



THE CONSUMER'S
RIGHT TO CHOOSE

Case Study

Direct Mail vs E-Billing

A Danish company called Natur-Energi took on a challenge to create a better communication tool that would increase the number of invoices paid on time.

Natur-Energi is dedicated to locating, generating and delivering simple and effective energy supplies and solutions that result in lower CO² generation. Their customers are, for the most part, private small and medium-sized companies who are committed to CO² reduction.

According to an article in the August 2013 issue of Fresh Data (an online resource from Data Services), a case study details how Natur-Energi decided to test whether switching to paper invoices with a new population of customers would improve the speed of payment.

OBJECTIVE

The study's objective was to establish what effect digital invoicing has on customers and whether switching to invoices sent via physical mail could improve the on-time delivery of payments with those customers.

Secondly, the campaign would investigate whether digital invoices were cheaper than physical mail in regard to overall operational costs.

METHODOLOGY

A test population group of 2,879 new customers were selected and their behaviour through a two-month billing and payment cycle was carefully monitored. Records were kept of the type of invoice sent, date and medium of the first and second reminders, traffic to Customer Service and date of write-off.

FINDINGS

The study provided evidence that new customers pay the required amount significantly later if they receive their invoices by e-mail, compared to physical mail. Natur-Energi discovered that sending invoices via e-mail actually increased their overall costs.

The survey found that 59% of customers receiving the invoice via e-mail had to be sent a reminder, while only 29% of customers receiving the invoice via mail required a follow-up message.

After the first reminder, the customer helpline workload realised an 80% increase for customers who received e-mail invoices. This created a large strain on the company's customer service telephones, as well as personnel. Only 50% of the customers who received their invoices via e-mail reached out for help. That is to say, 47% of those receiving an initial invoice by e-mail called Customer Service after a reminder and 14.5% of customers receiving an initial invoice via direct mail called Customer Service.



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CONCLUSION

The survey outlines:

- A call to Customer Service was calculated to cost about \$9.73 per call.
- Of these calls, the customers were asked why they had not paid on the first billing. The common responses were that either they had not received the first bill, or ‘maybe it’s in the SPAM folder.’
- 38% of the customers billed electronically cost the company an additional \$9.73, whereas only 14.5% of those billed by direct mail incurred an additional cost (50% of 29%).
- There were non-payers in both groups who failed to pay after a second bill and the management of each of these customers was customer specific and calculated to cost an average of \$11.89.
- It cost the company on average \$3.51 per customer to get paid by paper invoice and \$6.21 per customer billed by e-mail.
- With every new reminder that had to be sent out, costs increased significantly for those customers needing an extra push to make their payment. Natur-Energi experienced by using paper invoices a savings of 42.8% of the associated costs.

“Natur-Energi saved 42.8% using paper billing”

Gert Lund Storgaard, Natur-Energi CFO

Action	E-billing	Direct Mail
Needed a reminder sent	59%	29%
Customer service helpline contact made	80%	14.5%
Cost to company to be paid	\$6.21	\$3.51

Source: Two Sides US, Phil Reibel, President, November 2013