

Consumer Insights

The real cost of paper billing for companies and their customers



Companies that are charging customers who wish to receive paper statements claim the fee is only reflective of the actual transaction cost incurred. Keep Me Posted has analysed the cost of paper billing (printing and postage) compared to the fee charged to the customer and reveals what the real cost is, on both sides of the equation.

THE ACTUAL COST OF PAPER BILLS

For billers

Companies use the argument of an alleged increase of printing and postage costs to justify starting to charge for paper bills and statements. Keep Me Posted highlights that, in fact, printing costs over the past five years have decreased year on year. In addition to this, Australia Post prices over the past five years have only increased by \$0.25 per unit.

In Australia, analysis of the market of major mail users found that cost per unit equates to \$0.88 for a standard bill or \$1.02 for a personalised marketing style invoice, far from the costs currently being demanded from customers: AGL \$1.75, Dodo \$2.20, Energy Australia \$1.69, First Energy \$2, Foxtel \$2, iinet \$1.49, Origin \$1.75, Telstra \$2.20, Vodafone \$2.20, etc.

For their customers

An Australian household receives an average of 7 to 8 invoices per month with an average cost of \$2 per bill, this equates to \$180 per annum. Also, fees often apply to non-electronic payment methods and other non-direct debit methods: cheques, Debit or Credit Card, at the Post Office counter, over the biller's counter etc. With a fee that is usually \$1 per transaction, the total cost of "pay-to-pay" is \$270 per household and per year.

The impact year after year on the most vulnerable Australians' finances (the ones that have no choice but to choose paper bills and statements and have to pay for it), is not negligible and represents a real impost on families' budgets.

COST/FEE COMPARISON

AVERAGE COST TO BILLERS TO PRODUCE AND SEND INVOICE



Minimum Cost



Maximum Cost

FEE CHARGED TO CUSTOMERS FROM BILLERS



Minimum Fee



Maximum Fee



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THE REAL COST OF ELECTRONIC BILLING

Additional costs for companies

Research has found that some companies push to move their customers to online statements in order to allegedly cut costs may actually be costing them more than they realise. Indeed, many companies are neglecting end to end costs associated with digital communications.

The Danish company Natur-Energi 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. Consequently, 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. In the end, Natur-Energi experienced a savings of 42.8% of the associated costs by using paper invoices.

Similarly, in 2012, Thomson Reuters interviewed four law firms that had implemented e-billing systems. Each of the four firms reported substantial increase of time spent by staff to manage electronic billing. The additional time ranges from one half of a full-time equivalent (FTE) employee per month to six additional FTEs per month, depending on the size and the complexity of the electronic billing operation.

Also, in 2016, 43% of Australian consumers reported they would even consider changing service providers if asked or forced to move to paperless communication. Companies will need to measure the real cost associated with losing dissatisfied consumers.

The hidden cost for consumers: people follow-up their finances less carefully with e-statements

Research by the London Economics for Keep Me Posted found that:

- People were twice as likely to correctly identify how much money was in their account if they received the statement by post (82% vs 32% who received statements online),
- 75% of those who received a paper statement were able to correctly assess the financial health of their account compared to 48% who received an online statement,
- Those who received paper statements were also better able to spot ways in which to improve their finances, such as reducing spending (90% compared to 77%).
- While many respondents said receiving information in an electronic format helped them manage their finances better, the result of the behavioural test found the opposite was true.

Ultimately, the sum of individual behaviour translates globally with LF Economics reporting that Australia ranks near the top of indebted households in the world.

Sources:

1. PIAA, 2014
2. Keep Me posted, 2016
3. Electronic Consumer Invoicing in Australia, 2013
4. Two Sides US, 2013
5. Thomson Reuters, 2012
6. Two Sides, 2016
7. London Economics, 2014
8. LF Economics, 2016