



Getting Paid – Accepting Online Payments May be Getting Easier for Rural Utilities

Not so many years ago, customers wanting to pay their water bill had just a couple of options. They could hand-deliver their payment to a drop box located, in many cases, right in front of City Hall. Or they could send a check in the mail. End of story.

As electronic technologies have evolved, however, the number of possible payments options has ballooned. Depending on the utility, customers today are sometimes offered a half-dozen or more ways to pay their bills. In addition to face-to-face and mail options, they can often choose among:

- ◆ **ACH (Automated Clearing House)** – By completing a simple authorization form and providing a voided check, customers can arrange to have their bank account automatically debited prior to their bill's due date.
- ◆ **Online bill pay** – Customers may set up an account with their utility and pay online with a credit or debit card.
- ◆ **Auto pay** – For added convenience, they can sign up to have their credit or debit card automatically debited prior to the invoice's due date.
- ◆ **Payment over the phone** – Customers can call the utility to make a credit or debit card payment over the phone.
- ◆ **Online banking bill pay** – If their bank offers online bill payment services, they can arrange for their payment to be sent automatically through the bank.
- ◆ **Mobile bill pay** – In some cases, customers can now make payments using their smart phones and other mobile devices.

Smaller utilities have generally been slower to expand their payment processing menu than most of their big-city counterparts. It's not that they aren't interested. Web- and card-based payment systems demonstrate a utility's accessibility. They allow customers to make payments wherever they are and with the payment method that is most convenient for them.

Just as importantly, these new electronic options can help utilities gain faster access to customer payments, while building more predictable cash flow. Customers who arrange for automatic, recurring credit or debit card payments don't require payment reminders or delinquency notices, helping save administrative time as well.

Time to take a second look

Still, some utilities cite costs, compliance concerns and convenience fee issues as reasons for not making the leap to electronic payment processing.

What these utilities may not realize is that these hurdles may no longer be as great as they once were. Other utilities may be incorrectly or under-utilizing these alternative payment approaches. That's why now is a good time for all utilities to give them a second look.

For example, credit card companies, including both Visa® and MasterCard®, are currently seeking to increase credit card acceptance in what they call "emerging markets" – places that haven't traditionally taken credit cards. That includes schools, government agencies and utilities – organizations that are more likely to take payments online than face-to-face. Their Emerging Market programs are now making card use in these

environments easier and more affordable.

Likewise, some utilities may believe they cannot accept debit card payments online because they lack the capability to process the cards' PIN numbers securely. The reality is, it is now possible to process bank-issued debit cards online or over the phone without a PIN validation – making it a "pin-less payment." The benefit: the transaction costs can be substantially below those processed on credit card networks.

Utilities that are reluctant to process payments online because of regulatory concerns related to convenience fees may benefit from learning more about the latest rulings in this area. Involving a third-party vendor which processes payments on a merchant's behalf is a possible solution. A banker or other related professional should be able to custom-design a solution that meets a particular utility's needs.

The bottom line? Finding safe, secure and convenient electronic payment solutions may be easier – and less costly – than some utilities think. Now is a good time to find out.

Interested in learning more?

Additional information on payment processing solutions is available at www.commercebank.com/commercial/merchant-services/. You can also call Dan Manson at 316-261-4819.

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