

Developing a Strategy & Business Case for Online Collections

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Payments 2003

{ Presentation Overview

- Building the Business Case
- Researching Alternatives
- Public Opinion Poll
- Developing the Strategy
- US Market Solutions
- Conclusions

{ Building the Business Case– Background

- Receiver General acts as the cash manager for the Canadian Government
- Provides service to 92 departments and agencies, 8 provinces, 3 territories, and the Bank of Canada
- In the fiscal year ending March 31, 2001
 - \$575 billion (Canadian) inflows
 - \$575 billion (Canadian) outflows
 - 225 million outgoing payments; 61% electronic
 - \$300 billion revenue collected; 15% electronic
 - 2.5 million foreign payments in about 200 countries

{ Building the Business Case- Background

- Cost of providing outgoing payment services to government departments:

	1995-1996	2001-2002
Number of payments	190 million	210 million
Unit cost of postage	40¢	48¢
Total Cost	\$117.6 million	\$78.6 million
Cost per unit	62¢	37¢

- Now want to reduce cost of incoming payments

{ Building the Business Case- Mandate

- Canadian Federal Government has introduced *Government Online*, an initiative to make key government services available on the Internet by 2005
- *Receiver General Buy Button* is being offered to government departments to facilitate payments over the Internet. It will:
 - become the standard for all online federal government collections
 - reduce costs of development for user departments
 - standardize the interface for the Canadian public paying the government online
 - be available for use by other levels of government in Canada

{ Building the Business Case- RGSB Facility

- Phase I of RGSB was introduced in April, 2002
 - provides standard interface & secure storage of credit card info
 - functionality for processing credit card transactions
- Now moving to a more secure infrastructure that will house all Government of Canada online services
- RGSB is considering other payment alternatives:
 - real-time payment from a bank account
 - online debit authorization
 - Internet/Debit Card kiosk
 - PC Banking
 - large value online payments

{ Researching Alternatives

- PWGSC split the research into two components:
 1. payments over \$5,000
 - Majority originated by business
 - high value, low volume transactions
 2. payments under \$5,000
 - originators are both businesses and consumers
 - generally, 80% of payments are for < \$5,000

{ Researching Alternatives– Payments over \$5,000

- Requirements:

- must be a cost-effective solution (I.e. lower cost than credit card)
- unique transaction identifier for reconciliation and audit
- customers initiate payments from deposit accounts, using Internet application
- real-time authorization and confirmation to customer and government
- secure solution with privacy and data integrity

{ Researching Alternatives– Payments over \$5,000

- Solution:

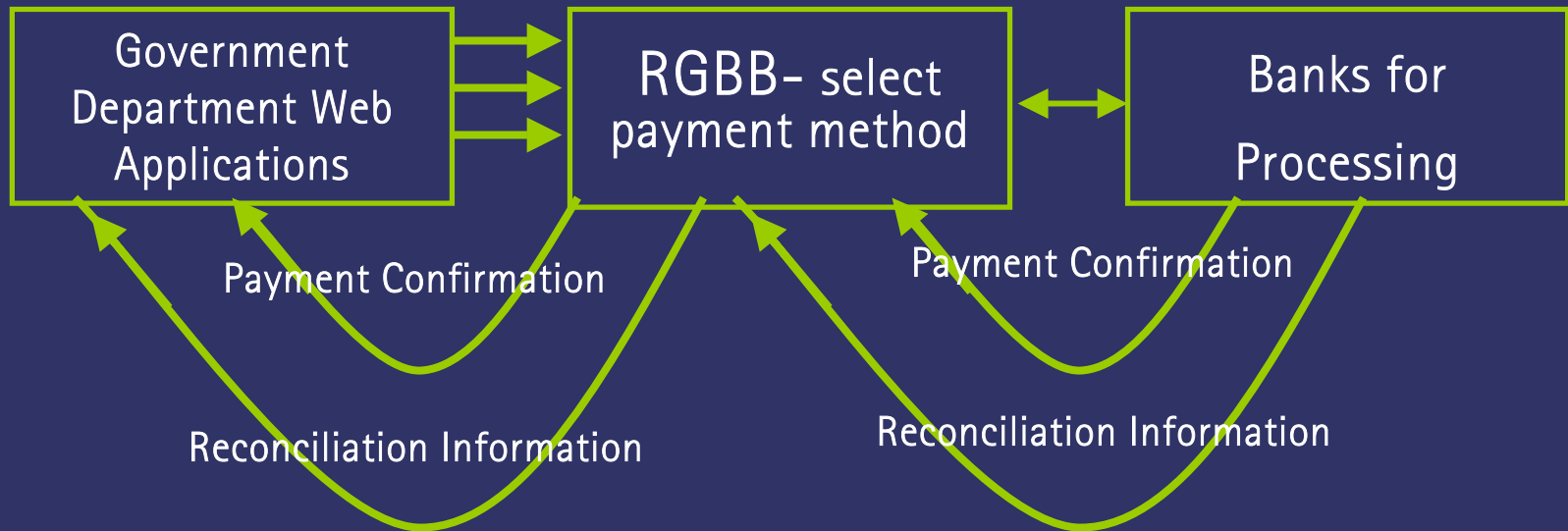
- does not currently exist in the market
- will need to be built in co-operation with banks, by modifying existing pieces of infrastructure, such as
 - RGBB facility
 - online banking and payment systems
 - national payment settlement mechanisms
 - governments' and banks' security infrastructure
 - EDI remittance information facilities
 - EIPP facilities

{ Researching Alternatives– Payments under \$5,000

- Requirements:
 1. Originators can be both businesses and consumers
 2. Payments with or without a pre-existing invoice
 3. Solution must be secure and private
 4. Reconciliation information must be provided
 5. Easy, convenient, accessible, and low-cost
 6. Same day credit to government, preferably with finality
 7. Real-time priority
 8. Other currencies

{ Researching Alternatives- Payments under \$5,000

- RGBB Architecture:



{ Researching Alternatives– Payments under \$5,000

- Research was done to understand solutions available within 2004 timeframe, that met defined requirements
- Meetings and conference calls were held with
 - major banks in Canada
 - leading solution providers
 - leading payment processors
- Solutions were identified and analysed according to how well they met the requirements

{ Researching Alternatives– Payments under \$5,000

- Solutions fell into 3 main groups:
 - A. Ad hoc, online payments
 - B. Internet-initiated PADs
 - C. Online bill payments
- Other solutions were offered which did not meet requirements
 - timing of availability
 - incomplete solutions
 - solution partners not yet on board

{ Researching Alternatives– Payments under \$5,000

- Option A- Ad hoc, online payments
 - Summary of Characteristics:
 - immediate confirmation of funds to government
 - integrates easily to RGBB
 - credit-push model guarantees finality of payment
 - merchant not required to verify customer's banking info
 - Market Solutions:
 - e-mail money transfer
 - electronic purse
 - Internet/Debit Card Kiosk

{ Researching Alternatives– Payments under \$5,000

- Option B- Internet-initiated PADs
 - Summary of Characteristics:
 - requires customers to pre-register before making payments
 - debit payment finality subject to clearing rules
 - can be integrated to RGBB
 - may require e-merchant to hold or verify customer's banking info
 - Market Solutions:
 - a number of proprietary online PAD initiation solutions

{ Researching Alternatives- Payments under \$5,000

- Option C- Online bill payments
 - Summary of Characteristics:
 - stable product in market, offered by most banks
 - credit-push solution provides finality of funds
 - doesn't offer variable transaction reconciliation info
 - does not integrate with RGBB
 - e-merchant need not verify customer banking info
 - Market Solutions:
 - Bank-facilitated online corporate tax payment service
 - EBPP, EIPP
 - e-banking bill payments, telephone banking payments

{ Researching Alternatives– Other Issues

- Ahead of the Market
 - shopping for solutions which are still evolving in market
- Bank Market Segmentation
 - consumer versus corporate payment solutions
- Recourse
 - if finality is required, should choose credit push!
- Reclaiming Erroneous Payments
 - need to define process for customers
- Privacy Legislation
 - need to ensure solutions conform

{ Public Opinion Poll

- **Purpose**

- to confirm the public's use and comfort with internet applications and payments (both federal and provincial)
- to determine the public's key issues and drivers for internet use with governments

- **Approach**

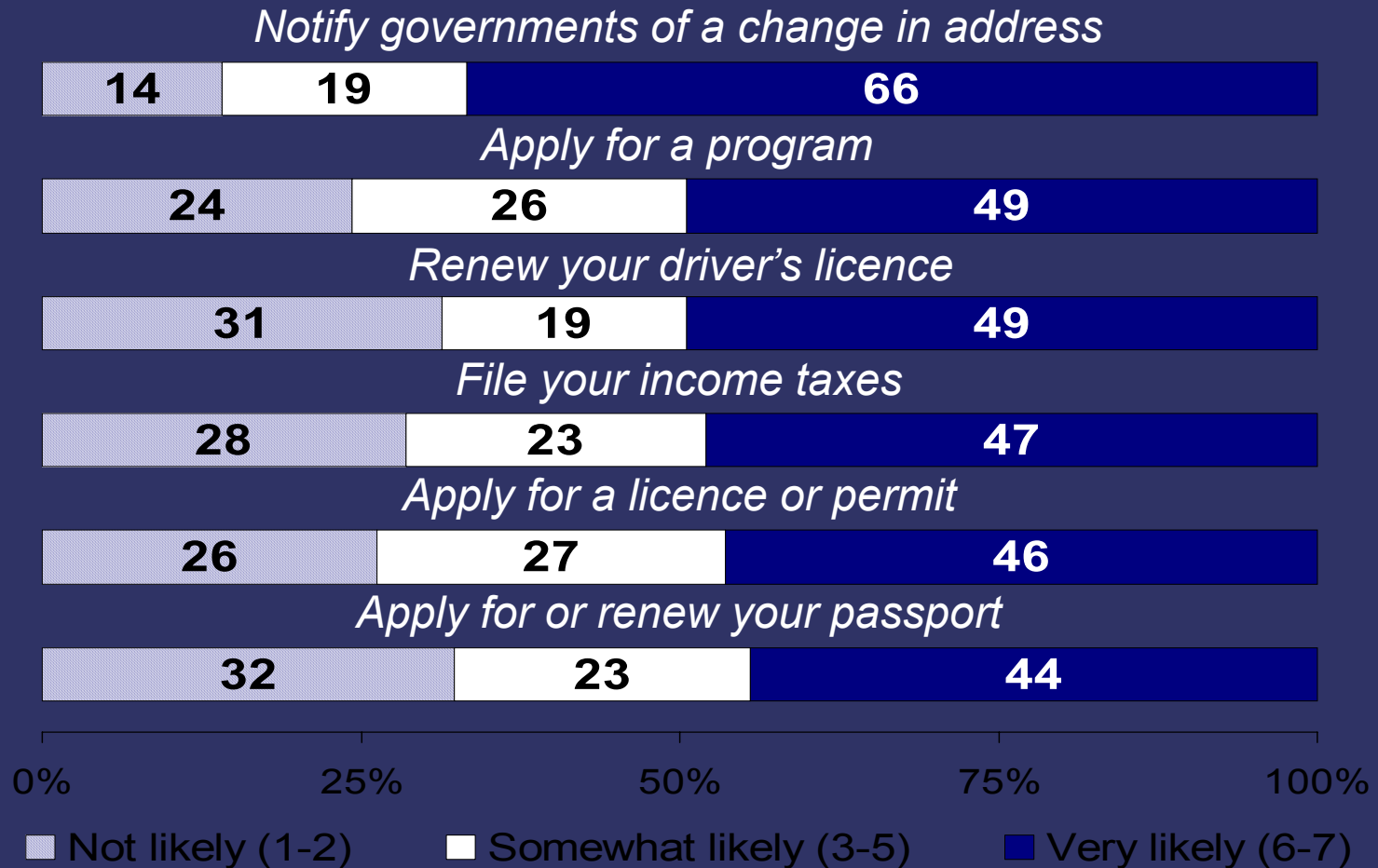
- national telephone survey with a random sample of 1500 Canadians, 18 years and older
 - only those with Internet access and recent interaction with government invited to participate
 - Interviews conducted between Feb 20, and March 4, 2003
- Survey examined opinions on internet use, comfort, security issues, internet banking & payment options

{ Public Opinion Poll- Key Findings- Comfort

- Key drivers of comfort in transacting with the government on the Internet are:
 1. trust in government to ensure security of transaction
 2. convenience & positive experiences with on-line transactions
- Discomfort driven by:
 1. basic mistrust of on-line payments in general
 2. insertion of third party processor scenario
- Respondents' broader priorities for on-line payments show that privacy and security trump convenience and choice

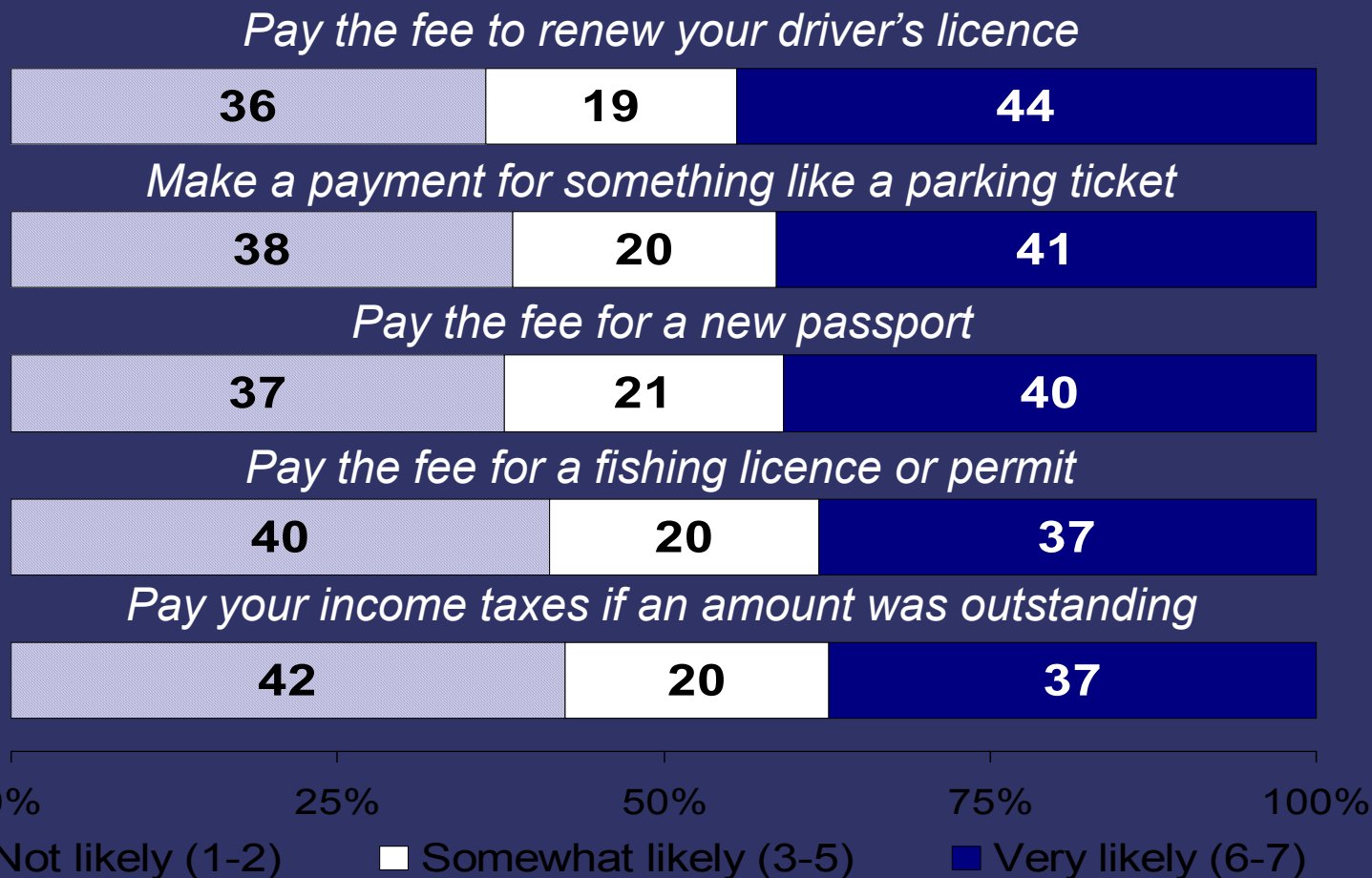
Public Opinion– Accessing Government Over the Internet

Q: If you had the choice, how likely would you be to do the following activities with governments over the Internet assuming proper security measures are in place?



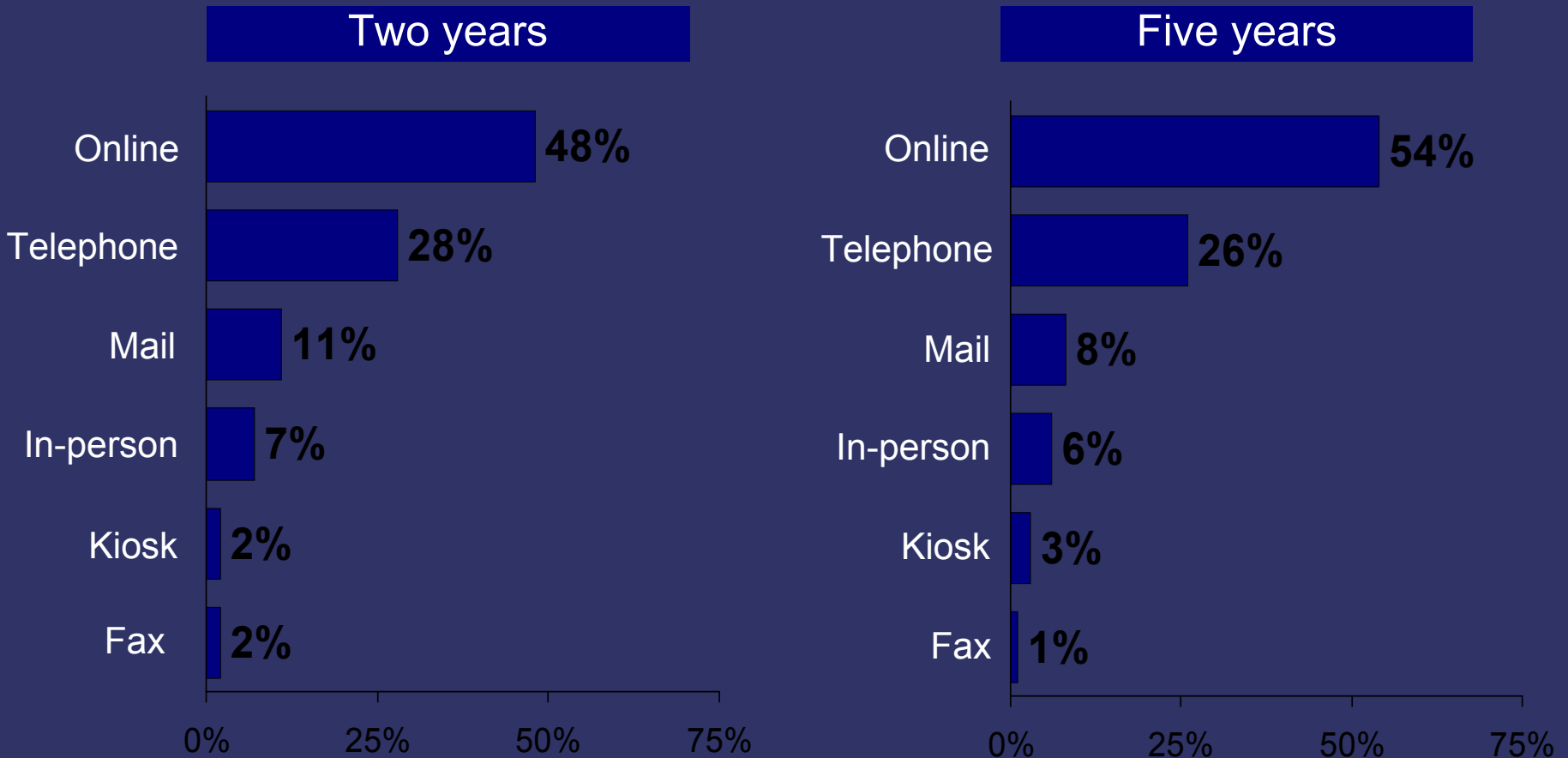
Public Opinion– Paying Government Over the Internet

Q: If you had the choice, how likely would you be to do the following activities with governments over the Internet assuming proper security measures are in place?



Public Opinion: Expected Method of Contact with Government

Q: Thinking about <two years/five years> from now, what do you think will be your main method of contact with the Government of Canada?



{ Public Opinion Poll- Key Findings- Payments

- Internet Banking is a key driver:
 - 45% of respondents bank online; 94% are satisfied
 - 70% of them comfortable going directly from government site to bank site for payment
- 35% comfortable with debit cards online - same as credit cards
- Significantly more comfort with secure kiosks (48%) and bank websites (46%) than with a third party (28%)
- Comfort levels with payments are independent of dollar value & level of government

{ Developing the Strategy: Where to from Here?

- **Conclusions from research:**

- Public is divided on acceptance of online payments
- Payment solution must be tied to bank offering to gain consumer acceptance

- **Next Steps:**

- Develop & finalize RGBB strategy
- Select solution(s) based on research and requirements
- Work with banks to find solutions to meet government requirements and address public's concerns around privacy, security & technology
- Implement & run pilot(s)
- Full service launch

{ US Market Solutions

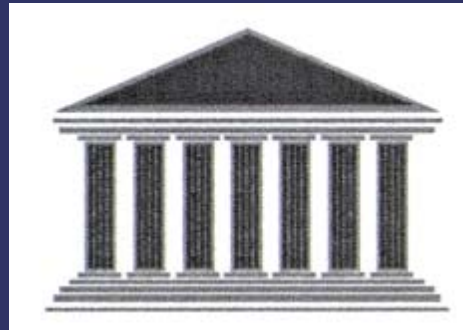
Electronic Bill Payment & Presentment

The biller sends an electronic invoice to the consumer;
The consumer authorizes the payment

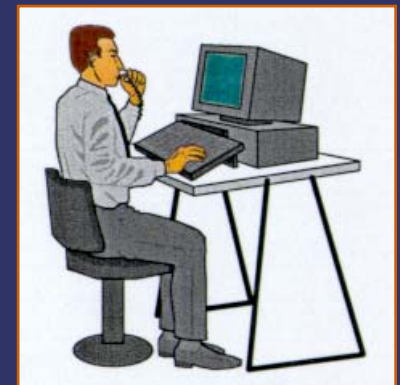
Biller Sends Bills



Concentrator



Consumer Pays Bill



{ US Market Solutions

What do Consumers Want?

Control over when/how they make payments

- Multiple Payment Options
- Multiple Payment Types
- Ease of Use
- Availability
- Economy
- Security

{ US Market Solutions

What do billers – government and commercial - want?

- Accelerate Collections
- Improve Efficiency
- Reduce Paper Lockbox Costs
- Simplify Remittance Processing

{ US Market Solutions

Where do the twain meet?

On the Internet



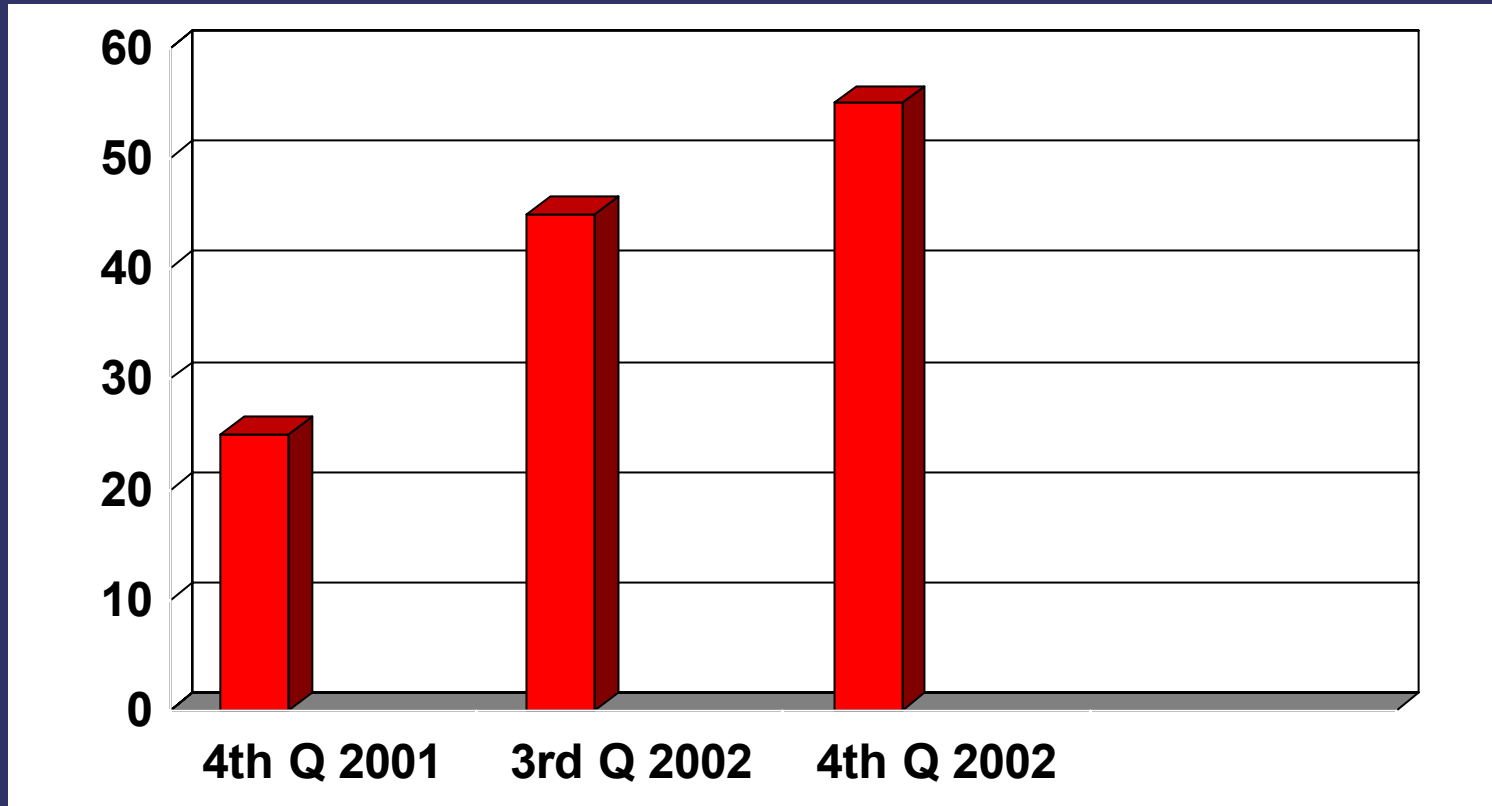
{ US Market Solutions

WEB

- NACHA Standard Entry Class Code for Internet-Initiated Single Entry ACH Debits

{ US Market Solutions

WEB Transaction Growth (In Millions)



{ US Market Solutions

WEB Acceptance

- Average payment transaction - \$238.00
- Significant portion of WEB transactions are initiated to pay bills, particularly
 - Mortgages
 - Credit cards

Source: NACHA

{ US Market Solutions

WEB Issues

- No real-time authorization mechanism
- 60-day right of re-credit / return
- Batch settlement
- No match between name and account number
- Lack of standardized account number structure

US Market Solutions

OPS Alternative to Full EBPP

PCI
Preferred Credit, Inc.

Your Partner in Success!

Help Contact Us

Name: **John Kolar** Account Number: **00263616** Email: **john.g.kolar@wellsfargo.com**

Make a Payment
View Payments
Update Preferences
Set Up Autopay
Log Off

Online Payments
Powered By

Make A Payment

To make a payment, please enter the following information:

Payment Amount \$

Payment Date*
(mm/dd/yyyy)

Payment Method
[Add](#) | [Delete](#) A Payment Method

* If the payment is on the current day, or falls on a weekend or holiday, it will be moved to the next payment processing date.

Add A New Payment Method

To add a checking account as a payment method, please complete all of the information below. For more information, please click on the help link next to each item.

Checking Account	
Financial Institution <input type="text"/>	Payment Method Description (help) <input type="text"/> (example: My Wells Fargo Checking Account)
Routing Number (help) <input type="text"/>	Account Number (help) <input type="text"/>

[Service Agreement](#) | [Privacy Policy](#)
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➤ Place a “Payment” link on your Web site

➤ The Payment link is directed to a bank-hosted payment page branded with government/business Web site look and feel

➤ User is prompted to enter identifying information and initiates either ACH or credit card payment, as available

{ Conclusions

- Internet commerce is growing
- Online payments is the first step
 - Consumer gains comfort level with online payments
 - Biller learns consumers' online habits and feedback
- Segue to EBPP
- Opportunities for EIPP & other solutions to address corporate market



Questions?

Feel free to follow up:

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