USER ADOPTION MARKETING:

The Value of Promoting Online/Mobile Payments in Government and Select Market Segments

value
PAYMENT SYSTEMS

Last year, nearly 132 million people filed their federal tax returns electronically, representing 86 percent of all returns filed in 2016. More than 5 million taxpayers used the tax agency's IRS2Go mobile app alone to make payments, a 29 percent increase over the previous year. (Source: www.bankrate.com)

Clearly billpayers (at least federal income taxpayers) show an increasing preference for both filing online and making payments online—a preference that is reflected in taxpayers at the local, state, and federal government levels as well.*

Value Payment Systems (*VPS*) provides a safe and convenient way for government (local, state and federal) to accept electronic payments, offering Child Support and Utilities payment programs, plus payment solutions for educational institutions and other non-government market segments.

This paper describes the company's experience in promoting user adoption of online payment options.

Though the appetite for online/mobile payment in the government sector is very much in evidence— for agencies at all levels, as well as among billpayers—simply supplying the means of payment (a website portal) does not translate to usage, not beyond a predictable initial acceptance rate.

The offer of an online/mobile payment option, *unaided* by a strategic marketing program, yields a user adoption rate that is significantly less than the user adoption rate when an aggressive, multi-channel marketing program is deployed in support of the offering.

Successful user adoption marketing programs are professionally designed and timed to the client's payments-due calendar. They are easily scalable and flexible enough to fit each client's comfort level with promotional efforts. Often government agencies do not have the experience, resources, or promotional mindset to plan and execute marketing communications efforts. The service provider should offer everything the government client needs to promote their online/mobile payment service.

The *value* of an online payment option—for *both* client and service provider—is in growing user adoption. User Adoption Marketing, through partnership in particular with government clients, is the best path to growing usage.

* Note: *VPS* has a leading presence on the U. S. Treasury website, "Direct Pay" portal. The contractual agreement with the Treasury Dept. limits all promotional efforts by online payment providers.

The Challenge: Create Value Through Usage

For an online payment provider, the potential market of any client (a local, state or federal government entity) is measured by the size of the billpayer/customer base. Additionally, the number of different payment types (taxes, fees, licensing, etc.) broadens the appeal of a provider's service offering, thereby increasing potential usage.

For service providers, the measures of *market penetration* are the number of users, transaction volume, and the total dollar-amount of these transactions processed through the system. Higher transaction volume and larger payment amounts mean increased revenues. Both are influenced by user adoption.

For clients, higher transaction volume means more savings in payment processing efficiency. User adoption is main driver of growth.

There are two key concepts here: *usage and value*. Driving customer usage is the challenge for online payment providers. Increased billpayer usage, and usage for larger dollar-amount payments (property taxes vs. dog licensing, for e.g.), is the source of value. For the government client, increased usage for all payment types and dollar-amounts is the source of value.

User Adoption Marketing provides the best path to extracting value from the service provider/client relationship.

## Customer Awareness and User Adoption Marketing

Putting a payments program in-place—that is, offering an online/mobile payment option—typically results in an "organic" user adoption rate of 1 - 3% (Source: VPS)

Moving that organic adoption rate depends on marketing and promotional efforts that first, increase awareness among existing and prospective billpayers and second, promote convenience as an advantage for users. *VPS* has developed and deploys a number of flexible promotional programs to convert billpayers from traditional payment options (checks and cash) to online payment options (debit/credit/e-check, digital wallet).

State Child Services Agency and User Adoption Marketing

In 2014, VPS supplied on-site marketing packages to a Child Services department in a mid-western state with over 6.5 million residents (2017 estimate). The packages consisted of posters and business card handout in support of Department's online/mobile payment option, as shown below.
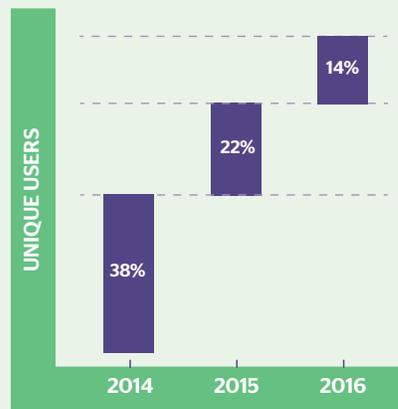
The initial data-point (2014) shows the percentage increase of unique users from client boarding--before any marketing campaign was put into action--vs. at the initial deployment of the VPS marketing package. Each data-point thereafter shows unique user growth from one user adoption marketing campaign to another.

The initial data-point (2014) shows transaction volume and dollars processed when backed by a marketing campaign. Subsequent data points show the growth of volume and dollars processed when aided by strategically timed user adoption marketing campaigns.
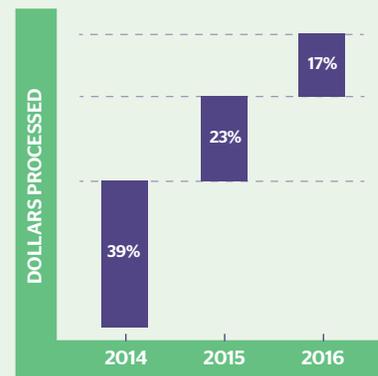
All promotional programs are aimed at increasing user adoption. And all are available (from *VPS*) at no cost to the client.

For clients, the more billpayers and the more transactions entering the online payment system mean realizing increased benefits from processing efficiency—whether through high-volume, low-dollar amount payment transactions (citations, monthly utility bill), or lower-volume, higher dollar transactions (property taxes). Online payment services tend to elicit more *timely* payments, a significant advantage for government clients.

The mix of recommended user adoption promotional strategies and campaigns may differ from client to client. But encouraging customers to make one type of online payment can encourage them to make other types of payments. (A good experience with online fishing license renewal can lead to online property tax payment.) Cross-marketing or overlapped marketing of payment types can work towards the same end—*increasing user adoption*.

Transaction Volume and Dollars Processed: Large County Government

The tax assessor's office for a fast-growing county in the Southeast (900,000 residents, 2016 population estimate) set a goal in 2012 to increase online payment for property taxes. The county was boarded as a VPS client in the same year. Property taxes are due in October.

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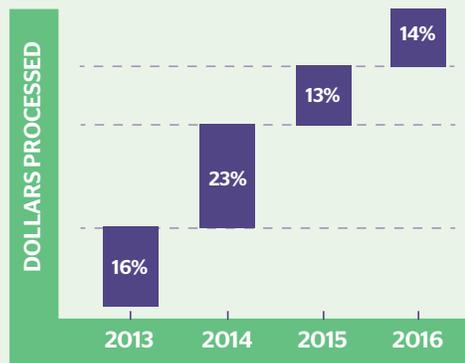
In September 2013, VPS initiated a customized, in-office marketing campaign for the County. The County tax assessor's office used a combination of promotional materials: handouts to taxpayers, counter mats placed throughout the office, and banners.

The growth of promoted online payments vs. payments unaided by promotion. The incremental growth of online payments supported by regular timed promotion is displayed here at multiple data points.

User Adoption Marketing: Materials and Strategies

Effective user adoption marketing is dependent on creating a flexible and scalable package of targeted campaign programs, by payment types, that service providers can offer and clients can choose among.

VPS employs a full-service, in-house marketing team to develop marketing packages that can be customized to individual client needs, and put into play quickly to coincide with important payment dates on a client's calendar. Ready-to-go marketing campaigns include digital packages of mailers and on-site materials: inserts and business card-sized handouts, posters, counter cards, window clings, and sticky notes. Production costs are held down by the (digital) flexibility and genericized nature of the materials.

VPS has found that user adoption programs, employed by an engaged client, can yield an adoption rate of 8 - 12%, an increase of multiples over the organic adoption rate where no promotional efforts are employed.

Growing the user adoption rate—and additionally, converting users into repeat users—results in value, both to the client as well as the service provider.

User Adoption Marketing: A Kit for "Shared Clients"

A standardized marketing kit that service providers can put into

their clients' hands is the best way to clearly show clients their options (the constituent parts of a campaign to increase user adoption). The kit also functions as a strong incentive for participation in a user adoption marketing campaign.

A co-branded marketing kit, created in conjunction with a software partner, can be a very effective way to jump-start user adoption for a new client. A software partner is a third-party provider of billing data management services for a city or county: parcel information (for property taxes), citations, court billings, child support, etc.

The sidebar here illustrates the effectiveness of a co-branded marketing effort to increase user adoption.

While software partners handle the billing data, a payments company provides the payment mechanism and remits payment confirmation to the payer as well as the client and the partner.

Conclusions

For both government and non-government clients, as well as their service providers, the challenge of online/mobile payment options is to move beyond awareness and initial capture of users, to significantly increasing users, transaction numbers, and dollars processed through the payment system.

"*PowerPack:*" a Sample Marketing Kit

In the fall of 2014, *VPS* released a co-branded marketing kit, *PowerPack*, consisting of campaign materials for on-site and online digital and print promotional materials, including: printed posters (11" x 17" and 8.5" x 11"), window clings, sticky notes for bills or statements, and business card-sized handouts.

VPS has several software partnerships around the U.S. Briefly examined here, is a case where *VPS* created a co-branded marketing kit to send to all clients they shared with a particular partner. *VPS* and this partner share approximately 40 clients with an annual processing volume of nearly $50,000,000.

For three years, *VPS* sent *PowerPack* marketing kits each year to shared clients.

Transaction Volume (for *PowerPack* shared clients)

It should be noted that leveraging its relationship with partners—that, in most cases, have established, long-standing relationships with a government client—helped *VPS* produce the dramatic increases in transaction volume (as shown to the right.) Working with "shared clients" may be considered a special case of user adoption marketing.

TRANSACTION VOLUME

66% (2014) • 39% (2015) • 22% (2016)

66% increase in transaction volume in the first year
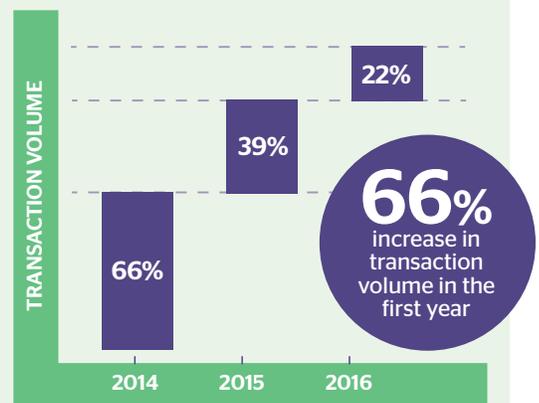
The initial appearance of the *VPS PowerPack* produced a large jump in transaction volume, while subsequent years yielded substantial volume increases.

The value proposition is two-way: the client gains processing efficiency and timely receipt of payments, and the service provider gains revenues through increased usage.

No-cost to the client, ready-to-implement user adoption marketing campaigns, guided by strategic thinking, have no downside. The advantages are quantifiable and self-evident in the growth rate of user adoption achieved with marketing support.

For the billpayer/customer, the marketing appeal is always the same: convenience, at a very reasonable fee.

User adoption marketing programs—in-house developed by a knowledgeable team who creates customizable campaigns—is a proven path to realizing the goals of both clients and payment service providers.

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