.

The pace of payments investment continues to increase year-over-year as investment in services sprints to catch consumer demand. Consumer demand continues to grow and shift and this has led to 72% of billing organizations focusing on improving the consumer experience with payments. In addition to meeting consumer demands, billing organizations continue to feel pressure on their margins; up to 85% of organizations in some sectors feel they need help in reducing their payment processing costs. Balancing this need for improved cost savings, and enhanced consumer experience capabilities can be challenging particularly

given the complexity of many billing organizations operations.

Given this shift and need for balance, billing organizations are now looking at new ways to deliver payment services that work both smarter and harder. The increasing importance of consumer data, and the important role that payments can play is highlighted by the high level of interest by organizations of all types in tighter integration between payments and their broader ERP system. Payments is no longer perceived as a separate process that lives in its own distinct box.

The use of more innovative SaaS and cloud delivery models is poised for major expansion in the near term. SaaS only accounts for a very small share of the payment infrastructure of billing organizations today but, given the strong focus on innovation and gaining a faster time to market, this will likely increase substantially. SaaS delivered payments software and services can make ERP integration easier as well as providing payments across the Internet of Things by leveraging pre-integration work across multiple organizations.

Simply updating legacy platforms is no longer enough for billing organizations in today's environment. Instead, organizations across all sectors are now entering a new phase where the fundamentals of the role payments plays in their business is being rethought, and this will have significant repercussions longer term.

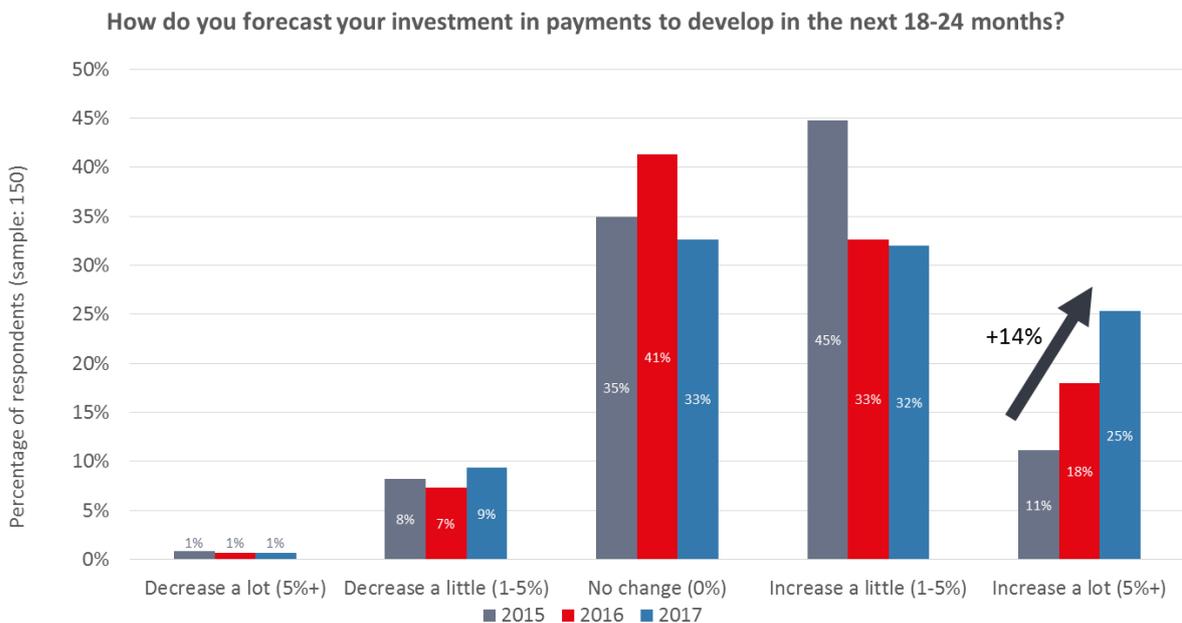
# Investment in payments capabilities is growing

## Billing organizations investment in payments is at a high in 2017

Billing organizations across all industry sectors continue to increase their investment in their payments capabilities, building on top of already high levels of activity in recent years. This continued high level of investment is likely causing a ripple effect whereby increased payments capabilities shift consumer expectations and introduce competitive pressures to further improve capabilities. The increasing pace of investment, particularly amongst those increasing by 5% or more, highlights the rapid pace of payments modernization now impacting the bill pay market.

In 2017, 57% of billing organizations plan to increase their investment in their payments capabilities in the next 18 to 24 months. This compares to 51% in 2016 and 56% in 2015. More critically, those increasing their investment by 5%+ saw an increase from 11% of all surveyed billing organizations to 25%. Those reporting no change in investment have shown more volatility over the three-year period, but reached a low of 33% in 2017. Organizations reporting an outright decline have been more consistent, with 10% of organizations expecting to decrease their investment levels.

**Figure 1: 57.3% of billing organizations are increasing their investment in payments, the highest rate in three years**



Source: 2017 Ovum Global Payments Insight Survey

## As a result, billing organizations are becoming more confident in their payment capabilities

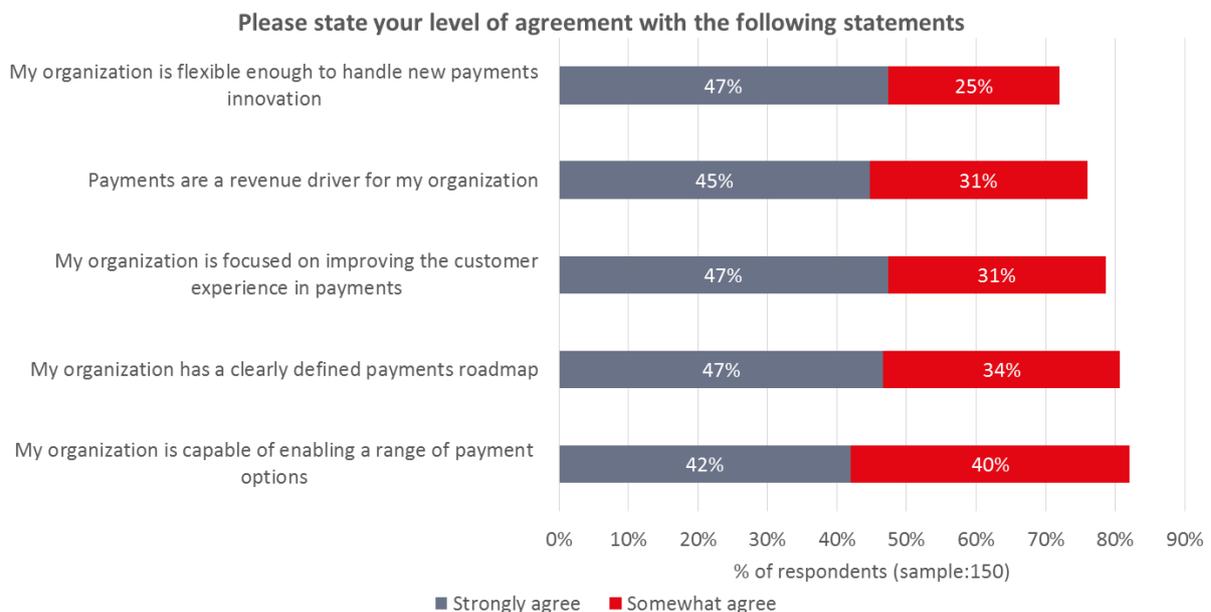
Following on from high levels of investment, the payment capabilities of billing organizations are improving and confidence levels are rising. Payments have a clear role to play in the customer experience, and most organizations believe they have a well-defined payments roadmap. This is a considerable change from the past where payments were often seen as simply a means to an end and suggests payments will remain central within most organizations broader customer experience strategies.

82% of billing organizations in 2017 feel they are capable of enabling a range of payment options. Alongside this 81% of all billing organizations feel they now have a clearly defined payments roadmap. Given the fact

that for many recurring billing organizations, payments is a critical consumer touch point, its little surprise that 78% of organizations report they want to improve the customer experience in payments.

The high levels of investment in recent years, in many instances replacing antiquated legacy payments infrastructure, has improved confidence in the payment capabilities of billing organizations. With growing confidence, more organizations will likely be willing to experiment with new and innovative payment technologies. A more confident organization is more likely to be an innovative organization and this will continue to drive payments development in the near term.

**Figure 2: 78% of billing organizations are focused on improving the customer experience in payments**



Source: 2017 Ovum Global Payments Insight Survey

## Despite the capability improvement, billing organizations want help to reduce their payment processing costs

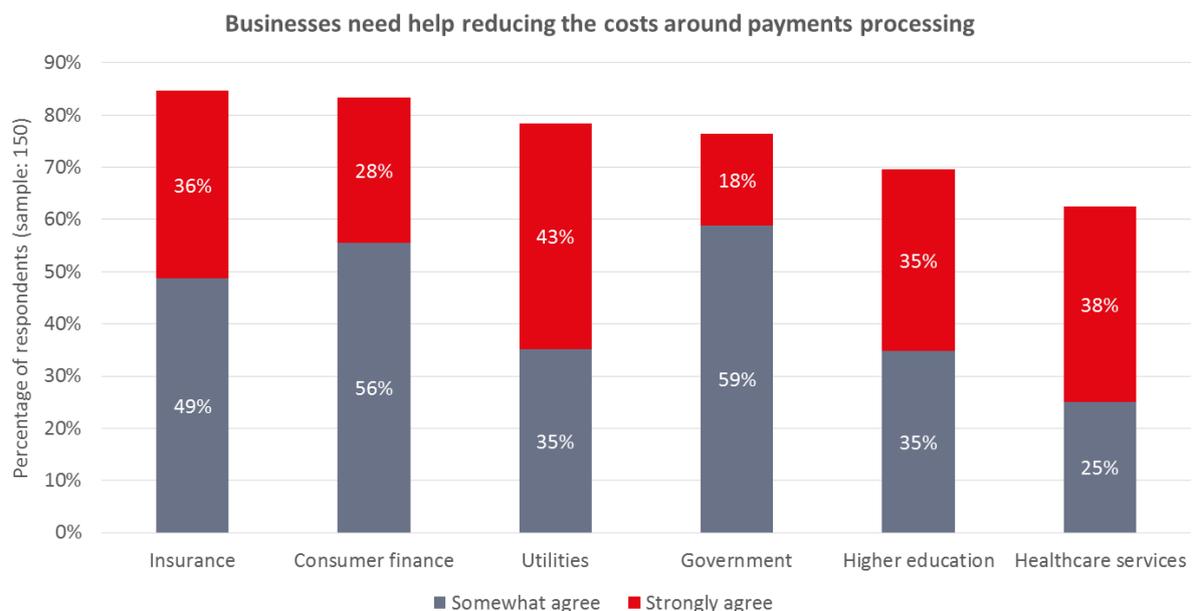
Investing in payment infrastructure may be high on the agenda for a majority of billing organizations, however this does not mean that most organizations are not struggling with rising costs. A majority of organizations across all sectors feel that businesses need help reducing their costs when it comes to processing payments.

This desire to lower payment processing costs is felt the most strongly in those sectors which see among the highest levels of competition. Insurance is feeling this pinch the most with 85% of organizations wanting help to reduce payment processing costs, followed by consumer finance (84%), and utilities (78%).

However even where an organization's customer base is less elastic, such as government, higher education and healthcare, a significant majority still want help in lowering their payment processing costs.

This focus on lowering payment processing costs means that most organizations can ill afford to ignore the economic underpinnings of their payments infrastructure. To improve both their capabilities on the customer facing front end, with improving their operational efficiency on their back end, organizations are increasingly considering SaaS/cloud delivery models.

**Figure 3: Sectors with more competitive pressure are feeling the pinch from payment costs**



Source: 2017 Ovum Global Payments Insight Survey

# Billing organizations need to improve both their front and back office capabilities

## Payments investment drivers vary by segment, but all want to improve their underlying infrastructure

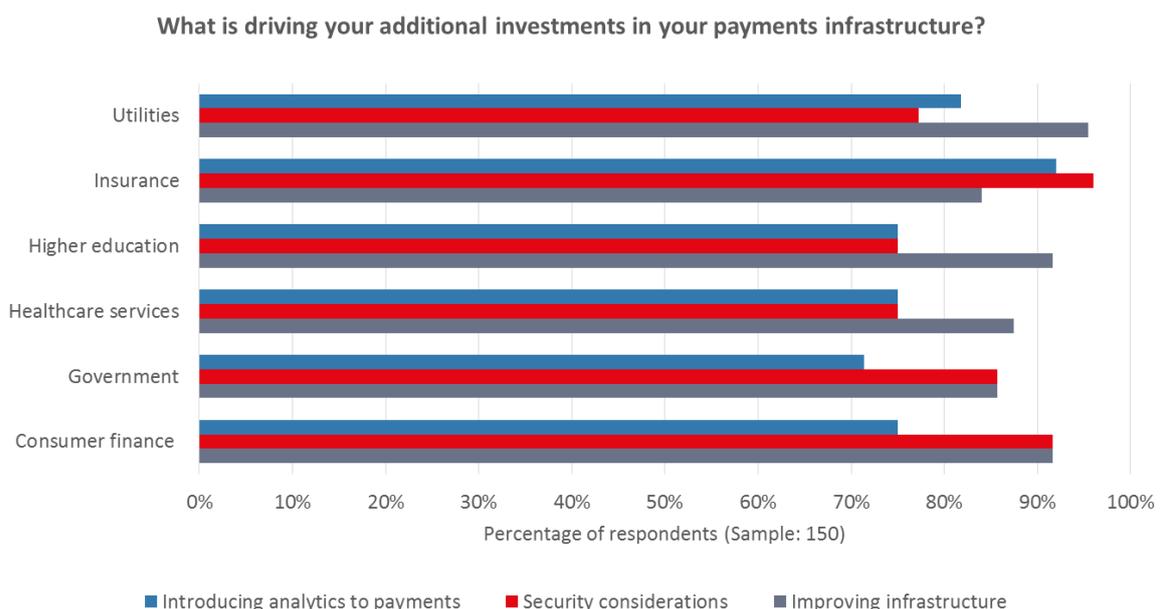
A significant majority of billing organizations rely on complicated legacy infrastructure across their organizations, and improving this infrastructure, including by a shift to the cloud, is a top priority for many. Unlike other segments such as retail, billing organizations are also faced with handling a broad range of sensitive customer data. As a result they often face stringent regulatory requirements particular to their market segment. In light of this all billing sectors surveyed here show a high degree of focus on improving their infrastructure as a key driver of additional investment in their payments infrastructure.

Alongside this focus on infrastructure, with nearly 90% of all organizations viewing it as a

key investment driver, billing organizations show some notable variations by sector. As shown elsewhere within the 2017 Global Payment Insight Survey, government bodies for instance show less interest in lowering the cost of maintaining existing legacy systems (43%), and a much higher interest in enhanced POS and omnichannel capabilities. The insurance sector by contrast places the highest level of focus on security considerations (96%) and introducing analytics to payments (92%)

Despite the variation in interest areas, improving infrastructure remains the key underpinning that supports the development of these broader capabilities and services.

**Figure 4: Of those increasing their payments investment, 90% are investing in improving their infrastructure**



Source: 2017 Ovum Global Payments Insight Survey

## Billing organizations are highly interested in technologies which improve the customer experience

When it comes to particular technologies and value added services that organizations want to add to their billing capabilities, services and tools that improve the customer experience show the highest interest. Given the growth of new technology areas such as the Internet of Things (IoT) and the proliferation of mobile and digital devices, this includes a strong focus on new ways of reaching and engaging with consumers.

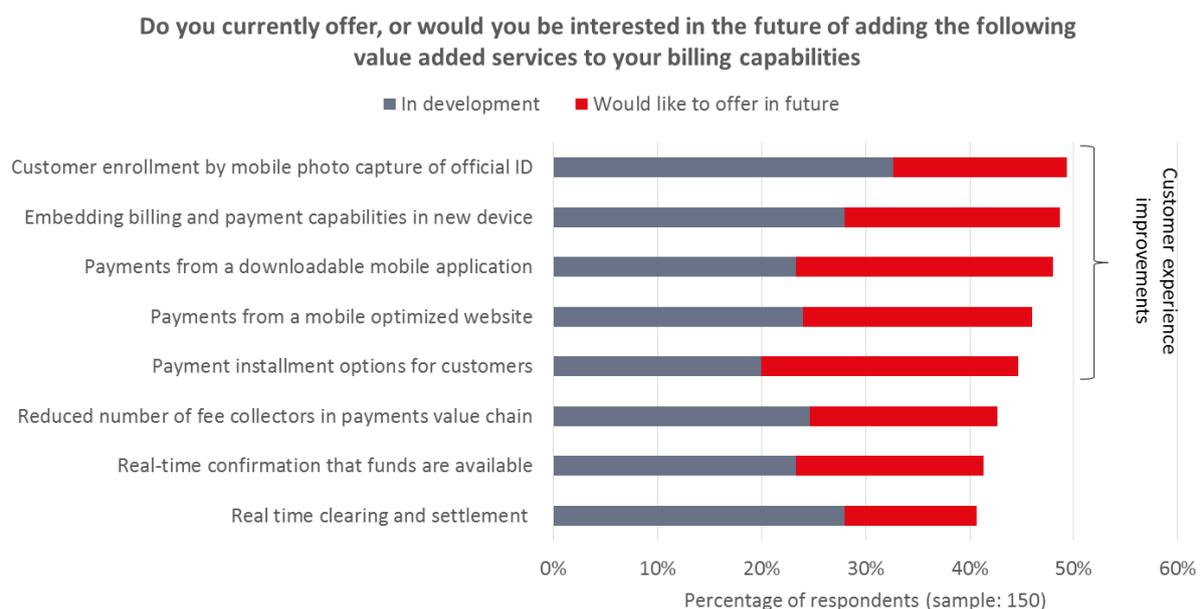
Customer enrollment by mobile photo capture of official ID showed the highest levels of interest with nearly 50% of survey respondents reporting it is already in development, or they would like to offer in future. This was followed by embedding billing and payment capabilities into new devices (49% of respondents), payments from a downloadable application (48%), and

payments from a mobile optimized website (46%).

All of these capabilities are ultimately aimed at reducing friction and making the payment or enrollment process as easy as possible for customers. Although payments are becoming ever easier for customers, this sadly is not the case for many billing organizations, held back by factors like legacy infrastructure, and compliance requirements.

Improving the customer experience will require an improvement in infrastructure capabilities. New technologies such as the IoT and mobile app payments, and API driven services will place greater pressure on existing infrastructure as businesses seek to integrate these capabilities. Improving the front end, will ultimately rest on improving the back end.

**Figure 5: Technologies that enhance the consumer experience are the highest priority for billing organizations**



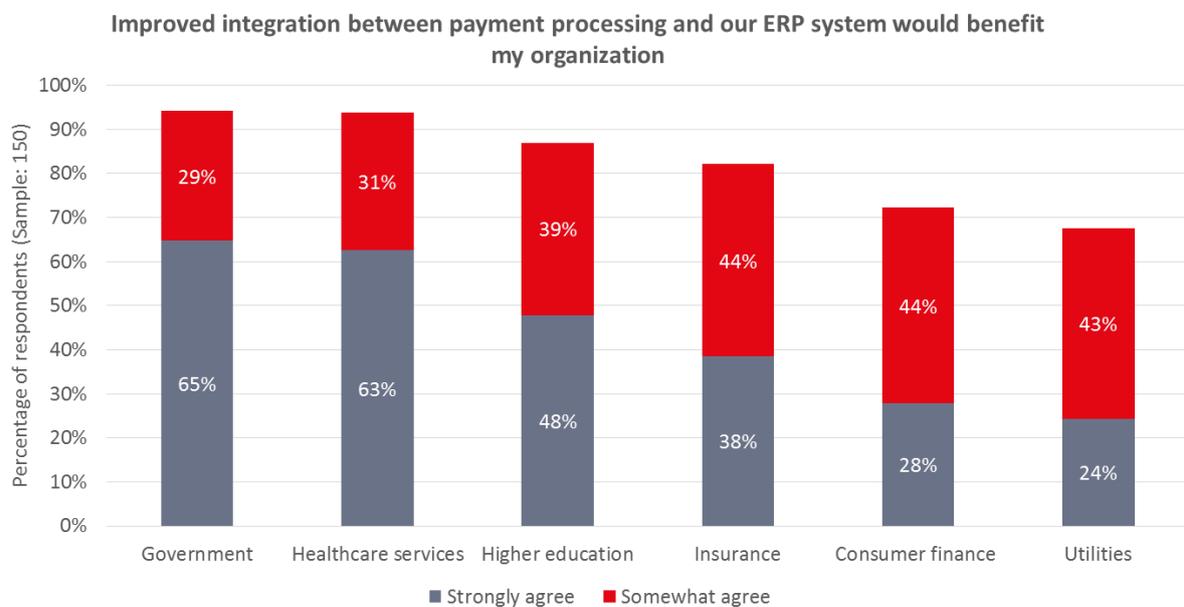
Source: 2017 Ovum Global Payments Insight Survey

## Improved ERP and payments integration can improve both infrastructure and the customer experience

Integrating payments more closely into enterprise resource planning (ERP) systems can serve as a critical way to improve the customer experience, with operational benefits across the broader organization. Much the same way that most organizations are increasingly aware of the strategic importance of payments in meeting broader goals, a growing number of businesses are now integrating payments data more closely into their broader operations. By more closely tying in payments to ERP systems this can help to introduce efficiencies across the enterprise, while also enabling enhancement to the overall customer experience.

On average 81% of all billing organizations believe improving integration between payments processing and their ERP system would benefit their organization. This positive perception of the benefits of ERP and payments integration is most strongly felt by sectors which arguably have the most organizational complexity in their operations, reaching as high as 94% in Government. The 2017 Ovum Global Payment Insight Survey elsewhere found that while 56% of organizations are already capable of integrating payments into their ERP systems in real time, 69% also reported they planned to invest in closer ERP and payments integration in the next 12 months.

**Figure 6: 81% of billing organizations believe improved ERP and payments integration will benefit their business**



Source: 2017 Ovum Global Payments Insight Survey

# The need to add capabilities while managing costs and complexity is driving interest in SaaS/Cloud

## Most organizations continue to rely on in-house, customized or bespoke software payments infrastructure

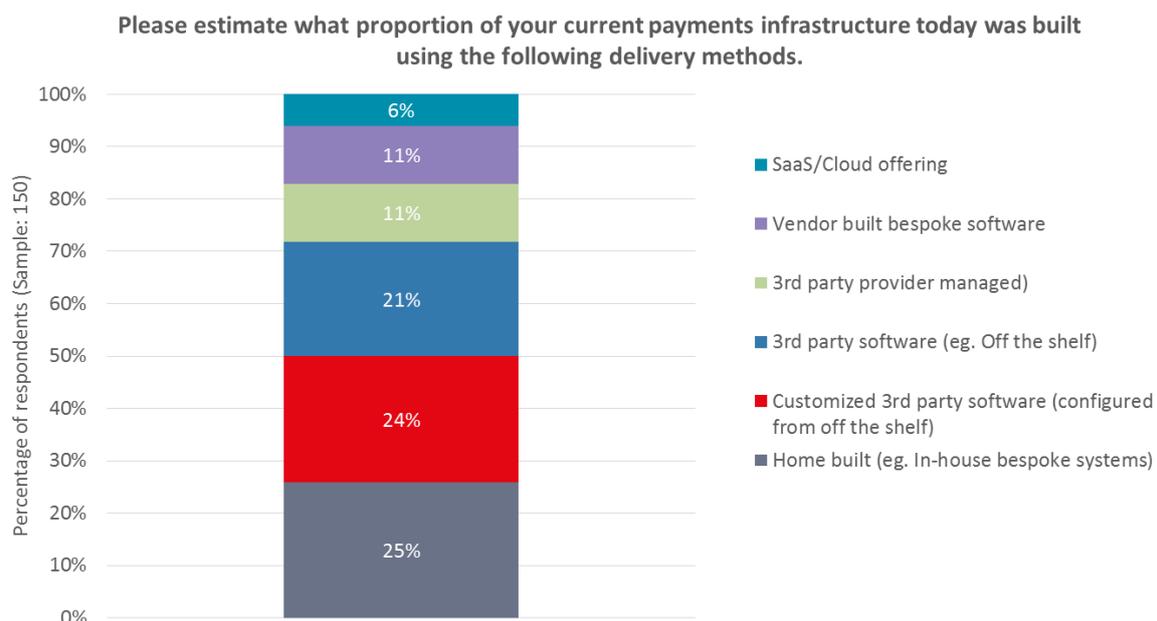
Most organizations today rely on existing payments infrastructure delivery models. This is likely to change as awareness grows of the benefits of moving infrastructure costs from a license to a consumption model becomes clearer. The fact maintenance and updates can be undertaken by vendors rather than billing organizations directly, is likely to appeal to many in the face of growing payments complexity.

Only 25% of surveyed billing organizations rely on home built bespoke systems for their payments infrastructure, with the remaining 75% reliant on some form of vendor built technology. This includes the use of third party software, both customized (24%) and off the shelf (21%) and 11% using vendor built bespoke software. Similar to SaaS/Cloud, 11%

of surveyed organizations report they use third party provider managed software. In these cases software is typically managed on site or hosted on a more customized and bespoke basis, with the client holding a strong degree of control over payments developments. SaaS/Cloud deployments by contrast only account for 6% of surveyed respondent's payments infrastructure. In true SaaS delivery models, platform solutions are delivered on a hosted, cloud driven basis with configuration for organization's business rules.

Given the strong focus on reducing costs, while improving capabilities and the customer experience, the use of SaaS/Cloud and managed services is likely to grow strongly in the near term.

**Figure 7: A quarter of billing organizations still rely on home built payments infrastructure**



Source: 2017 Ovum Global Payments Insight Survey

## A majority of organizations plan to move more payments infrastructure to SaaS/Cloud

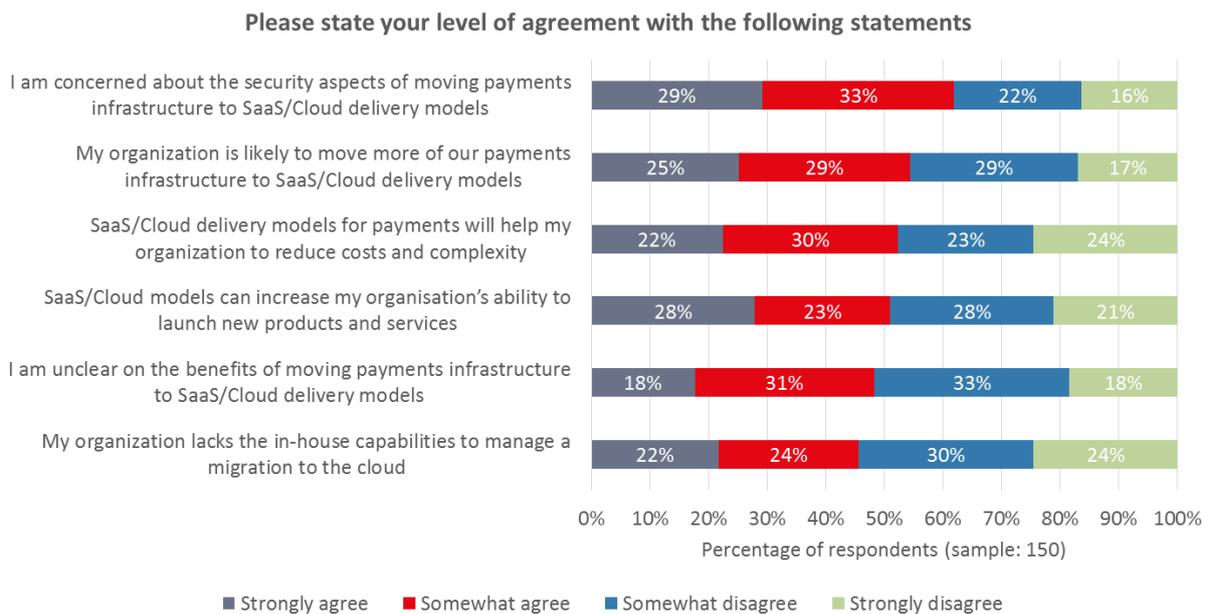
While SaaS/Cloud only accounts for a small proportion of billing organizations delivery models today, a majority (54%) report they are likely to move more of their payments infrastructure to SaaS/cloud models in future. Despite this high level expectation of a move to SaaS there remain concerns among billing organizations. 62% agree they are concerned about the security aspects of moving payments infrastructure to SaaS/Cloud delivery models. This is understandable given sensitive nature of many billing organizations data such as in government, healthcare and education.

For the time being, the broader billing organization space seems somewhat divided in their perceptions of SaaS/Cloud in payments. While 52% believe SaaS will reduce payment costs and complexity, and 51%

believe SaaS cloud will increase their organizations ability to launch new products and services, 49% report they are unclear on the benefits of SaaS/Cloud models, and 46% are concerned they lack the in-house capabilities to manage a migration to cloud.

Given time, and the growing prevalence of SaaS/cloud delivery for payments infrastructure amongst billing organizations, these concerns are likely to diminish as the benefits become clearer. Many organizations may struggle with regulatory and security considerations, however by forming strong partnerships with reputable SaaS/Cloud payments vendors and service providers this can help to meet strategic business goals that include reducing costs, while also improving capabilities.

**Figure 8: 52% of organizations feel cloud deliver can help reduce costs and complexity**



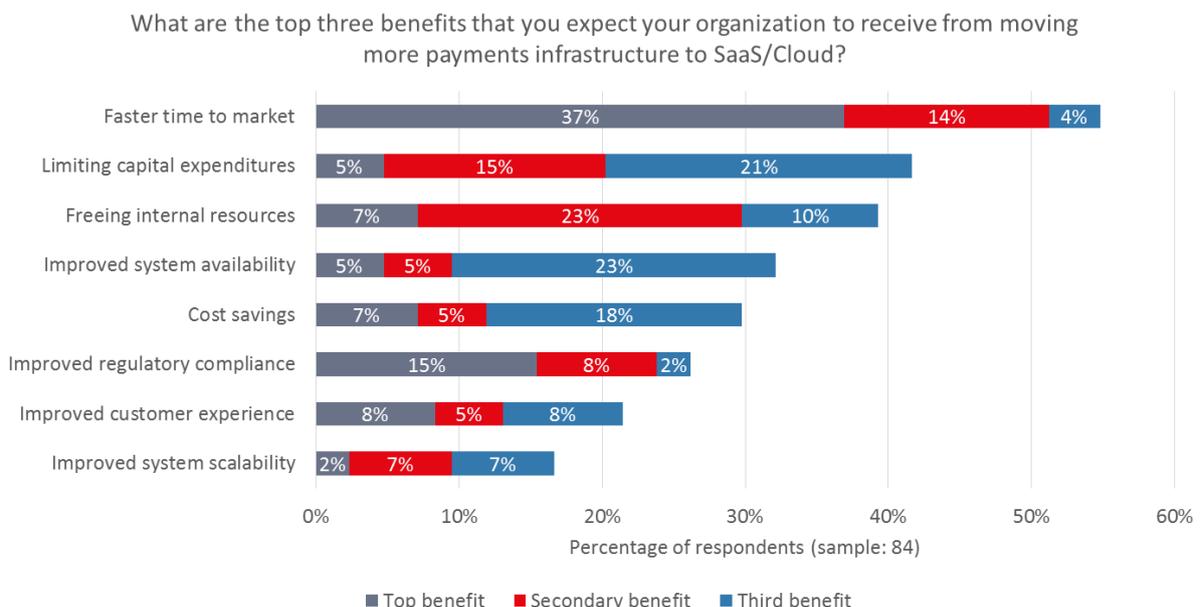
Source: 2017 Ovum Global Payments Insight Survey

## SaaS/Cloud will improve time to market for billing organizations and this will increase overall competitive pressure

Of those organizations who report they are likely to move part of their payments infrastructure to SaaS/Cloud delivery models, a faster time to market is viewed by 55% as one of the primary benefits of such a move, a significant gap over other perceived benefits. This is followed by limiting capital expenditures (41%), and freeing internal resources (40%). Interestingly 25% cited improved regulatory compliance, with 15% viewing compliance the top benefit of SaaS/Cloud. This makes sense in light of the way SaaS/Cloud can help enterprises to free resources to focus on business priorities in large part by relying on vendors to improve their business processes.

The strong focus on being faster to market via SaaS/Cloud will inevitably give these organizations greater scope for innovation in creating new means to pay and engage with consumers. This speed, and hence ability to innovate is likely to lead to benefits for organizations who are capable of reaching customers in new ways, and in turn this will add to overall competitive pressure on payments for billing organizations. As customer expectations shift, organizations of all types will need to be more agile and maneuverable in meeting this expectations and SaaS/Cloud payments will play a key role in enabling this.

**Figure 9: Faster time to market is perceived as the greatest benefit of consuming payments software via Cloud/SaaS**



Source: Ovum 2017 Global Payments Insight Survey

# Methodology

For the 2017 Ovum Global Payment Information Survey, ACI and Ovum created a 23 point questionnaire, looking at the following for key payment players:

- Significant aspects of existing payments infrastructure
- Forecasts for spending
- Areas for investment
- Perceptions of where payments fit within their broader strategic objectives

This digital survey was then sent to key payments decision makers globally in December - January 2016/17, providing a snapshot of payment perceptions amongst financial institutions, merchant retailers scheduled payment-taking organizations such as higher education, consumer finance and insurance.

Overall, this included a total 1,475 executive respondents across 15 industry sub verticals in 25 key global markets, resulting in over 144,000 separate data points on perceptions and expectations of payments amongst critical payment enablers globally.

This paper focuses on the survey findings for billing organizations. Those interested in finding out more detail about the global overview, merchant retailer and financial institution findings are advised to visit [www.aciworldwide.com/paymentsinsight](http://www.aciworldwide.com/paymentsinsight) for further information.

Billing Organization Respondent Breakdown	
<i>Total Respondents</i>	<b>150</b>
Sub-verticals surveyed	
Billing Organizations	
<i>Higher education</i>	
<i>Insurance (personal, insurance, auto)</i>	
<i>Consumer finance (e.g. automotive loans)</i>	
<i>Government (includes municipal utilities)</i>	
<i>Healthcare services</i>	
<i>Utilities (investor owned, private)</i>	
Example Respondent Titles	
<b>Director, Global Corporate Payments, Chief Operations Officer, Finance Director, Revenue Manager, Owner, etc.</b>	

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## Ovum Consulting

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